

**CITY OF BURKBURNETT, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**



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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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*Financial Section*



## 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, 2015, 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, 2015, 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 3 through 10 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, 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.

Wichita Falls, Texas  
January 29, 2016

**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, 2015. 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, 2015:

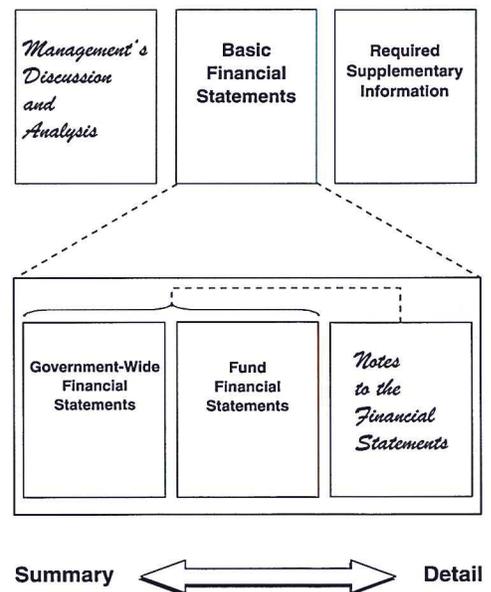
- The City’s assets exceed its liabilities at September 30, 2015, by \$11,570,095 (net position). Of this amount, \$2,207,477 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors in accordance with the City’s fund designation and fiscal policies.
- During the year, the City’s total net position increased by \$193,672. The increase is largely due to increases in the City’s charges for utility services and general revenues.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balance of \$4,706,162. Of the fund balance, \$3,162,177, or 67%, is available for spending at the government’s discretion (unassigned fund balance).
- As of September 30, 2015, unassigned fund balance for the General Fund was \$3,264,654 or 54% 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**



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>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
<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	
	2015	2014	2015	2014	2015	2014
Cash and cash equivalents	\$ 1,698,179	\$ 1,673,212	\$ 533,131	\$ 533,103	\$ 2,231,310	\$ 2,206,315
Receivables	674,913	767,152	668,149	511,478	1,343,062	1,278,630
Internal balances	1,868,672	1,889,531	(1,868,672)	(1,889,531)	-	-
Restricted assets	1,801,099	3,914,349	1,016,922	1,932,790	2,818,021	5,847,139
Capital assets, net	14,932,711	13,261,881	8,960,002	8,527,556	23,892,713	21,789,437
Other assets	5,381	5,572	76,150	101,589	81,531	107,161
<b>Total assets</b>	<b>20,980,955</b>	<b>21,511,697</b>	<b>9,385,682</b>	<b>9,716,985</b>	<b>30,366,637</b>	<b>31,228,682</b>
Total deferred outflows of resources	294,982	-	79,363	16,040	374,345	16,040
Current liabilities	775,326	961,202	300,235	314,294	1,075,561	1,275,496
Long-term liabilities:						
Due within one year	706,148	747,217	452,791	417,736	1,158,939	1,164,953
Due in more than one year	10,074,941	9,535,028	6,861,446	7,091,964	16,936,387	16,626,992
<b>Total liabilities</b>	<b>11,556,415</b>	<b>11,243,447</b>	<b>7,614,472</b>	<b>7,823,994</b>	<b>19,170,887</b>	<b>19,067,441</b>
<b>Net position</b>						
Invested in capital assets,						
net of related debt	5,222,754	5,207,022	2,614,237	2,705,347	7,836,991	7,912,369
Restricted	1,236,938	1,207,289	288,689	285,856	1,525,627	1,493,149
Unrestricted	3,259,830	3,853,939	(1,052,353)	(1,082,176)	2,207,477	2,771,763
<b>Total net position</b>	<b>\$ 9,719,522</b>	<b>\$10,268,250</b>	<b>\$ 1,850,573</b>	<b>\$ 1,909,031</b>	<b>\$11,570,095</b>	<b>\$12,177,281</b>

- *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

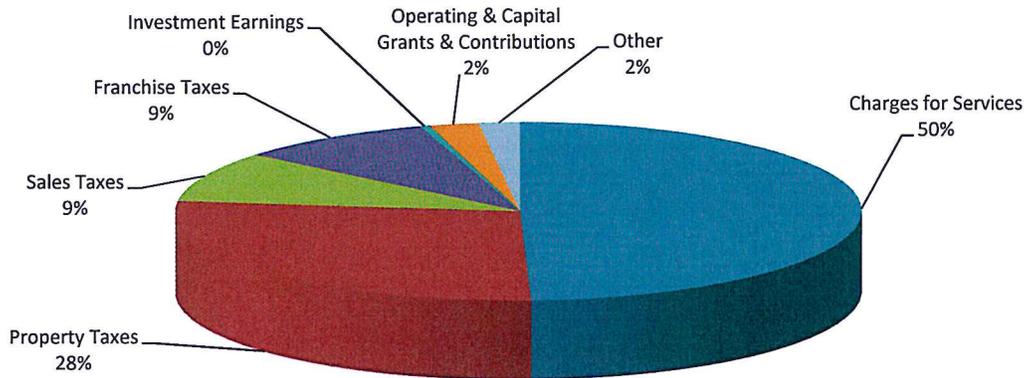
**Net position.** The City's combined net position was \$11,570,095 at September 30, 2015. (See Table A-1) The \$2,207,477 of unrestricted net position at September 30, 2015, represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources. The restricted net position is required to be set aside for long-term debt and other program purposes.

Governmental activities increased the City's net position by \$108,056. Net investment in capital assets for governmental activities increased by \$15,732, while unrestricted net position decreased by \$594,109, or 15%.

Net position from business-type activities increased by \$85,616, or 5%. This increase is primarily due to the intra-government capital contributions of \$208,701.

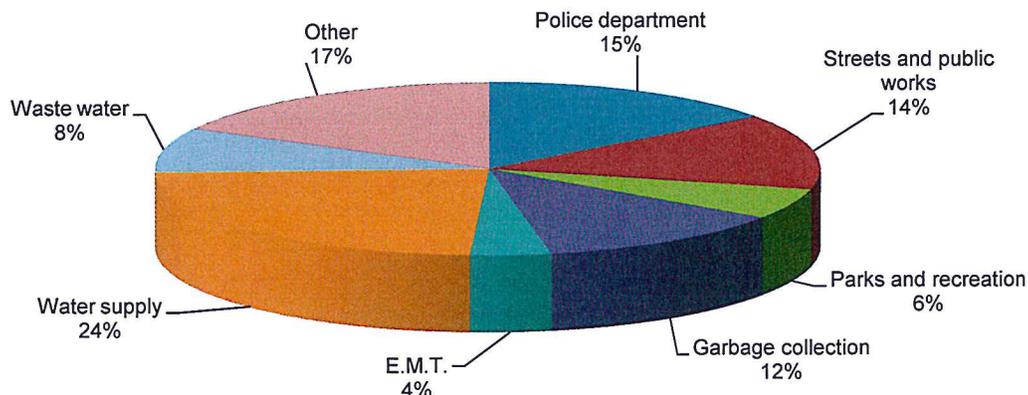
**Changes in net position.** The City's total revenues, both program and general, were \$11,184,625. A significant portion, 50%, of the City's revenue comes from charges for services. (See Figure A-3.) Property taxes provide 28% of the total, sales taxes and franchise taxes each provide 9%, and operating and capital grants combined provide about 2%. Other minor categories provide the remaining 2%.

**Figure A-3  
Sources of Revenue for Fiscal Year 2015**



The total cost of all programs and services was \$10,990,953; 32% 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, 12% for garbage collection, 4% for E.M.T., and 6% for parks and recreation. Other minor categories combined make up the remaining 17%. (See Figure A-4.)

**Figure A-4  
Functional Expenses for Fiscal 2015**



## 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	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$2,120,121	\$1,733,194	\$3,414,660	\$3,049,412	\$ 5,534,781	\$ 4,782,606
Operating grants and contributions	73,665	89,097	-	-	73,665	89,097
Capital grants and contributions	185,833	170,692	-	-	185,833	170,692
<b>General revenues:</b>						
Property taxes	3,076,920	2,855,847	-	-	3,076,920	2,855,847
Franchise taxes	1,030,397	1,006,343	-	-	1,030,397	1,006,343
Sales taxes	1,017,475	1,028,014	-	-	1,017,475	1,028,014
Other taxes	39,036	64,469	-	-	39,036	64,469
Investment earnings	39,652	81,482	9,497	9,053	49,149	90,535
Other	129,226	104,745	48,143	44,112	177,369	148,857
<b>Total revenues</b>	<b>7,712,325</b>	<b>7,133,883</b>	<b>3,472,300</b>	<b>3,102,577</b>	<b>11,184,625</b>	<b>10,236,460</b>
<b>Expenses:</b>						
General government	308,703	264,705	-	-	308,703	264,705
Administration	232,559	230,681	-	-	232,559	230,681
Tax assessing/collecting	39,822	38,843	-	-	39,822	38,843
City hall	283,504	249,056	-	-	283,504	249,056
Police department	1,630,034	1,591,307	-	-	1,630,034	1,591,307
Municipal court	91,964	81,978	-	-	91,964	81,978
Fire department	152,622	145,376	-	-	152,622	145,376
Library	154,689	162,901	-	-	154,689	162,901
Streets and public works	1,543,572	1,465,252	-	-	1,543,572	1,465,252
Parks and recreation	634,770	443,496	-	-	634,770	443,496
Community center	41,086	23,453	-	-	41,086	23,453
Garbage collection	1,358,426	1,359,914	-	-	1,358,426	1,359,914
E.M.T.	431,783	423,242	-	-	431,783	423,242
Community planning	159,855	129,061	-	-	159,855	129,061
Drainage improvement	18,771	40,588	-	-	18,771	40,588
Grant outlay	23,666	57,726	-	-	23,666	57,726
Interest and fiscal charges	389,542	419,979	-	-	389,542	419,979
Water system	-	-	2,579,351	2,824,068	2,579,351	2,824,068
Wastewater system	-	-	916,234	926,767	916,234	926,767
<b>Total expenses</b>	<b>7,495,368</b>	<b>7,127,558</b>	<b>3,495,585</b>	<b>3,750,835</b>	<b>10,990,953</b>	<b>10,878,393</b>
Transfers	(108,901)	(35,300)	108,901	35,300	-	-
<b>Increase (decrease) in net position</b>	<b>\$ 108,056</b>	<b>\$ (28,975)</b>	<b>\$ 85,616</b>	<b>\$ (612,958)</b>	<b>\$ 193,672</b>	<b>\$ (641,933)</b>

Explanations for the large and/or unusual variances between 2015 and 2014 are as follows:

- Charges for services increased by \$752,175, or 16%, with an increase in governmental activities of \$386,927, and an increase in business-type activities of \$365,248. The increase in governmental activities is attributable to the opening of 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.
- Property tax revenues increased by \$221,073, or 8%, which is primarily due to a 5% increase in the City's tax rate and a 2% increase in the City's appraised taxable values.
- Parks and recreation expenses increased \$191,274, or 43%, as it includes the costs of operations for the City's new water park, Boomtown Bay.
- Water supply, distribution, and wells expense decreased by \$244,717, or 9%, as the City was able to supplement the water supply with well water, and therefore decrease the amount of water purchased from the City of Wichita Falls, Texas.

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 \$7,495,368; however, the amount that our taxpayers paid for these activities through property taxes was only \$3,076,920.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$2,120,121.

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

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Police department	\$1,630,034	\$1,591,307	\$1,534,307	\$1,522,534
Streets and public works	1,543,572	1,465,252	1,543,572	1,465,252
Garbage collection	1,358,426	1,359,914	(109,679)	(96,162)
Parks and recreation	634,770	443,496	188,616	358,718
E.M.T.	431,783	423,242	431,783	423,242

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

The City's actual expenditures were \$262,749 below final budgeted amounts, and actual revenues were \$42,614 above final budget amounts.

The most significant negative revenue variance related to non-property taxes, which were \$102,200 or 7% 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 eight departments: general government, administration, tax assessing/collecting, city hall, municipal court, community center, E.M.T, and community planning, by \$25,561, \$5,106, \$5,730, \$21,871, \$10,855, \$8,616, \$5,403, and \$26,463, respectively. These overages 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 2015, the City had invested in a broad range of capital assets, net of accumulated depreciation, totaling \$23,892,713, 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	
	2015	2014	2015	2014	2015	2014
Building and improvements	\$ 811,061	\$ 856,958	\$ 48,932	\$ 52,696	\$ 859,993	\$ 909,654
Aquatic Center	4,424,422	-	-	-	4,424,422	-
Library books	57,338	75,526	-	-	57,338	75,526
Streets and curbs	8,734,326	9,216,772	-	-	8,734,326	9,216,772
Golf course	33,794	45,690	-	-	33,794	45,690
Golf course land	64,000	64,000	-	-	64,000	64,000
Equipment and vehicles	727,995	781,113	190,351	257,934	918,346	1,039,047
Land	79,775	79,775	1,596,655	1,596,655	1,676,430	1,676,430
Construction in process	-	2,142,047	10,100	993,603	10,100	3,135,650
Water system	-	-	5,857,416	4,259,219	5,857,416	4,259,219
Sewer system	-	-	1,256,548	1,367,449	1,256,548	1,367,449
Total capital assets	<u>\$14,932,711</u>	<u>\$13,261,881</u>	<u>\$8,960,002</u>	<u>\$8,527,556</u>	<u>\$23,892,713</u>	<u>\$21,789,437</u>

### Long-term Liabilities

At year-end, the City had \$17,626,749 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$9,005,000	\$ 9,385,000	\$ -	\$ -	\$ 9,005,000	\$ 9,385,000
General obligation refunding bonds	-	-	1,945,000	2,080,000	1,945,000	2,080,000
Notes payable	310,567	400,395	-	-	310,567	400,395
Capital lease payable	294,598	235,101	-	-	294,598	235,101
Water and sewer system revenue bonds	-	-	3,285,000	3,430,000	4,775,000	4,955,000
Tax notes	-	-	1,490,000	1,525,000	4,775,000	4,955,000
Certificates of obligation	-	-	350,000	430,000	350,000	430,000
Compensated absences	120,672	116,732	25,319	24,521	145,991	141,253
Totals	<u>\$9,730,837</u>	<u>\$10,137,228</u>	<u>\$7,095,319</u>	<u>\$7,489,521</u>	<u>\$16,826,156</u>	<u>\$17,626,749</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2015-2016 budget preparation is \$447,238,561, up \$1,606,300, or 0.4% above 2014-2015 values. This indicator was taken into account when adopting the General Fund budget for 2015-2016.

Budgeted General Fund revenues for 2015-2016 are \$6,929,857, which represents a 2% increase of \$161,614, from 2014-2015 actual revenues of \$6,768,243.

Budgeted General Fund expenditures for 2015-2016 are \$6,929,857, which represents a 14% increase of \$833,001 from 2013-2014 actual expenditures of \$6,096,856. If these estimates are realized, the City's budgeted General Fund balance is not expected to change by the close of 2015-2016.

## **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, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burkburnett Development Corporation
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,698,179	\$ 533,131	\$ 2,231,310	\$ 726,282
Receivables, net of allowances for uncollectibles:				
Property taxes	55,583	-	55,583	-
Sales taxes	185,546	-	185,546	61,849
Garbage	241,630	-	241,630	-
Water and sewer charges	-	668,149	668,149	-
Municipal court	178,418	-	178,418	-
Other	13,736	-	13,736	73,000
Internal balances due to/from other funds	1,868,672	(1,868,672)	-	-
Inventory	2,327	76,150	78,477	-
Property held for sale	-	-	-	535,791
Restricted assets:				
Cash and cash equivalents	1,401,099	1,016,922	2,418,021	67,200
Loan receivable	-	-	-	8,750
Due from component unit	400,000	-	400,000	-
Capital assets, net of accumulated depreciation	14,932,711	8,960,002	23,892,713	-
Other assets:				
Other	3,054	-	3,054	-
<b>Total assets</b>	<b>20,980,955</b>	<b>9,385,682</b>	<b>30,366,637</b>	<b>1,472,872</b>
<b>Deferred outflows of resources:</b>				
Deferred loss on refunding	-	14,655	14,655	-
Deferred outflows of resources from pensions	294,982	64,708	359,690	-
<b>Total deferred outflows of resources</b>	<b>294,982</b>	<b>79,363</b>	<b>374,345</b>	<b>-</b>
<b>Liabilities:</b>				
Cash overdraft	-	-	-	19,043
Accounts payable	476,479	41,641	518,120	21,322
Retainage payable	204,039	-	204,039	-
Unearned revenue	42,457	17,085	59,542	-
Accrued interest payable	52,351	34,450	86,801	-
Customer deposits	-	207,059	207,059	-
Long-term liabilities:				
Due within one year:				
Accrued compensated absences	93,226	22,791	116,017	269
Bonds payable	400,000	430,000	830,000	-
Notes payable	165,187	-	165,187	-
Capital lease payable	47,735	-	47,735	-
Due to primary government	-	-	-	50,000
Due in more than one year:				
Accrued compensated absences	27,446	2,528	29,974	-
Bonds payable	8,605,000	6,640,000	15,245,000	-
Notes payable	145,380	-	145,380	-
Capital lease payable	246,863	-	246,863	-
Unamortized premium on general obligation debt	137,317	18,653	155,970	-
Net pension liability	912,935	200,265	1,113,200	-
Due to primary government	-	-	-	350,000
<b>Total liabilities</b>	<b>11,556,415</b>	<b>7,614,472</b>	<b>19,170,887</b>	<b>440,634</b>
<b>Net position:</b>				
Net investment in capital assets	5,222,754	2,614,237	7,836,991	-
Restricted for:				
Debt service	421,661	288,689	710,350	-
Other purposes	815,277	-	815,277	75,950
Unrestricted	3,259,830	(1,052,353)	2,207,477	956,288
<b>Total net position</b>	<b>\$ 9,719,522</b>	<b>\$ 1,850,573</b>	<b>\$ 11,570,095</b>	<b>\$ 1,032,238</b>

The accompanying notes are an integral part of this statement.

**CITY OF BURKBURNETT, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	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	
<b>Governmental activities:</b>								
General government	\$ 308,703	\$ -	\$ -	\$ (276,231)	\$ -	\$ (276,231)	\$ -	
Administration	232,559	-	-	(232,559)	-	(232,559)	-	
Tax assessing/collecting	39,822	-	-	(39,822)	-	(39,822)	-	
City hall	283,504	-	-	(283,504)	-	(283,504)	-	
Police department	1,630,034	95,510	-	(1,534,524)	-	(1,534,524)	-	
Municipal court	91,964	-	-	(91,964)	-	(91,964)	-	
Fire department	152,622	45,305	-	(107,317)	-	(107,317)	-	
Library	154,689	-	-	(150,692)	-	(150,692)	-	
Streets and public works	1,543,572	-	-	(1,543,572)	-	(1,543,572)	-	
Parks and recreation	634,770	28,140	-	(188,616)	-	(188,616)	-	
Community center	41,086	220	-	(30,916)	-	(30,916)	-	
Garbage collection	1,358,426	1,468,105	-	109,679	-	109,679	-	
E.M.T.	431,783	-	-	(431,783)	-	(431,783)	-	
Community planning	159,855	-	-	(159,855)	-	(159,855)	-	
Drainage improvement	18,771	-	-	73,302	-	73,302	-	
Grant outlay	23,666	-	185,833	162,167	-	162,167	-	
Interest expense	389,542	-	-	(389,542)	-	(389,542)	-	
Total governmental activities	7,495,368	73,665	185,833	(5,115,749)	-	(5,115,749)	-	
<b>Business-type activities:</b>								
Water supply, distribution and wells	2,579,351	-	-	-	(289,951)	(289,951)	-	
Waste water treatment	916,234	-	-	-	209,026	209,026	-	
Total business-type activities	3,495,585	-	-	-	(80,925)	(80,925)	-	
Total primary government	\$ 10,990,953	\$ 73,665	\$ 185,833	\$ (5,115,749)	\$ (80,925)	\$ (5,196,674)	\$ -	
<b>Component units:</b>								
Burkburnett Development Corporation	\$ 416,915	\$ -	\$ -	\$ -	\$ -	\$ -	(416,915)	
Total component units	\$ 416,915	\$ -	\$ -	\$ -	\$ -	\$ -	(416,915)	
<b>General revenues:</b>								
Property taxes				3,076,920		3,076,920		
Franchise taxes				1,030,397		1,030,397		
Sales taxes				1,017,475		1,017,475		
Other taxes				39,036		39,036		
Investment earnings				39,652	9,497	49,149	7,521	
Licenses and permits				27,890	-	40,724	-	
Sale of assets				60,612	-	27,890	-	
Miscellaneous				(108,901)	48,143	108,755	17,388	
Transfers				5,223,805	108,901	5,332,706	-	
Total general revenues and transfers				166,541	166,541	5,399,346	364,067	
Change in net position				108,066	85,616	193,672	(52,848)	
Net position - beginning, as restated (see Note L)				9,611,466	1,764,957	11,376,423	1,085,086	
Net position - ending				\$ 9,719,522	\$ 1,850,573	\$ 11,570,095	\$ 1,032,238	

The accompanying notes are an integral part of this statement.

**CITY OF BURKBURNETT, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	General	Debt Service	Capital Projects	Special Revenue	Total Governmental Funds
<b>Assets:</b>					
Petty cash	\$ 500	\$ -	\$ -	\$ -	\$ 500
Cash in bank	396,403	-	-	-	396,403
Certificates of deposit	1,301,276	-	-	-	1,301,276
<b>Receivables, net of allowances for uncollectables:</b>					
Property taxes	55,583	-	-	-	55,583
Sales taxes	185,546	-	-	-	185,546
Garbage	241,630	-	-	-	241,630
Municipal court	178,418	-	-	-	178,418
Other	13,736	-	-	-	13,736
Due from other funds	1,971,149	59,003	608,191	-	2,638,343
Inventory	2,327	-	-	-	2,327
Other assets	3,054	-	-	-	3,054
<b>Restricted assets:</b>					
Cash	774,066	21,661	-	-	795,727
Certificates of deposit and money market	7,386	-	597,986	-	605,372
<b>Total assets</b>	<b>\$ 5,131,074</b>	<b>\$ 80,664</b>	<b>\$ 1,206,177</b>	<b>\$ -</b>	<b>\$ 6,417,915</b>
<b>Liabilities:</b>					
Accounts payable	\$ 153,883	\$ -	\$ 322,596	\$ -	\$ 476,479
Retainage payable	-	-	204,039	-	204,039
Unearned revenue	42,457	-	-	-	42,457
Due to other funds	667,194	-	-	102,477	769,671
<b>Total liabilities</b>	<b>863,534</b>	<b>-</b>	<b>526,635</b>	<b>102,477</b>	<b>1,492,646</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues	219,107	-	-	-	219,107
<b>Total deferred inflows of resources</b>	<b>219,107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219,107</b>
<b>Fund balances:</b>					
Nonspendable	2,327	-	-	-	2,327
Restricted	781,452	21,661	71,351	-	874,464
Committed	-	59,003	608,191	-	667,194
Unassigned	3,264,654	-	-	(102,477)	3,162,177
<b>Total fund balances</b>	<b>4,048,433</b>	<b>80,664</b>	<b>679,542</b>	<b>(102,477)</b>	<b>4,706,162</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,131,074</b>	<b>\$ 80,664</b>	<b>\$ 1,206,177</b>	<b>\$ -</b>	<b>\$ 6,417,915</b>

*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, 2015**

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 4,706,162

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	\$ 29,940,139	
Related accumulated depreciation	<u>(15,007,428)</u>	14,932,711

Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds. 219,107

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	(912,935)	
Deferred outflows of resources from pensions	<u>294,982</u>	(617,953)

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	400,000	
Capital leases payable	(294,598)	
Notes payable	(310,567)	
Bonds payable	(9,005,000)	
Unamortized premium on general obligation debt	(137,317)	
Compensated absences	(120,672)	
Accrued interest	<u>(52,351)</u>	<u>(9,520,505)</u>

Net position of governmental activities - statement of net position (Exhibit A-1) \$ 9,719,522

*The accompanying notes are an integral part of this statement.*

**CITY OF BURKBURNETT, TEXAS**

**EXHIBIT A-5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General	Debt Service	Capital Projects	Special Revenue	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 2,291,500	\$ 780,352	\$ -	\$ -	\$ 3,071,852
Non-property taxes	2,106,065	-	-	-	2,106,065
Fines and forfeitures	80,695	-	-	-	80,695
Licenses and permits	40,724	-	-	-	40,724
Fees and services	2,020,614	-	-	-	2,020,614
Miscellaneous	56,569	-	4,043	-	60,612
Intergovernmental revenue	117,485	-	6,180	268,670	392,335
<b>Total revenues</b>	<b>6,713,652</b>	<b>780,352</b>	<b>10,223</b>	<b>268,670</b>	<b>7,772,897</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	297,666	11,037	-	-	308,703
Administration	228,567	-	-	-	228,567
Tax assessing/collecting	39,822	-	-	-	39,822
City hall	283,975	-	-	-	283,975
Police department	1,561,745	-	86,415	-	1,648,160
Municipal court	91,523	-	-	-	91,523
Fire department	92,224	-	15,811	-	108,035
Library	133,181	-	6,128	-	139,309
Streets and public works	795,495	-	1,350	-	796,845
Parks and recreation	571,010	-	-	-	571,010
Community center	36,666	-	-	-	36,666
Garbage collection	1,358,426	-	-	-	1,358,426
E.M.T.	426,505	-	42,028	-	468,533
Community planning	161,280	-	-	-	161,280
Drainage improvement	18,771	-	-	-	18,771
Grant outlay	-	-	-	275,014	275,014
<b>Debt service:</b>					
Principal payments on debt	-	380,000	136,416	-	516,416
Interest and other charges	-	381,420	16,384	-	397,804
Capital outlay	-	-	2,468,674	16,932	2,485,606
<b>Total expenditures</b>	<b>6,096,856</b>	<b>772,457</b>	<b>2,773,206</b>	<b>291,946</b>	<b>9,934,465</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>616,796</b>	<b>7,895</b>	<b>(2,762,983)</b>	<b>(23,276)</b>	<b>(2,161,568)</b>
<b>Other financing sources (uses):</b>					
Proceeds from long-term debt issued	-	-	106,084	-	106,084
Interest income	26,701	108	12,843	-	39,652
Sale of capital assets	27,890	-	-	-	27,890
Transfers	(311,432)	-	356,232	55,000	99,800
<b>Total other financing sources (uses)</b>	<b>(256,841)</b>	<b>108</b>	<b>475,159</b>	<b>55,000</b>	<b>273,426</b>
<b>Change in fund balances</b>	<b>359,955</b>	<b>8,003</b>	<b>(2,287,824)</b>	<b>31,724</b>	<b>(1,888,142)</b>
<b>Fund balances - beginning</b>	<b>3,688,478</b>	<b>72,661</b>	<b>2,967,366</b>	<b>(134,201)</b>	<b>6,594,304</b>
<b>Fund balances - ending</b>	<b>\$ 4,048,433</b>	<b>\$ 80,664</b>	<b>\$ 679,542</b>	<b>\$ (102,477)</b>	<b>\$ 4,706,162</b>

*The accompanying notes are an integral part of this statement.*

**CITY OF BURKBURNETT, TEXAS**

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, 2015

Net change in fund balances - total governmental funds (Exhibit A-5) \$ (1,888,142)

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	\$ 2,913,632	
Depreciation expense for the year	<u>(1,034,101)</u>	1,879,531

Transfers of capital assets to the enterprise funds decrease net position in the statement of activities, but do not change governmental fund balance because they are not financial resources. (208,701)

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. (78,115)

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. (3,940)

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	(106,084)	
Repayment of long-term debt	516,416	
Amortization of premiums and issuance costs	<u>7,700</u>	418,032

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. 561

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:

38,830

Change in net position of governmental activities - statement of activities (Exhibit A-2) \$ 108,056

*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, 2015

Assets:

Current assets:

Petty cash	\$ 1,000
Certificates of deposit	532,131
Water and sewer receivables, net of allowance	668,149
Inventory	76,150
Total current assets	<u>1,277,430</u>

Restricted assets:

Money market	<u>1,016,922</u>
--------------	------------------

Fixed assets:

Land	1,596,655
Buildings and improvements	150,560
Equipment and vehicles	1,331,333
Water system	10,850,102
Sewer system	4,816,222
Construction in progress	10,100
Accumulated depreciation	<u>(9,794,970)</u>
Net fixed assets	<u>8,960,002</u>
Total assets	<u>11,254,354</u>

Deferred outflows of resources:

Deferred loss on refunding	14,655
Deferred outflows of resources from pensions	64,708
Total deferred outflows of resources	<u>79,363</u>

Liabilities:

Current liabilities:

Accounts payable	41,641
Unearned revenue	17,085
Accrued compensated absences	22,791
Accrued interest payable	34,450
Customer deposits	207,059
Due to other funds	1,868,672
Debt due or payable within one year	430,000
Total current liabilities	<u>2,621,698</u>

Long-term liabilities:

Accrued compensated absences	2,528
Debt due or payable after one year	6,658,653
Net pension liability	200,265
Total liabilities	<u>9,483,144</u>

Net position:

Net investment in capital assets	2,614,237
Restricted for:	
Debt service	288,689
Unrestricted	<u>(1,052,353)</u>
Total net position	<u>1,850,573</u>
Total liabilities and net position	<u>\$ 11,333,717</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, 2015**

EXHIBIT A-8

Operating revenues:	
Water revenues	\$ 2,289,400
Sewer services	1,124,733
Industrial charges	527
Total operating revenues	<u>3,414,660</u>
Operating expenses:	
Water supply and distribution	960,441
Billing and collections	482,020
Wastewater treatment	916,234
Water wells	850,600
Total operating expenses:	<u>3,209,295</u>
Operating income	<u>205,365</u>
Nonoperating revenues (expenses):	
Interest revenue	9,497
Miscellaneous revenue	48,143
Capital contribution	208,701
Interest expense and fiscal charges	(286,290)
Total nonoperating revenues (expenses)	<u>(19,949)</u>
Transfers	(99,800)
Net income	85,616
Net position - beginning, as restated (see Note L)	<u>1,764,957</u>
Net position - ending	<u>\$ 1,850,573</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, 2015**

Cash flows from operating activities:	
Cash received from customers	\$ 3,260,809
Cash payments to employees for services	(707,771)
Cash payments to other suppliers for goods and services	<u>(2,010,308)</u>
Net cash provided by operating activities	<u>542,730</u>
Cash flows from non-capital financing activities:	
Payments to other funds	(120,659)
Other receipts	<u>65,228</u>
Net cash used by non-capital financing activities	<u>(55,431)</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(395,000)
Interest and paying agent fees paid on long-term debt	(280,510)
Acquisition of capital assets	<u>(737,126)</u>
Net cash used by capital and related financing activities	<u>(1,412,636)</u>
Cash flows from investing activities:	
Interest earned	<u>9,497</u>
Net cash provided by capital and related financing activities	<u>9,497</u>
Net decrease in cash and cash equivalents	(915,840)
Cash and cash equivalents - beginning	<u>2,465,893</u>
Cash and cash equivalents - ending	<u>\$ 1,550,053</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 205,365
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	513,381
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	(156,671)
Inventory	25,439
Deferred outflows of resources from pensions	(25,544)
Increase (decrease) in liabilities:	
Accounts payable	(39,885)
Customer deposits	2,820
Accrued compensated absences	798
Net pension liability	<u>17,027</u>
Net cash provided by operating activities	<u>\$ 542,730</u>
Reconciliation of cash and cash equivalents	
Unrestricted cash	\$ 1,000
Unrestricted certificates of deposit	532,131
Restricted cash equivalents	<u>1,016,922</u>
	<u>\$ 1,550,053</u>
Noncash Investing, Capital, and Financing Activities:	
Intra-government net capital asset transfers	<u>\$ 208,701</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, 2015*

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

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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. Each blended and discretely presented component unit has a September 30<sup>th</sup> 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.

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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, and 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.

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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 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.

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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 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, 2015, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 111,166
Allowance for uncollectible taxes	<u>(55,583)</u>
Net property taxes receivable	<u>\$ 55,583</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 \$55,583 in delinquent property taxes outstanding at September 30, 2015, it is expected that the City will collect approximately \$31,000 during the year ending September 30, 2016. This is similar to the collections for the year ending September 30, 2015.

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 lives 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

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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, 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 unrestricted net position first, unless a determination is made to use restricted 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.

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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 or 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.

i. Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Vacations must be used 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.

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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. Reimbursements not received within sixty days of year end are deferred revenue, creating a deficit fund balance. The fund is expected to be replenished in 2016 from reimbursements by Federal grants.

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.

Cash Deposits:

At September 30, 2015, the balance of the City's cash deposits was \$4,477,599. The City's cash deposits at September 30, 2015, and during 2015, 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, 2015, the Burkburnett Development Corporation's cash deposit balance was \$828,228. The cash at September 30, 2015 and during 2015, were entirely covered by FDIC insurance or by pledged collateral held by the component unit's agent bank in the component unit's name.

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:

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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.

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:

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	Governmental Funds			
	General Fund	Debt Service Fund	Capital Projects Fund	Proprietary Fund
Debt service	\$ -	\$ 21,661	\$ -	\$ 288,688
Capital projects	-	-	564,161	728,234
Cemetery	-	-	7	-
Golf course	-	-	9,072	-
Hotel/motel funds	409,726	-	-	-
TIF funds	362,323	-	-	-
Other	9,403	-	24,746	-
<b>Total</b>	<b>\$ 781,452</b>	<b>\$ 21,661</b>	<b>\$ 597,986</b>	<b>\$ 1,016,922</b>

**D. Capital Assets**

Capital asset activity for the period ended September 30, 2015, was as follows:

Primary government

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 79,775	\$ -	\$ -	\$ 79,775
Construction in progress	2,142,047	2,736,957	(4,879,004)	-
Golf course land	64,000	-	-	64,000
<b>Total capital assets not being depreciated</b>	<b>2,285,822</b>	<b>2,736,957</b>	<b>(4,879,004)</b>	<b>143,775</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,918,573	-	-	1,918,573
Aquatic Center	-	4,461,602	-	4,461,602
Library books	580,595	20,519	(63,515)	537,599
Streets and curbs	18,455,215	208,701	-	18,663,916
Golf course	664,030	-	-	664,030
Equipment and vehicles	3,592,582	156,156	(198,094)	3,550,644
<b>Total capital assets being depreciated</b>	<b>25,210,995</b>	<b>4,846,978</b>	<b>(261,609)</b>	<b>29,796,364</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	1,061,615	45,897	-	1,107,512
Aquatic Center	-	37,180	-	37,180
Library books	505,069	38,707	(63,515)	480,261
Streets and curbs	9,238,443	691,147	-	9,929,590
Golf course	618,340	11,896	-	630,236
Equipment and vehicles	2,811,469	209,274	(198,094)	2,822,649
<b>Total accumulated depreciation</b>	<b>14,234,936</b>	<b>1,034,101</b>	<b>(261,609)</b>	<b>15,007,428</b>
<b>Total capital assets being depreciated, net</b>	<b>10,976,059</b>	<b>3,812,877</b>	<b>-</b>	<b>14,788,936</b>
<b>Governmental activities capital assets, net</b>	<b>\$13,261,881</b>	<b>\$ 6,549,834</b>	<b>\$(4,879,004)</b>	<b>\$14,932,711</b>

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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	993,603	737,126	(1,720,629)	10,100
Total capital assets not being depreciated	2,590,258	737,126	(1,720,629)	1,606,755
Capital assets being depreciated:				
Buildings and improvements	150,560	-	-	150,560
Equipment and vehicles	1,409,123	-	(77,790)	1,331,333
Water system	8,920,772	1,929,330	-	10,850,102
Sewer system	4,816,222	-	-	4,816,222
Total capital assets being depreciated	15,296,677	1,929,330	(77,790)	17,148,217
Less accumulated depreciation for:				
Buildings and improvements	97,864	3,764	-	101,628
Equipment and vehicles	1,151,189	67,583	(77,790)	1,140,982
Water system	4,661,553	331,133	-	4,992,686
Sewer system	3,448,773	110,901	-	3,559,674
Total accumulated depreciation	9,359,379	513,381	(77,790)	9,794,970
Total capital assets being depreciated, net	5,937,298	1,415,949	-	7,353,247
Business-type activities capital assets, net	\$ 8,527,556	\$ 2,153,075	\$ (1,720,629)	\$ 8,960,002

Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 11,350
City hall	2,025
Police department	79,860
Municipal court	675
Fire department	60,398
Library	42,099
Streets and public works	751,426
Parks and recreation	64,344
E.M.T.	16,153
Community planning	1,350
Community Center	4,421
Total depreciation expense - governmental activities	\$1,034,101
Business-type activities:	
Water supply, distribution, and wells	\$ 400,560
Waste water treatment	112,821
Total depreciation expense - business-type activities	\$ 513,381

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Discretely presented component unit

Activity for the Burkburnett Development Corporation for the year ended September 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and office equipment	\$ 20,346	\$ -	\$ -	\$ 20,346
Less: accumulated depreciation	20,107	239	-	20,346
Capital assets, net	<u>\$ 239</u>	<u>\$ (239)</u>	<u>\$ -</u>	<u>\$ -</u>

The Burkburnett Development Corporation had \$239 in depreciation expense for the year ended September 30, 2015.

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, 2015 is \$400,000 in governmental activities.

F. Inter-fund Balances and Activity

1. Due To and From Other Funds

Inter-fund receivables and payables at September 30, 2015, consisted of the following:

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 1,971,149	\$ 667,194
Debt Service Fund	59,003	-
Capital Projects Fund	608,191	-
Special Revenue Fund	-	102,477
Water and Sewer Fund	-	1,868,672
Total	<u>\$ 2,638,343</u>	<u>\$ 2,638,343</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.

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2. Transfers To and From Other Funds

Transfers to and from other funds during fiscal year 2015, consisted of the following:

Fund	Transfers Out	Transfers In	Total
General Fund	\$ (311,432)	\$ -	\$ (311,432)
Capital Projects Fund	-	356,232	356,232
Special Revenue Fund	-	55,000	55,000
Water and Sewer Fund	(99,800)	-	(99,800)
Total	<u>\$ (411,232)</u>	<u>\$ 411,232</u>	<u>\$ -</u>

The General Fund transferred funds to the Water and Sewer Fund to cover debt service payments and to the Capital Projects fund for future capital purchases.

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, 2015, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds, series 2008, 2006, and 2013	\$ 9,385,000	\$ -	\$ (380,000)	\$ 9,005,000	\$ 400,000
Notes payable	400,395	-	(89,828)	310,567	165,187
Capital leases payable	235,101	106,084	(46,587)	294,598	47,735
Compensated absences	116,732	104,498	(100,558)	120,672	93,226
Total governmental activities	<u>\$10,137,228</u>	<u>\$ 210,582</u>	<u>\$ (616,973)</u>	<u>\$ 9,730,837</u>	<u>\$ 706,148</u>
<u>Business-type activities:</u>					
Certificates of obligation, series 2003	\$ 430,000	\$ -	\$ (80,000)	\$ 350,000	\$ 80,000
General obligation refunding bonds, series 2010	2,080,000	-	(135,000)	1,945,000	145,000
Revenue bonds, series 2010 and 2013	3,430,000	-	(145,000)	3,285,000	150,000
Tax notes, series 2014	1,525,000	-	(35,000)	1,490,000	55,000
Compensated absences	24,521	23,806	(23,008)	25,319	22,791
Total business-type activities	<u>\$7,489,521</u>	<u>\$ 23,806</u>	<u>\$ (418,008)</u>	<u>\$ 7,095,319</u>	<u>\$ 452,791</u>
<u>Component unit: BDC</u>					
Note payable to primary government	\$ 450,000	\$ -	\$ (50,000)	\$ 400,000	\$ 50,000
Compensated absences	1,615	1,615	(2,961)	269	269
Total component unit	<u>\$ 451,615</u>	<u>\$ 1,615</u>	<u>\$ (52,961)</u>	<u>\$ 400,269</u>	<u>\$ 50,269</u>

**CITY OF BURKBURNETT, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

2. General Obligation Bonds

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. 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. 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 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 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.

**CITY OF BURKBURNETT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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 2013, the City renewed a loan in the amount of \$263,953 that was originally obtained for certain golf course improvements. The note bears interest at 2% and matured on October 1, 2014. In October 2014, the City renewed the loan and extended the maturity date to October 1, 2015.

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, and three Chevrolet Tahoes in January 2015. These leases are considered to be a capital leases for accounting purposes. The liability for future capital lease payments total \$294,598 and is reported as capital lease payable current liability of \$47,735 and capital lease payable long-term liability of \$246,598 in the Governmental Activities.

The commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2015 as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2016	\$ 81,822
2017	81,822
2018	<u>149,954</u>
Total future minimum lease payments	313,598
Less amount representing interest	<u>(19,000)</u>
Present value of minimum lease payments	<u>\$ 294,598</u>

The total carrying value of the equipment purchased under capital lease is \$306,143 at September 30, 2015.

6. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015, are as follows:

	Governmental Activities		Business-type Activities			
	Notes and General Obligation Bonds		Certificates of Obligation and Revenue Bonds		General Obligation Bonds and Tax Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 565,187	\$ 373,984	\$ 230,000	\$ 136,495	\$ 200,000	\$ 113,832
2017	441,894	353,416	245,000	128,646	200,000	107,677
2018	458,060	334,973	250,000	120,703	210,000	100,987
2019	479,276	315,764	270,000	111,691	590,000	88,320
2020	495,545	295,793	180,000	103,950	605,000	69,801
2021-2025	2,565,605	1,166,719	1,010,000	421,626	1,415,000	149,511
2026-2030	2,675,000	620,350	1,000,000	224,371	215,000	4,300
2031-2035	1,635,000	105,931	450,000	38,675	-	-
Totals	<u>\$ 9,315,567</u>	<u>\$ 3,566,930</u>	<u>\$ 3,635,000</u>	<u>\$ 1,286,157</u>	<u>\$ 3,435,000</u>	<u>\$634,428</u>

**CITY OF BURKBURNETT, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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:

2016	\$	50,000
2017		50,000
2018		50,000
2019		50,000
2020		50,000
2021-2023		<u>150,000</u>
Total	\$	<u>400,000</u>

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 860 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](http://www.tmr.com).

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

**CITY OF BURKBURNETT, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

**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 2014</u>	<u>Plan Year 2015</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 (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>70</u>
Total	<u>147</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 11.04% and 10.09% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$289,797, and were equal to the required contributions.

**CITY OF BURKBURNETT, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation 3.0% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 7.0%, 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 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF BURKBURNETT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
<b>Total</b>	<b><u>100.0%</u></b>	

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 7.0%. 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.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balance at 12/31/2013	\$ 12,375,089	\$ 11,356,534	\$ 1,018,555
Changes for the year:			
Service cost	326,157	-	326,157
Interest	853,168	-	853,168
Change of benefit terms	-	-	-
Difference between expected and actual experience	42,745	-	42,745
Changes of assumptions	-	-	-
Contributions – employer	-	296,944	(296,944)
Contributions – employee	-	188,278	(188,278)
Net investment income	-	649,544	(649,544)
Benefit payments, including refunds of employee contributions	(700,110)	(700,110)	-
Administrative expense	-	(6,783)	6,783
Other changes	-	(558)	558
Net changes	<u>521,960</u>	<u>427,315</u>	<u>94,645</u>
Balance at 12/31/2014	<u>\$ 12,897,049</u>	<u>\$ 11,783,849</u>	<u>\$ 1,113,200</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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

**CITY OF BURKBURNETT, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	1% Decrease In Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase In Discount Rate (8.0%)
City's net pension liability	<u>\$ 2,745,330</u>	<u>\$ 1,113,200</u>	<u>\$ (241,939)</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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2015, the city recognized pension expense of \$242,448.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 32,811
Changes in actuarial assumptions	-
Difference between projected and actual investment earnings	116,330
Contributions subsequent to the measurement date	<u>210,549</u>
Total	<u>\$ 359,960</u>

\$210,549 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:	
2015	\$ 39,017
2016	39,017
2017	39,017
2018	<u>32,090</u>
Total	<u>\$ 149,141</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.

**CITY OF BURKBURNETT, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

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 2015, 2014 and 2013 were \$6,307, \$5,593, and \$5,616, 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.

**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, 2015, the outstanding principal balance on the note was \$18,862. 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.

**CITY OF BURKBURNETT, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

4. Operating lease

The City entered into a lease agreement for a letter folder in August 2012 and a postage machine in December 2014. The agreements expire in August 2016 and December 2019, respectively. Rental expense related to these leases was \$10,623 for the year ended September 30, 2015.

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

<u>Year ending September 30,</u>	<u>Amount</u>
2016	\$ 12,194
2017	7,860
2018	7,860
2019	<u>1,965</u>
Total future minimum lease payments	<u>\$ 29,879</u>

L. Accounting Changes

In fiscal year 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement 68 *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* (as discussed in Note H). The implementation of Statement No. 68 resulted in the reporting of a net pension liability, proportionate share, deferred outflow of resources, and deferred outflow of resources, related to the City's participation in the Texas Municipal Retirement System.

The implementation of Statement 68 resulted in the restatement of the beginning net position of the governmental and business-type activities in the government-wide statements and enterprise fund financial statements. The net pension liability was recognized as an expense of prior periods and resulted in the adjustment below:

	<u>Governmental Activities</u>	<u>Enterprise Fund/ Business-type Activities</u>
Net position at September 30, 2014	\$ 10,268,250	\$ 1,909,031
Change in reporting for pension	<u>(656,784)</u>	<u>(144,074)</u>
Net position at September 30, 2014, restated	<u>\$ 9,611,466</u>	<u>\$ 1,764,957</u>

M. Subsequent Events

On October 19, 2015, the City issued General Obligation Refunding Bonds, Series 2015, in the amount of \$3,760,000 to be used for the defeasance of the Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2003, General Obligation Bonds, Series 2006, and Tax Notes, Series 2014.



### *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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 2,269,553	\$ 2,269,553	\$ 2,291,500	\$ 21,947
Non-property taxes	2,208,265	2,208,265	2,106,065	(102,200)
Fines and forfeitures	71,000	71,000	80,695	9,695
Licenses and permits	52,250	52,250	40,724	(11,526)
Fees and services	1,933,945	1,933,945	2,020,614	86,669
Miscellaneous	45,900	45,900	56,569	10,669
Intergovernmental revenue	90,125	90,125	117,485	27,360
Total operating revenues	<u>6,671,038</u>	<u>6,671,038</u>	<u>6,713,652</u>	<u>42,614</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	272,105	272,105	297,666	(25,561)
Administration	223,461	223,461	228,567	(5,106)
Tax assessing/collecting	34,092	34,092	39,822	(5,730)
City hall	262,104	262,104	283,975	(21,871)
Police department	1,621,761	1,621,761	1,561,745	60,016
Municipal court	80,668	80,668	91,523	(10,855)
Fire department	111,001	111,001	92,224	18,777
Library	148,625	148,625	133,181	15,444
Streets and public works	924,216	924,216	795,495	128,721
Parks and recreation	632,300	632,300	571,010	61,290
Community center	28,050	28,050	36,666	(8,616)
Garbage collection	1,372,853	1,372,853	1,358,426	14,427
E.M.T.	421,102	421,102	426,505	(5,403)
Community planning	134,817	134,817	161,280	(26,463)
Drainage improvement	92,450	92,450	18,771	73,679
Total expenditures	<u>6,359,605</u>	<u>6,359,605</u>	<u>6,096,856</u>	<u>262,749</u>
Excess of revenues over expenditures	<u>311,433</u>	<u>311,433</u>	<u>616,796</u>	<u>305,363</u>
<b>Other financing sources (uses):</b>				
Interest income	14,500	14,500	26,701	12,201
Sale of assets	-	-	27,890	27,890
Transfers	(232,432)	(232,432)	(311,432)	(79,000)
Total other financing sources (uses)	<u>(217,932)</u>	<u>(217,932)</u>	<u>(256,841)</u>	<u>(38,909)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 93,501</u>	<u>\$ 93,501</u>	<u>\$ 359,955</u>	<u>\$ 266,454</u>

**CITY OF BURKBURNETT, TEXAS**

EXHIBIT B-2

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SEPTEMBER 30, 2015

	<u>2014</u>
<b>Total Pension Liability</b>	
Service cost	\$ 326,157
Interest (on the Total Pension Liability)	853,168
Changes of benefit terms	-
Difference between expected and actual experience	42,745
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(700,110)</u>
<b>Net Change in Total Pension Liability</b>	521,960
<b>Total Pension Liability - Beginning</b>	<u>12,375,089</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 12,897,049</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 296,944
Contributions - Employee	188,278
Net investment income	649,544
Benefit payments, including refunds of employee contributions	(700,110)
Administrative expenses	(6,783)
Other	<u>(558)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	427,315
<b>Plan Fiduciary Net Position - Beginning</b>	<u>11,356,534</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 11,783,849</u></u>
<b>Net Pension (Asset) Liability - Ending (a) - (b)</b>	\$ 1,113,200
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	91.37%
<b>Covered Employee Payroll</b>	2,689,692
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	41.39%

**CITY OF BURKBURNETT, TEXAS**  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 SCHEDULE OF CONTRIBUTIONS  
 SEPTEMBER 30, 2015

**EXHIBIT B-3**

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

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes 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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
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.

*Internal Control and Compliance Section*



## 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, 2015, 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 January 29, 2016.

### 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 2015-1.

## 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

January 29, 2016

**CITY OF BURKBURNETT, TEXAS  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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 2015-1: 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.
- Perform monthly reconciliations of the pooled cash fund to ensure that the claim on pooled cash accounts agree to the pooled cash balance.
- Periodically perform a physical inventory of all property, plant, and equipment.