

CITY OF BURKBURNETT, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014



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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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Financial Section



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report on Financial Statements

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

Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of actuarial liabilities and funding progress on pages 3 through 10 and 38 through 39 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 February 9, 2015, on our consideration of the City of Burkburnett, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Burkburnett, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
February 9, 2015



MAYOR
Carl Law

MAYOR PRO-TEM
Bill Lindenborn

COMMISSIONERS
Josh Andrajack
Randy Brewster
Don Hardy
Marguerite Love
Michael Tugman

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, 2014. 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, 2014:

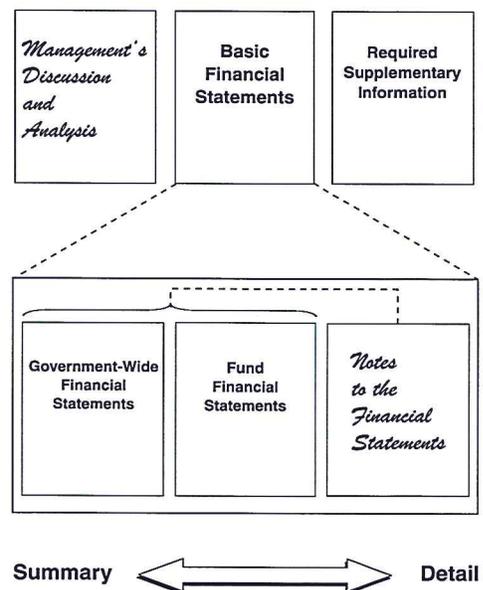
- The City's assets exceed its liabilities at September 30, 2014, by \$12,177,281 (net position). Of this amount, \$2,771,763 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- During the year, the City's total net position decreased by \$641,933. The decrease is largely due to an operating loss for the City's water supply and distribution activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$6,594,304. Of the fund balance, \$2,896,787, or 44%, is available for spending at the government's discretion (unassigned fund balance).
- As of September 30, 2014, unassigned fund balance for the General Fund was \$2,979,880 or 50% 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>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire Agency’s government (except fiduciary funds) and the Agency’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses - the water and sewer system
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has the following kinds of funds:

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

Table A-1
City's Net position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Cash and cash equivalents	\$ 1,673,212	\$ 1,822,823	\$ 533,103	\$ 534,531	\$ 2,206,315	\$ 2,357,354
Receivables	767,152	671,110	511,478	457,504	1,278,630	1,128,614
Internal balances	1,889,531	1,326,234	(1,889,531)	(1,326,234)	-	-
Restricted assets	3,464,349	5,367,331	1,932,790	1,158,490	5,397,139	6,525,821
Due from component unit	450,000	500,000	-	-	450,000	500,000
Capital assets, net	13,261,881	11,629,570	8,527,556	8,225,855	21,789,437	19,855,425
Other assets	5,572	5,333	101,589	83,508	107,161	88,841
Total assets	21,511,697	21,322,401	9,716,985	9,133,654	31,228,682	30,456,055
Total deferred outflows of resources	-	-	16,040	17,425	16,040	17,425
Current liabilities	961,202	263,885	314,294	290,326	1,275,496	554,211
Long-term liabilities:						
Due within one year	747,217	755,652	417,736	373,437	1,164,953	1,149,089
Due in more than one year	9,535,028	9,985,639	7,091,964	5,965,327	16,626,992	15,950,966
Total liabilities	11,243,447	11,025,176	7,823,994	6,629,090	19,067,441	17,654,266
Net position						
Invested in capital assets,						
net of related debt	5,207,022	5,287,477	2,705,347	1,931,574	7,912,369	7,219,051
Restricted	1,207,289	1,578,300	285,856	1,158,490	1,493,149	2,736,790
Unrestricted	3,853,939	3,431,448	(1,082,176)	(568,075)	2,771,763	2,863,373
Total net position	\$10,268,250	\$10,297,225	\$ 1,909,031	\$ 2,521,989	\$12,177,281	\$12,819,214

- *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

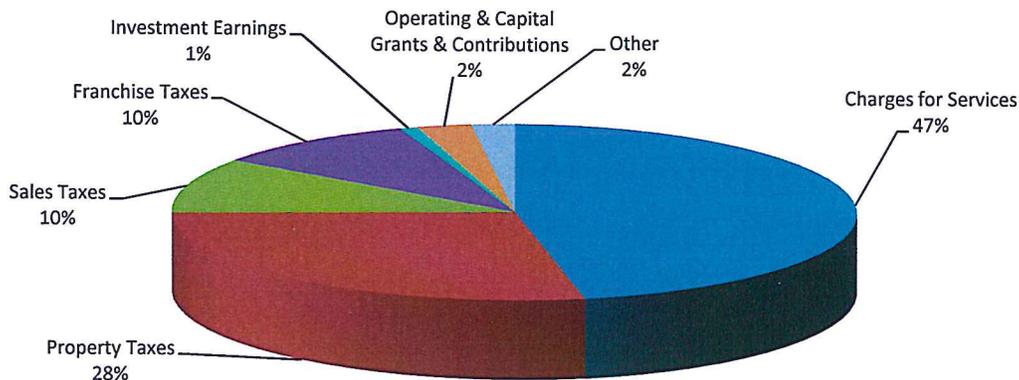
Net position. The City's combined net position was \$12,177,281 at September 30, 2014. (See Table A-1) The \$2,771,763 of unrestricted net position at September 30, 2014, represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources. The restricted net position is required to be set aside for long-term debt and other program purposes.

Governmental activities decreased the City's net position by \$28,975. Net investment in capital assets for governmental activities decreased by \$80,455, while unrestricted net position increased by \$422,491, or 12%.

Net position from business-type activities decreased by \$612,958, or 24%. This decrease is primarily due to the loss from operations of the water supply and distribution activities.

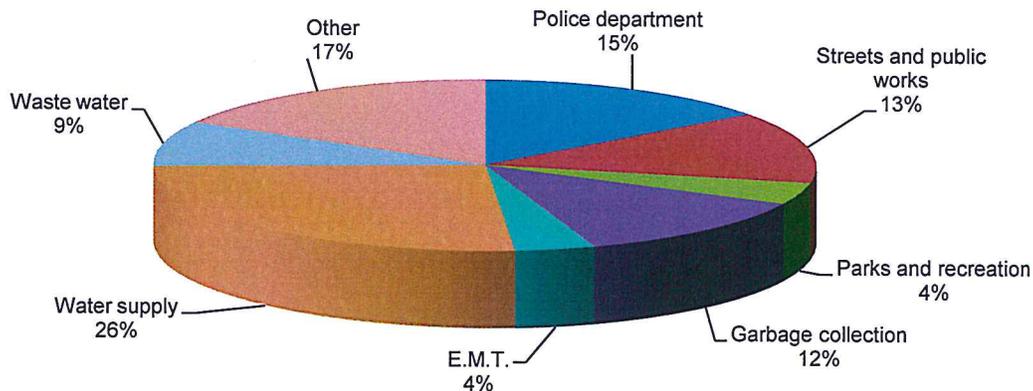
Changes in net position. The City's total revenues, both program and general, were \$10,236,460. A significant portion, 47%, of the City's revenue comes from charges for services. (See Figure A-3.) Property taxes provide 28% of the total, sales taxes and franchise taxes each provide 10%, and operating and capital grants combined provide about 2%. Other minor categories provide the remaining 3%.

**Figure A-3
Sources of Revenue for Fiscal Year 2014**



The total cost of all programs and services was \$10,878,393; 35% 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, 13% for streets, 12% for garbage collection, 4% for E.M.T., and 4% for parks and recreation. Other minor categories combined make up the remaining 17%. (See Figure A-4.)

**Figure A-4
Functional Expenses for Fiscal 2014**



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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$1,733,194	\$1,768,677	\$3,049,412	\$3,115,432	\$4,782,606	\$4,884,109
Operating grants and contributions	89,097	542,194	-	-	89,097	542,194
Capital grants and contributions	170,692	37,968	-	-	170,692	37,968
General revenues:						
Property taxes	2,855,847	2,569,157	-	-	2,855,847	2,569,157
Franchise taxes	1,006,343	1,050,860	-	-	1,006,343	1,050,860
Sales taxes	1,028,014	1,056,175	-	-	1,028,014	1,056,175
Other taxes	64,469	84,905	-	-	64,469	84,905
Investment earnings	81,482	38,793	9,053	7,222	90,535	46,015
Other	104,745	112,763	44,112	38,098	148,857	150,861
Total revenues	7,133,883	7,261,492	3,102,577	3,160,752	10,236,460	10,422,244
Expenses:						
General government	264,705	265,336	-	-	264,705	265,336
Administration	230,681	243,598	-	-	230,681	243,598
Tax assessing/collecting	38,843	33,518	-	-	38,843	33,518
City hall	249,056	219,461	-	-	249,056	219,461
Police department	1,591,307	1,560,379	-	-	1,591,307	1,560,379
Municipal court	81,978	75,038	-	-	81,978	75,038
Fire department	145,376	151,430	-	-	145,376	151,430
Library	162,901	137,752	-	-	162,901	137,752
Streets and public works	1,465,252	1,497,188	-	-	1,465,252	1,497,188
Parks and recreation	443,496	476,956	-	-	443,496	476,956
Community center	23,453	19,436	-	-	23,453	19,436
Garbage collection	1,359,914	1,271,732	-	-	1,359,914	1,271,732
E.M.T.	423,242	405,753	-	-	423,242	405,753
Community planning	129,061	147,874	-	-	129,061	147,874
Drainage improvement	40,588	35,339	-	-	40,588	35,339
Grant outlay	57,726	23,789	-	-	57,726	23,789
Interest and fiscal charges	419,979	310,646	-	-	419,979	310,646
Water system	-	-	2,824,068	2,562,176	2,824,068	2,562,176
Wastewater system	-	-	926,767	880,206	926,767	880,206
Total expenses	7,127,558	6,875,225	3,750,835	3,442,382	10,878,393	10,317,607
Transfers	(35,300)	-	35,300	-	-	-
Increase (decrease) in net position	\$ (28,975)	\$ 386,267	\$ (612,958)	\$ (281,630)	\$ (641,933)	\$ 104,637

Explanations for the large and/or unusual variances between 2014 and 2013 are as follows:

- Property tax revenues increased by \$286,690, or 11%, which is primarily due to a 10% increase in the City's tax rate and a 1% increase in the City's appraised taxable values.
- Operating grants and contributions decreased significantly from the prior year as the City recognized revenue and receivable in 2013 to reflect a commitment from the Burkburnett Development Corporation to assist with future debt service payments for the General Obligation Bonds, Series 2013. The bonds were issued in July of 2013 to fund the development of the Burkburnett Family Aquatic Center. Operating grant revenues decreased by \$453,097, or 84% during 2014.
- Capital grants and contributions increased significantly from prior year due to the street and water line replacement grant the City received through TxCDBG. The City began working on the project in 2014. Capital grant revenues increased by \$132,724, or 350%.
- Interest expense increased \$109,333, or 35%, as the City began making debt service payments on the General Obligation Bonds, Series 2013, for the first time in 2014.
- Water supply, distribution, and wells expense increased \$261,892, or 10%, as the City spent more on the amount of water purchased from the City of Wichita Falls, Texas in 2014 as compared to 2013. The water rate increased by approximately 147% in response to the drought.

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 \$7,127,558; however, the amount that our taxpayers paid for these activities through property taxes was only \$2,855,847.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$1,733,194.

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

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Police department	\$1,591,307	\$1,560,379	\$1,522,534	\$1,493,941
Streets and public works	1,465,252	1,497,188	1,465,252	1,497,188
Garbage collection	1,359,914	1,271,732	(96,162)	(159,126)
Parks and recreation	443,496	476,956	358,718	338,251
E.M.T.	423,242	405,753	423,242	405,753

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

The City's actual expenditures were \$90,288 below final budgeted amounts, and actual revenues were \$100,556 below final budget amounts.

The most significant negative revenue variance related to non-property taxes, which were \$167,198 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 seven departments: tax assessing/collecting, city hall, municipal court, streets and public works, parks and recreation, community center, and garbage collection, by \$4,756, \$3,023, \$2,954, \$46,280, \$3,640, \$39,240, and \$11,770, respectively. The community center received a large capital donation, which reflected as capital outlay in the department.

This donation was not anticipated when the budget was prepared. For all other departments, the 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 2014, the City had invested in a broad range of capital assets, net of accumulated depreciation, totaling \$21,789,437, 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	
	2014	2013	2014	2013	2014	2013
Building and improvements	\$ 856,958	\$ 721,164	\$ 52,696	\$ 56,460	\$ 909,654	\$ 777,624
Library books	75,526	89,862	-	-	75,526	89,862
Streets and curbs	9,216,772	9,368,404	-	-	9,216,772	9,368,404
Golf course	45,690	80,297	-	-	45,690	80,297
Golf course land	64,000	64,000	-	-	64,000	64,000
Equipment and vehicles	781,113	912,832	257,932	352,612	1,039,045	1,265,444
Land	79,775	8,469	1,596,656	1,596,656	1,676,431	1,605,125
Construction in process	2,142,047	384,542	993,603	225,167	3,135,650	609,709
Water system	-	-	4,259,219	4,499,804	4,259,219	4,499,804
Sewer system	-	-	1,367,450	1,495,156	1,367,450	1,495,156
Total capital assets	<u>\$13,261,881</u>	<u>\$11,629,570</u>	<u>\$8,527,556</u>	<u>\$8,225,855</u>	<u>\$21,789,437</u>	<u>\$19,855,425</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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 9,385,000	\$ 9,735,000	\$ -	\$ -	\$ 9,385,000	\$ 9,735,000
General obligation refunding bonds	-	-	2,080,000	2,215,000	2,080,000	2,215,000
Notes payable	400,395	483,497	-	-	400,395	483,497
Capital lease payable	235,101	281,757	-	-	235,101	281,757
Water and sewer system revenue bonds	-	-	4,955,000	3,570,000	4,955,000	3,570,000
Certificates of obligation	-	-	430,000	505,000	430,000	505,000
Compensated absences	116,732	108,320	24,521	27,058	141,253	135,378
Totals	<u>\$10,137,228</u>	<u>\$10,608,574</u>	<u>\$7,489,521</u>	<u>\$6,317,058</u>	<u>\$17,626,749</u>	<u>\$16,925,632</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2014-2015 budget preparation is \$445,632,261, up \$7,392,395, or 1.7% above 2013-2014 values. This indicator was taken into account when adopting the General Fund budget for 2014-2015.

Budgeted General Fund revenues for 2014-2015 are \$6,912,213, which represents an 11% increase of \$764,064, from 2013-2014 actual revenues of \$6,148,149.

Budgeted General Fund expenditures for 2014-2015 are \$6,912,213, which represents a 14% increase of \$993,756 from 2013-2014 actual expenditures of \$5,918,457. If these estimates are realized, the City's budgeted General Fund balance is not expected to change by the close of 2014-2015.

RESTATEMENT

The prior year schedules within this analysis have been restated to correct certain balances reported in the prior year. See note K in the Notes to the Financial Statements for more information.

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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burkburnett Development Corporation
Assets:				
Cash and cash equivalents	\$ 1,673,212	\$ 533,103	\$ 2,206,315	\$ 797,504
Receivables, net of allowances for uncollectibles:				
Property taxes	50,515	-	50,515	-
Sales taxes	192,204	-	192,204	64,068
Garbage	234,450	-	234,450	-
Water and sewer charges	-	511,478	511,478	-
Municipal court	156,453	-	156,453	-
Due from other governments	99,338	-	99,338	25,951
Other	34,192	-	34,192	94,000
Internal balances due to/from other funds	1,889,531	(1,889,531)	-	-
Inventory	2,327	101,589	103,916	-
Property held for sale	-	-	-	535,791
Restricted assets:				
Cash and cash equivalents	3,464,349	1,932,790	5,397,139	52,200
Loan receivable	-	-	-	23,750
Due from component unit	450,000	-	450,000	-
Capital assets, net of accumulated depreciation	13,261,881	8,527,556	21,789,437	239
Other assets:				
Other	3,245	-	3,245	-
Total assets	21,511,697	9,716,985	31,228,682	1,593,503
Deferred outflows of resources:				
Deferred loss on refunding	-	16,040	16,040	-
Total deferred outflows of resources	-	16,040	16,040	-
Liabilities:				
Accounts payable	850,138	81,526	931,664	56,802
Retainage payable	12,232	-	12,232	-
Unearned revenue	45,920	-	45,920	-
Accrued interest payable	52,912	28,529	81,441	-
Customer deposits	-	204,239	204,239	-
Long-term liabilities:				
Due within one year:				
Accrued compensated absences	91,392	22,736	114,128	1,047
General obligation and certificates of obligation debt	380,000	215,000	595,000	-
Revenue bonds	-	180,000	180,000	-
Notes payable	229,238	-	229,238	-
Capital lease payable	46,587	-	46,587	-
Due to primary government	-	-	-	50,000
Due in more than one year:				
Accrued compensated absences	25,340	1,785	27,125	568
General obligation and certificates of obligation debt	9,005,000	2,295,000	11,300,000	-
Revenue bonds	-	4,775,000	4,775,000	-
Notes payable	171,157	-	171,157	-
Capital lease payable	188,514	-	188,514	-
Unamortized premium on general obligation debt	145,017	20,179	165,196	-
Due to primary government	-	-	-	400,000
Total liabilities	11,243,447	7,823,994	19,067,441	508,417
Net position:				
Net investment in capital assets	5,207,022	2,705,347	7,912,369	239
Restricted for:				
Debt service	471,553	285,860	757,413	-
Other purposes	735,736	-	735,736	75,950
Unrestricted	3,853,939	(1,082,176)	2,771,763	1,008,897
Total net position	\$ 10,268,250	\$ 1,909,031	\$ 12,177,281	\$ 1,085,086

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 264,705	\$ 21,758	\$ -	\$ -	\$ (242,947)	\$ -	\$ (242,947)	\$ -
Administration	230,681	-	-	-	(230,681)	-	(230,681)	-
Tax assessing/collecting	38,843	-	-	-	(38,843)	-	(38,843)	-
City hall	249,056	-	-	-	(249,056)	-	(249,056)	-
Police department	1,591,307	68,773	-	-	(1,522,534)	-	(1,522,534)	-
Municipal court	81,978	-	-	-	(81,978)	-	(81,978)	-
Fire department	145,376	-	39,125	-	(106,251)	-	(106,251)	-
Library	162,901	3,793	-	-	(159,108)	-	(159,108)	-
Streets and public works	1,465,252	-	-	-	(1,465,252)	-	(1,465,252)	-
Parks and recreation	443,496	79,043	5,735	-	(358,718)	-	(358,718)	-
Community center	23,453	10,005	44,237	-	30,789	-	30,789	-
Garbage collection	1,359,914	1,456,076	-	-	96,162	-	96,162	-
E.M.T.	423,242	-	-	-	(423,242)	-	(423,242)	-
Community planning	129,061	-	-	-	(129,061)	-	(129,061)	-
Drainage improvement	40,588	93,746	-	-	53,158	-	53,158	-
Grant outlay	57,726	-	-	170,692	112,966	-	112,966	-
Interest expense	419,979	-	-	-	(419,979)	-	(419,979)	-
Total governmental activities	<u>7,127,558</u>	<u>1,733,194</u>	<u>89,097</u>	<u>170,692</u>	<u>(5,134,575)</u>	-	<u>(5,134,575)</u>	-
Business-type activities:								
Water supply, distribution and wells	2,824,068	2,088,793	-	-	-	(735,275)	(735,275)	-
Waste water treatment	926,767	960,619	-	-	-	33,852	33,852	-
Total business-type activities	<u>3,750,835</u>	<u>3,049,412</u>	-	-	-	<u>(701,423)</u>	<u>(701,423)</u>	-
Total primary government	<u>\$ 10,878,393</u>	<u>\$ 4,782,606</u>	<u>\$ 89,097</u>	<u>\$ 170,692</u>	<u>\$ (5,134,575)</u>	-	<u>\$ (5,835,998)</u>	-
Component units:								
Burkburnett Development Corporation	\$ 314,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(314,906)
Total component units	<u>\$ 314,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(314,906)</u>
General revenues:								
Property taxes					2,855,847	-	2,855,847	-
Franchise taxes					1,006,343	-	1,006,343	-
Sales taxes					1,028,014	-	1,028,014	342,671
Other taxes					64,469	-	64,469	-
Investment earnings					81,482	9,053	90,535	8,047
Licenses and permits					42,008	-	42,008	-
Sale of assets					250	-	250	-
Miscellaneous					62,487	44,112	106,599	1,279
Transfers					(35,300)	35,300	-	-
Total general revenues and transfers					<u>5,105,600</u>	<u>88,465</u>	<u>5,194,065</u>	<u>351,997</u>
Change in net position					(28,375)	(612,956)	(641,933)	37,091
Net position - beginning, as restated (see Note K)					10,297,225	2,521,989	12,819,214	1,047,995
Net position - ending					<u>\$ 10,268,250</u>	<u>\$ 1,909,031</u>	<u>\$ 12,177,281</u>	<u>\$ 1,085,086</u>

The accompanying notes are an integral part of this statement.

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

	General	Debt Service	Capital Projects	Special Revenue	Total Governmental Funds
Assets:					
Petty cash	\$ 500	\$ -	\$ -	\$ -	\$ 500
Cash in bank	302,459	-	-	-	302,459
Certificates of deposit	1,370,253	-	-	-	1,370,253
Receivables, net of allowances for uncollectables:					
Property taxes	50,515	-	-	-	50,515
Sales taxes	192,204	-	-	-	192,204
Garbage	234,450	-	-	-	234,450
Municipal court	156,453	-	-	-	156,453
Due from other government	-	-	-	99,338	99,338
Other	34,192	-	-	-	34,192
Due from other funds	1,087,915	51,108	827,247	-	1,966,270
Inventory	2,327	-	-	-	2,327
Other assets	3,245	-	-	-	3,245
Restricted assets:					
Cash	698,885	21,553	-	-	720,438
Certificates of deposit and money market	7,386	-	2,736,525	-	2,743,911
Total assets	\$ 4,140,784	\$ 72,661	\$ 3,563,772	\$ 99,338	\$ 7,876,555
Liabilities:					
Accounts payable	\$ 140,894	\$ -	\$ 596,406	\$ 112,838	\$ 850,138
Retainage payable	-	-	-	12,232	12,232
Unearned revenue	45,920	-	-	-	45,920
Other	-	-	-	-	-
Due to other funds	51,108	-	-	25,631	76,739
Total liabilities	237,922	-	596,406	150,701	985,029
Deferred inflows of resources:					
Unavailable revenues	214,384	-	-	82,838	297,222
Total deferred inflows of resources	214,384	-	-	82,838	297,222
Fund balances:					
Nonspendable	2,327	-	-	-	2,327
Restricted	706,271	21,553	2,140,119	-	2,867,943
Committed	-	-	827,247	-	827,247
Unassigned	2,979,880	51,108	-	(134,201)	2,896,787
Total fund balances	3,688,478	72,661	2,967,366	(134,201)	6,594,304
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,140,784	\$ 72,661	\$ 3,563,772	\$ 99,338	\$ 7,876,555

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds balance sheet (Exhibit A-3)	\$	6,594,304
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Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:

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

Gross capital assets	\$ 27,496,819	
Related accumulated depreciation	<u>(14,234,938)</u>	13,261,881

Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	297,222
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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	450,000	
Capital leases payable	(235,101)	
Notes payable	(400,395)	
Bonds payable	(9,385,000)	
Unamortized premium on general obligation debt	(145,017)	
Compensated absences	(116,732)	
Accrued interest	<u>(52,912)</u>	<u>(9,885,157)</u>

Net position of governmental activities - statement of net position (Exhibit A-1)	\$	<u><u>10,268,250</u></u>
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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, 2014

	General	Debt Service	Capital Projects	Special Revenue	Total Governmental Funds
Revenues:					
Property taxes	\$ 2,075,619	\$ 777,081	\$ -	\$ -	\$ 2,852,700
Non-property taxes	2,092,171	-	-	-	2,092,171
Fines and forfeitures	57,291	-	-	-	57,291
Licenses and permits	42,008	-	-	-	42,008
Fees and services	1,660,628	-	-	-	1,660,628
Miscellaneous	41,305	1,832	19,350	-	62,487
Intergovernmental revenue	139,097	-	-	87,853	226,950
Total revenues	6,108,119	778,913	19,350	87,853	6,994,235
Expenditures:					
Current:					
General government	261,475	3,230	-	-	264,705
Administration	206,265	-	-	-	206,265
Tax assessing/collecting	38,843	-	-	-	38,843
City hall	245,236	-	-	-	245,236
Police department	1,525,908	-	70,569	-	1,596,477
Municipal court	81,607	-	-	-	81,607
Fire department	91,995	-	19,990	-	111,985
Library	146,464	-	-	-	146,464
Streets and public works	873,362	-	-	-	873,362
Parks and recreation	375,161	-	18,652	-	393,813
Community center	23,084	-	-	-	23,084
Garbage collection	1,359,914	-	-	-	1,359,914
E.M.T.	411,368	-	-	-	411,368
Community planning	125,981	-	-	-	125,981
Drainage improvement	40,588	-	-	-	40,588
Grant outlay	-	-	-	188,828	188,828
Debt service:					
Principal payments on debt	59,422	350,000	70,336	-	479,758
Interest and other charges	7,578	393,171	15,464	-	416,213
Capital outlay	44,206	-	2,143,801	16,932	2,204,939
Total expenditures	5,918,457	746,401	2,338,812	205,760	9,209,430
Excess (deficiency) of revenues over (under) expenditures	189,662	32,512	(2,319,462)	(117,907)	(2,215,195)
Other financing sources (uses):					
Interest income	40,122	11	41,349	-	81,482
Sale of capital assets	250	-	-	-	250
Transfers	(110,300)	-	75,000	-	(35,300)
Total other financing sources (uses)	(69,928)	11	116,349	-	46,432
Change in fund balances	119,734	32,523	(2,203,113)	(117,907)	(2,168,763)
Fund balances - beginning	3,568,744	40,138	5,170,479	(16,294)	8,763,067
Fund balances - ending	\$ 3,688,478	\$ 72,661	\$ 2,967,366	\$ (134,201)	\$ 6,594,304

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds (Exhibit A-5) \$ (2,168,763)

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	\$ 2,498,500	
Depreciation expense for the year	<u>(866,189)</u>	1,632,311

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. 89,897

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. (8,412)

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:

Repayment of long-term debt	479,758	
Amortization of premiums and issuance costs	<u>7,700</u>	487,458

Decreases in bond issuance costs are not reported as an expenditure in the governmental funds, but decreases long-term assets in the statement of net position.

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. (11,466)

Change in net position of governmental activities - statement of activities (Exhibit A-2) \$ (28,975)

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, 2014

Assets:

Current assets:

Petty cash	\$ 1,000
Certificates of deposit	532,103
Water and sewer receivables, net of allowance	511,478
Inventory	101,589
Total current assets	<u>1,146,170</u>

Restricted assets:

Money market	<u>1,932,790</u>
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Fixed assets:

Land	1,596,655
Buildings and improvements	150,560
Equipment and vehicles	1,409,123
Water system	8,920,772
Sewer system	4,816,222
Construction in progress	993,603
Accumulated depreciation	<u>(9,359,379)</u>
Net fixed assets	<u>8,527,556</u>
Total assets	<u>11,606,516</u>

Deferred outflows of resources:

Deferred loss on refunding	16,040
Total deferred outflows of resources	<u>16,040</u>

Liabilities:

Current liabilities:

Accounts payable	81,526
Accrued compensated absences	22,736
Accrued interest payable	28,529
Customer deposits	204,239
Due to other funds	1,889,531
Debt due or payable within one year	395,000
Total current liabilities	<u>2,621,561</u>

Long-term liabilities:

Accrued compensated absences	1,785
Debt due or payable after one year	7,090,179
Total liabilities	<u>9,713,525</u>

Net position:

Net investment in capital assets	2,705,347
Restricted for:	
Debt service	285,860
Other purposes	-
Unrestricted	<u>(1,082,176)</u>
Total net position	<u>1,909,031</u>
Total liabilities and net position	<u>\$ 11,622,556</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS

EXHIBIT A-8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Operating revenues:	
Water revenues	\$ 2,088,793
Sewer services	958,488
Industrial charges	2,131
Total operating revenues	<u>3,049,412</u>
Operating expenses:	
Water supply and distribution	900,215
Billing and collections	487,123
Wastewater treatment	926,767
Water wells	1,184,248
Total operating expenses:	<u>3,498,353</u>
Operating loss	<u>(448,941)</u>
Nonoperating revenues (expenses):	
Interest revenue	9,053
Miscellaneous revenue	44,112
Interest expense and fiscal charges	(252,482)
Total nonoperating revenues (expenses)	<u>(199,317)</u>
Transfers	35,300
Net loss	(612,958)
Net position - beginning	<u>2,521,989</u>
Net position - ending	<u>\$ 1,909,031</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS

EXHIBIT A-9

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

WATER AND SEWER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Cash flows from operating activities:	
Cash received from customers	\$ 3,000,270
Cash payments to employees for services	(705,785)
Cash payments to other suppliers for goods and services	(2,265,501)
Net cash provided by operating activities	<u>28,984</u>
Cash flows from non-capital financing activities:	
Payments from other funds	598,597
Other receipts	44,112
Net cash provided by non-capital financing activities	<u>642,709</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of long-term debt	1,525,000
Principal paid on long-term debt	(350,000)
Interest and paying agent fees paid on long-term debt	(252,624)
Acquisition of capital assets	(830,250)
Net cash used by capital and related financing activities	<u>92,126</u>
Cash flows from investing activities:	
Interest earned	9,053
Net cash provided by capital and related financing activities	<u>9,053</u>
Net increase in cash and cash equivalents	772,872
Cash and cash equivalents - beginning	<u>1,693,021</u>
Cash and cash equivalents - ending	<u><u>\$ 2,465,893</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (448,941)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	528,549
(Increase) decrease in assets:	
Receivables	(53,974)
Inventory	(18,081)
Increase (decrease) in liabilities:	
Accounts payable	19,136
Customer deposits	4,832
Accrued compensated absences	(2,537)
Net cash provided by operating activities	<u><u>\$ 28,984</u></u>
Reconciliation of cash and cash equivalents	
Unrestricted cash	\$ 1,000
Unrestricted certificates of deposit	532,103
Restricted cash equivalents	<u>1,932,790</u>
	<u><u>\$ 2,465,893</u></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, 2014

A. Summary of Significant Accounting Policies

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

1. Financial Reporting Model

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

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

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

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

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

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 30th year end.

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

Discretely Presented Component Unit

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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.

CITY OF BURKBURNETT, TEXAS
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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, 2014, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 101,030
Allowance for uncollectible taxes	<u>(50,515)</u>
Net property taxes receivable	<u>\$ 50,515</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 \$50,515 in delinquent property taxes outstanding at September 30, 2014, it is expected that the City will collect approximately \$31,000 during the year ending September 30, 2015. This is similar to the collections for the year ending September 30, 2014.

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

CITY OF BURKBURNETT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2014

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.

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

CITY OF BURKBURNETT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2014

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. **Use of Estimates**

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

B. Compliance and Accountability

1. **Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, must be reported along with actions taken to address such violations. The City does not have any finance-related findings in the current year.

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

The special revenue fund accounts for expenditure driven grants. The fund makes expenditures and then files for reimbursement from the granting agency. 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 2014 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.

CITY OF BURKBURNETT, TEXAS
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Cash Deposits:

At September 30, 2014, the balance of the City's cash deposits was \$6,452,081. The City's cash deposits at September 30, 2014, and during 2014, 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, 2014, the Burkburnett Development Corporation's cash deposit balance was \$868,372. The cash at September 30, 2014 and during 2014, 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:

a. Credit Risk

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

b. Custodial Credit Risk

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

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

CITY OF BURKBURNETT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2014

At year end, the City was not exposed to custodial credit risk.

c. Concentrations of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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

Restricted Assets:

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

	Governmental Funds			
	General Fund	Debt Service Fund	Capital Projects Fund	Proprietary Fund
Debt service	\$ -	\$ 21,553	\$ -	\$ 285,856
Capital projects	-	-	2,707,097	1,646,934
Cemetery	-	-	7	-
Golf course	-	-	8,982	-
Hotel/motel funds	425,108	-	-	-
TIF funds	271,760	-	-	-
Other	9,403	-	29,842	-
Total	\$ 706,271	\$ 21,553	\$ 2,736,525	\$ 1,932,790

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

D. Capital Assets

Capital asset activity for the period ended September 30, 2014, was as follows:

Primary government

	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 8,469	\$ -	\$ 71,306	\$ 79,775
Construction in progress	384,542	2,292,920	(535,415)	2,142,047
Golf course land	64,000	-	-	64,000
Total capital assets not being depreciated	457,011	2,292,920	(464,109)	2,285,822
Capital assets being depreciated:				
Buildings and improvements	1,740,829	-	177,744	1,918,573
Library books	571,375	23,756	(14,536)	580,595
Streets and curbs	18,052,284	29,260	373,671	18,455,215
Golf course	664,030	-	-	664,030
Equipment and vehicles	3,527,325	152,563	(87,306)	3,592,582
Total capital assets being depreciated	24,555,843	205,579	449,573	25,210,995
Less accumulated depreciation for:				
Buildings and improvements	1,019,665	38,550	3,400	1,061,615
Library books	481,513	38,092	(14,536)	505,069
Streets and curbs	8,683,880	554,563	-	9,238,443
Golf course	583,733	34,607	-	618,340
Equipment and vehicles	2,614,493	200,376	(3,400)	2,811,469
Total accumulated depreciation	13,383,284	866,188	(14,536)	14,234,936
Total capital assets being depreciated, net	11,172,559	(660,609)	464,109	10,976,059
Governmental activities capital assets, net	\$11,629,570	\$1,632,311	\$ -	\$13,261,881
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,596,656	\$ -	\$ -	\$ 1,596,656
Construction in progress	225,167	768,436	-	993,603
Total capital assets not being depreciated	1,821,823	768,436	-	\$ 2,590,259
Capital assets being depreciated:				
Buildings and improvements	150,560	-	-	150,560
Equipment and vehicles	1,447,104	61,814	(99,797)	1,409,121
Water system	8,820,975	-	99,797	8,920,772
Sewer system	4,816,223	-	-	4,816,223
Total capital assets being depreciated	15,234,862	61,814	-	15,296,676
Less accumulated depreciation for:				
Buildings and improvements	94,100	3,764	-	97,864
Equipment and vehicles	1,094,492	56,697	-	1,151,189
Water system	4,321,171	340,382	-	4,661,553
Sewer system	3,321,067	127,706	-	3,448,773
Total accumulated depreciation	8,830,830	528,549	-	9,359,379
Total capital assets being depreciated, net	6,404,032	(466,735)	-	5,937,297
Business-type activities capital assets, net	\$ 8,225,855	\$ 301,701	\$ -	\$ 8,527,556

CITY OF BURKBURNETT, TEXAS
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Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 14,542
City hall	1,896
Police department	68,829
Municipal court	632
Fire department	53,797
Library	40,678
Streets and public works	624,850
Parks and recreation	49,042
E.M.T.	10,291
Community planning	1,264
Community Center	<u>367</u>
Total depreciation expense - governmental activities	<u>\$ 866,188</u>
Business-type activities:	
Water supply, distribution, and wells	\$ 408,532
Waste water treatment	<u>120,017</u>
Total depreciation expense – business-type activities	<u>\$ 528,549</u>

Discretely presented component unit

Activity for the Burkburnett Development Corporation for the year ended September 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and office equipment	\$ 20,346	\$ -	\$ -	\$ 20,346
Less: accumulated depreciation	<u>19,663</u>	<u>444</u>	<u>-</u>	<u>20,107</u>
Capital assets, net	<u>\$ 683</u>	<u>\$ (444)</u>	<u>\$ -</u>	<u>\$ 239</u>

The Burkburnett Development Corporation had \$444 in depreciation expense for the year ended September 30, 2014.

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, 2014 is \$450,000 in governmental activities.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

F. Inter-fund Balances and Activity

1. Due To and From Other Funds

Inter-fund receivables and payables at September 30, 2014, consisted of the following:

<u>Fund</u>	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
General Fund	\$ 1,087,915	\$ 51,108
Debt Service Fund	51,108	-
Capital Projects Fund	827,247	
Special Revenue Fund	-	25,631
Water and Sewer Fund	-	1,889,531
	<u>\$ 1,966,270</u>	<u>\$ 1,966,270</u>
Total		

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.

2. Transfers To and From Other Funds

Transfers to and from other funds during fiscal year 2014, consisted of the following:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	\$ (110,300)	\$ -	\$ (110,300)
Capital Projects Fund	-	75,000	75,000
Water and Sewer Fund	-	35,300	35,300
	<u>\$ (110,300)</u>	<u>\$ 110,300</u>	<u>\$ -</u>
Total			

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.

CITY OF BURKBURNETT, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2014

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, 2014, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds, series 2008, 2006, and 2013	\$ 9,735,000	\$ -	\$ (350,000)	\$ 9,385,000	\$ 380,000
Notes payable	483,497	-	(83,102)	400,395	229,238
Capital leases payable	281,757	-	(46,656)	235,101	46,587
Compensated absences	108,320	110,986	(102,574)	116,732	91,392
Total governmental activities	\$10,608,574	\$ 110,986	\$ (582,332)	\$ 10,137,228	\$ 747,217
Business-type activities:					
Certificates of obligation, series 2003	\$ 505,000	\$ -	\$ (75,000)	\$ 430,000	\$ 80,000
General obligation refunding bonds, series 2010	2,215,000	-	(135,000)	2,080,000	135,000
Revenue bonds, series 2010 and 2013	3,570,000	1,525,000	(140,000)	4,955,000	180,000
Compensated absences	27,058	18,099	(20,636)	24,521	22,736
Total business-type activities	\$ 6,317,058	\$ 1,543,099	\$ (370,636)	\$ 7,489,521	\$ 417,736
Component unit: BDC					
Note payable to primary government	\$ 500,000	\$ -	\$ (50,000)	\$ 450,000	\$ 50,000
Compensated absences	-	2,423	(808)	1,615	1,047
Total component unit	\$ 500,000	\$ 2,423	\$ (50,808)	\$ 451,615	\$ 51,047

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.

CITY OF BURKBURNETT, TEXAS
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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.

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 agreement for a street sweeper in July 2012. In April 2013, the City entered into lease agreements for a Crafcoc sealer and a CAT wheel loader. These leases are considered to be capital leases for accounting purposes. The liability for future capital lease payments total \$235,101 and is reported as capital lease payable current liability of \$46,587 and capital lease payable long-term liability of \$188,514 in the Governmental Activities.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2014 as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2015	\$ 53,247
2016	53,247
2017	53,247
2018	<u>94,377</u>
Total future minimum lease payments	254,118
Less amount representing interest	<u>(19,017)</u>
Present value of minimum lease payments	<u>\$ 235,101</u>

The total carrying value of the equipment purchased under capital lease is \$246,296 at September 30, 2014.

6. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Notes and General Obligation Bonds</u>		<u>Certificates of Obligation and Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 609,238	\$ 393,401	\$ 395,000	\$ 261,234
2016	425,777	371,196	430,000	253,938
2017	441,894	353,416	445,000	239,935
2018	458,060	334,973	460,000	224,938
2019	479,276	315,764	860,000	206,173
2020-2024	2,541,150	1,271,421	2,780,000	675,851
2025-2029	2,695,000	731,328	1,430,000	282,740
2023-2034	2,135,000	186,044	665,000	66,844
Totals	<u>\$ 9,785,395</u>	<u>\$ 3,957,543</u>	<u>\$ 7,465,000</u>	<u>\$ 2,211,653</u>

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. Long-term debt balances as of September 30, 2013, were restated to reflect this liability.

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

2015	\$ 50,000
2016	50,000
2017	50,000
2018	50,000
2019-2023	<u>250,000</u>
Total	<u>\$ 450,000</u>

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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. Pension Plan

1. Plan Description

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

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit (referred to as an updated service credit) which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Members can retire at ages 60 or above with 5 or more years of services or with 20 years of service regardless of age. A member is vested after 10 years. The contribution rate for the employees is 7%, and the City's matching ratio is currently 2 to 1.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city.

Both the normal cost and prior service contribution rate include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	20.9 years: closed period	19.9 years: closed period	29.0 years: closed period
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost-of-Living Adjustments	3.00%	3.00%	3.00%
	0.0%	0.0%	0.0%

The funded status as of December 31, 2013, the most recent actuarial valuation dates, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3)	<u>Unfunded AAL (UAAL)</u> (4)	<u>Covered Payroll</u> (5)	<u>UAAL as a Percentage of Covered Payroll</u> (6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2013	\$10,668,451	\$12,375,089	86.2%	\$1,706,638	\$2,651,584	64.4%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

J. 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, 2014, the outstanding principal balance on the note was \$24,412. Because the fair value of the collateralized assets exceeds the amount of the debt obligation, significant losses are not anticipated. The Corporation has not recorded a liability for this guarantee in the accompanying balance sheet. The Corporation believes there is only a remote possibility that the third party will not remain current with its debt payments and the Corporation will be required to perform under the guarantee.

4. Operating lease

The City leased a letter folder in August 2012, which expires in August 2016. Rental expense related to this lease was \$4,728 for the year ended September 30, 2014.

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

<u>Year ending September 30,</u>	<u>Amount</u>
2015	\$ 4,728
2016	<u>4,334</u>
Total future minimum lease payments	<u>\$ 9,062</u>

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

K. Restatement

The government-wide financial statements at October 1, 2013, the beginning of the current year, have been restated to reflect the effect of recording the balance due from the component unit, which had not been previously recorded. Similarly, net position for the component unit has been restated to reflect the effect of recording the balance due to the primary government. The effect of these restatements is noted below.

	<u>Governmental Activities</u>	<u>Burkburnett Development Corporation</u>
Net position, as previously reported	\$ 9,797,225	\$ 1,547,995
Restatement adjustment	<u>500,000</u>	<u>(500,000)</u>
Net position, as restated	<u>\$ 10,297,225</u>	<u>\$ 1,047,995</u>

Required Supplementary Information

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

CITY OF BURKBURNETT, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 2,064,108	\$ 2,064,108	\$ 2,075,619	\$ 11,511
Non-property taxes	2,259,369	2,259,369	2,092,171	(167,198)
Fines and forfeitures	72,500	72,500	57,291	(15,209)
Licenses and permits	41,250	41,250	42,008	758
Fees and services	1,668,473	1,668,473	1,660,628	(7,845)
Miscellaneous	62,850	62,850	41,305	(21,545)
Intergovernmental revenue	40,125	40,125	139,097	98,972
Total operating revenues	<u>6,208,675</u>	<u>6,208,675</u>	<u>6,108,119</u>	<u>(100,556)</u>
Expenditures:				
Current:				
General government	317,837	317,837	261,475	56,362
Administration	247,470	247,470	206,265	41,205
Tax assessing/collecting	34,087	34,087	38,843	(4,756)
City hall	242,213	242,213	245,236	(3,023)
Police department	1,542,425	1,542,425	1,525,908	16,517
Municipal court	78,653	78,653	81,607	(2,954)
Fire department	101,800	101,800	91,995	9,805
Library	154,793	154,793	146,464	8,329
Streets and public works	827,082	827,082	873,362	(46,280)
Parks and recreation	438,521	438,521	442,161	(3,640)
Community center	28,050	28,050	67,290	(39,240)
Garbage collection	1,348,144	1,348,144	1,359,914	(11,770)
E.M.T.	420,297	420,297	411,368	8,929
Community planning	135,373	135,373	125,981	9,392
Drainage improvement	92,000	92,000	40,588	51,412
Total expenditures	<u>6,008,745</u>	<u>6,008,745</u>	<u>5,918,457</u>	<u>90,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>199,930</u>	<u>199,930</u>	<u>189,662</u>	<u>(10,268)</u>
Other financing sources (uses):				
Interest income	21,510	21,510	40,122	18,612
Sale of assets	-	-	250	250
Transfers	(102,300)	(102,300)	(110,300)	(8,000)
Total other financing sources (uses)	<u>(80,790)</u>	<u>(80,790)</u>	<u>(69,928)</u>	<u>10,862</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 119,140</u>	<u>\$ 119,140</u>	<u>\$ 119,734</u>	<u>\$ 594</u>

Schedules of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	\$ 10,668,451
Actuarial Accrued Liability	\$ 12,375,089
Percentage Funded	86.2%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,706,638
Annual Covered Payroll	\$ 2,651,584
UAAL as a Percentage of Covered Payroll	64.4%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -
Annual Pension Cost:	
Annual Required Contribution (ARC)	\$ 289,975
Contributions Made	<u>\$ (289,975)</u>
NPO at the end of the Period	<u><u>\$ -</u></u>
Two Preceding Years:	
12/31/2013:	
Annual Pension Cost	\$ 281,959
Percentage of Annual Pension Cost Contributed	100%
NPO at the end of the Period	\$ -
12/31/2012:	
Annual Pension Cost	\$ 299,010
Percentage of Annual Pension Cost Contributed	100%
NPO at the end of the Period	\$ -

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 City of Burkburnett, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Burkburnett, Texas' basic financial statements and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Burkburnett, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of 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. However, material weaknesses may exist that have not been identified. 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 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

February 9, 2015

**CITY OF BURKBURNETT, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unqualified
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 2014-1: 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.
- 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.