

CITY OF BURKBURNETT, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020



CITY OF BURKBURNETT, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	1-3	
Management's Discussion and Analysis (Required Supplementary Information).....	4-12	
 <u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	13	A-1
Statement of Activities.....	14	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	A-3
Reconciliation of the Government Funds		
Balance Sheet to the Statement of Net Position.....	16	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	A-6
Statement of Net Position - Proprietary Fund.....	19	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Fund.....	20	A-8
Statement of Cash Flows - Proprietary Fund.....	21	A-9
Notes to the Financial Statements.....	22-47	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule - General Fund.....	48	B-1
Notes to Required Supplementary Information.....	49	
Texas Municipal Retirement System Schedule of Changes in		
Net Pension Liability and Related Ratios.....	50	B-2
Texas Municipal Retirement System Schedule of Contributions.....	51	B-3
Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability		
and Related Ratios.....	52	B-4
 <u>Other Supplementary Information:</u>		
Combining Balance Sheet - Nonmajor Governmental Funds.....	53	
Combining State of Revenues, Expenditures, and Changes in Fund Balances -		
Nonmajor Governmental Funds.....	54	
 INTERNAL CONTROL AND COMPLIANCE		
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>	55-56	
Schedule of Findings.....	57-58	

Financial Section



Independent Auditor's Report on Financial Statements

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

Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas as of and for the year ended September 30, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios on pages 4 through 12 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021, 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
March 9, 2021

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, 2020. 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, 2020:

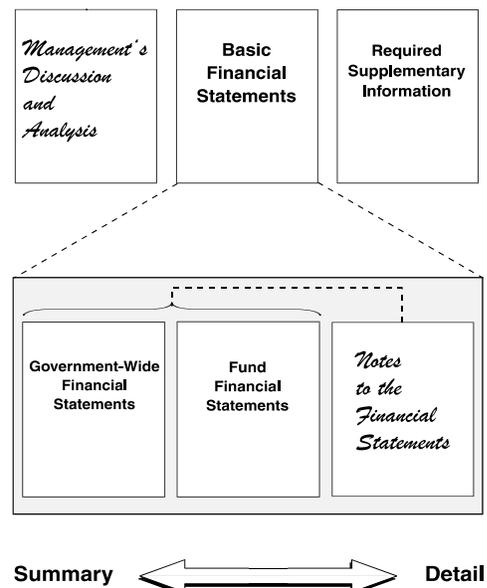
- The City’s assets exceed its liabilities at September 30, 2020, by \$12,677,925 (net position). Of this amount, \$1,368,835 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors in accordance with the City’s fund designation and fiscal policies.
- During the year, the City’s total net position increased by \$925,363.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balance of \$3,939,470. Of the fund balance, \$1,777,093, or 45%, is available for spending at the government’s discretion (unassigned fund balance).
- As of September 30, 2020, unassigned fund balance for the General Fund was \$1,915,253 or 29% 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.
- *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 \$12,677,925 at September 30, 2020. (See Table A-1) The \$1,368,835 of unrestricted net position at September 30, 2020, 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.

**Table A-1
City's Net Position**

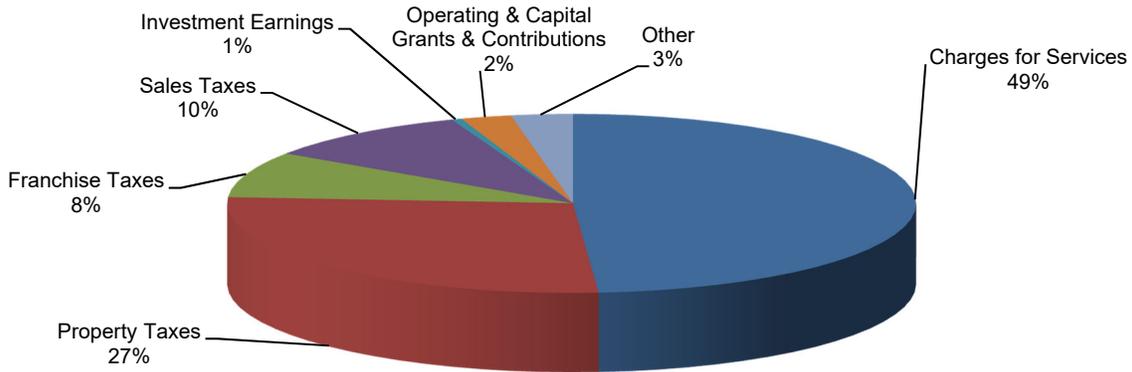
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Cash and cash equivalents	\$ 2,170,534	\$ 1,364,123	\$ 743,846	\$ 643,791	\$ 2,914,380	\$ 2,007,914
Receivables	1,004,733	805,469	645,948	667,678	1,650,681	1,473,147
Internal balances	102,170	907,822	(102,170)	(907,822)	-	-
Restricted assets	1,589,039	1,199,458	304,968	300,369	1,894,007	1,499,827
Capital assets, net	17,796,792	18,563,614	8,207,102	8,492,133	26,003,894	27,055,747
Other assets	3,570	7,287	82,408	82,408	85,978	89,695
Total assets	22,666,838	22,847,773	9,882,102	9,278,557	32,548,940	32,126,330
Total deferred outflows of resources	235,469	837,044	83,136	223,156	318,605	1,060,200
Current liabilities	341,224	316,837	477,913	402,614	819,137	719,451
Long-term liabilities:						
Due within one year	906,372	920,501	555,386	434,255	1,461,758	1,354,756
Due in more than one year	12,133,803	13,911,256	5,168,038	5,446,723	17,301,841	19,357,979
Total liabilities	13,381,399	15,148,594	6,201,337	6,283,592	19,582,736	21,432,186
Total deferred inflows of resources	469,245	1,261	137,639	521	606,884	1,782
Net position						
Net investment in capital assets	6,211,916	6,201,790	3,302,420	3,185,158	9,514,336	9,386,948
Restricted	1,489,786	960,795	304,968	300,369	1,794,754	1,261,164
Unrestricted	1,349,961	1,372,377	18,874	(267,927)	1,368,835	1,104,450
Total net position	\$ 9,051,663	\$ 8,534,962	\$ 3,626,262	\$ 3,217,600	\$ 12,677,925	\$ 11,752,562

Governmental activities increased the City's net position by \$516,701. Net investment in capital assets for governmental activities increased by \$10,126, while restricted net position increased by \$528,991 and unrestricted net position decreased by \$22,416, or 2%.

Net position from business-type activities increased by \$408,662, or 13%. Net investment in capital assets for business-type activities increased by \$117,262, while unrestricted net position increased by \$286,801.

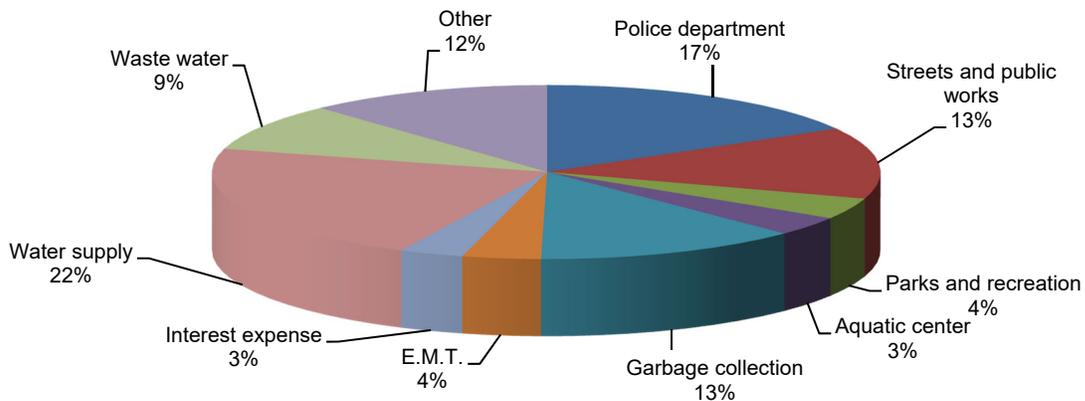
Changes in net position. The City's total revenues, both program and general, were \$13,020,220. A significant portion, 49%, of the City's revenue comes from charges for services. (See Figure A-3.) Property taxes provide 27% of the total, sales taxes provide 10%, franchise taxes provide 8%, and operating and capital grants combined provide about 2%. Other minor categories provide the remaining 4%.

**Figure A-3
Sources of Revenue for Fiscal Year 2020**



The total cost of all programs and services was \$12,094,857; 31% of these costs are for water and sewer related expenses. The City's other expenses cover a range of services, with 17% for the police department, 13% each for streets and for garbage collection, 4% each for E.M.T. and parks and recreation, and 3% each for the aquatic center and interest expense. Other minor categories combined make up the remaining 12%. (See Figure A-4.)

**Figure A-4
Functional Expenses for Fiscal 2020**



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	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 2,292,715	\$ 2,190,350	\$ 4,063,238	\$ 4,010,409	\$ 6,355,953	\$ 6,200,759
Operating grants and contributions	224,748	123,846	-	-	224,748	123,846
Capital grants and contributions	82,981	222,191	-	-	82,981	222,191
General revenues:						
Property taxes	3,550,623	3,485,701	-	-	3,550,623	3,485,701
Franchise fees	1,080,179	1,008,435	-	-	1,080,179	1,008,435
Sales taxes	1,288,810	1,094,756	-	-	1,288,810	1,094,756
Other taxes	61,035	68,126	-	-	61,035	68,126
Investment earnings	47,681	43,342	13,929	17,148	61,610	60,490
Miscellaneous	247,962	112,409	45,837	40,319	293,799	152,728
Gain (loss) on disposal	20,482	269	-	(73)	20,482	196
Total revenues	<u>8,897,216</u>	<u>8,349,425</u>	<u>4,123,004</u>	<u>4,067,803</u>	<u>13,020,220</u>	<u>12,417,228</u>
Expenses						
General government	367,268	442,065	-	-	367,268	442,065
Administration	165,704	189,475	-	-	165,704	189,475
Tax assessing/collecting	47,809	46,364	-	-	47,809	46,364
City hall	187,559	143,777	-	-	187,559	143,777
Police department	2,018,168	2,032,765	-	-	2,018,168	2,032,765
Municipal court	89,342	144,107	-	-	89,342	144,107
Fire department	144,441	152,500	-	-	144,441	152,500
Library	179,843	184,042	-	-	179,843	184,042
Streets and public works	1,608,283	1,685,689	-	-	1,608,283	1,685,689
Parks and recreation	475,288	465,212	-	-	475,288	465,212
Aquatic center	434,222	465,194	-	-	434,222	465,194
Community center	22,940	26,524	-	-	22,940	26,524
Garbage collection	1,546,191	1,518,450	-	-	1,546,191	1,518,450
E.M.T.	457,447	470,516	-	-	457,447	470,516
Community planning	203,486	210,668	-	-	203,486	210,668
Drainage improvement	12,572	33,913	-	-	12,572	33,913
Grant outlay	12,718	93,244	-	-	12,718	93,244
Interest expense	371,934	387,669	-	-	371,934	387,669
Water supply, distribution and wells	-	-	2,677,880	2,739,192	2,677,880	2,739,192
Waste water treatment	-	-	1,071,762	1,036,337	1,071,762	1,036,337
Total expenses	<u>8,345,215</u>	<u>8,692,174</u>	<u>3,749,642</u>	<u>3,775,529</u>	<u>12,094,857</u>	<u>12,467,703</u>
Transfers	<u>(35,300)</u>	<u>(35,300)</u>	<u>35,300</u>	<u>35,300</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 516,701</u>	<u>\$ (378,049)</u>	<u>\$ 408,662</u>	<u>\$ 327,574</u>	<u>\$ 925,363</u>	<u>\$ (50,475)</u>

Explanations for the large and/or unusual variances between 2020 and 2019 are as follows:

- Sales tax revenues increased by \$194,054, or 18%, as travel restriction and shelter-in-place mandates enacted due to the COVID-19 pandemic increased local spending for items that were previously purchased outside of city limits.
- Miscellaneous revenue increased by \$141,071, or 92%. In 2020, City property was damaged in a severe hail storm, and the City received insurance proceeds to cover required repairs. Some of the proceeds were used to offset repairs expenses completed in the current year. The remaining \$156,000 was reported as other revenue and will be available for repairs in future years.
- Overall expenses decreased by \$372,846, or 3%, which is attributable to a significant decrease in the actuarially-determined pension expense. In 2020, the City recognized pension expense of \$376,926, a decrease of \$183,525, or 33%, from the 2019 expense of \$560,421. This change impacted all departments that incur payroll costs, with the biggest impact in the Police Department.
- Grant outlay decreased \$80,526, or 86%, as the City received more in operational-type grants in 2019. In 2020, the majority of the City's grant funds were used for capital projects.

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

- The cost of all *governmental* activities this year was \$8,345,215. However, the amount that our taxpayers paid for these activities through property taxes was only \$3,550,623.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$2,292,715.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Police department	\$ 2,018,168	\$ 2,032,765	\$ 1,911,258	\$ 1,947,886
Streets and public works	1,608,283	1,685,689	1,608,283	1,685,689
Garbage collection	1,546,191	1,518,450	(107,979)	(85,723)
Parks and recreation	475,288	465,212	356,767	153,425
Aquatic Center	434,222	465,194	281,055	213,422
E.M.T.	457,447	470,516	457,447	470,516

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

The City's actual expenditures were \$180,639 above final budgeted amounts, and actual revenues were \$331,672 above final budget amounts.

The most significant positive revenue variance related to sales taxes, which was \$349,995 or 14% more than the budgeted amount as the City could not anticipate the shift in consumer behavior as a result of COVID-19 pandemic.

For expenditures, the City exceeded the budget in seven departments: general government (\$279,037), administration (\$2,542), tax assessing/collecting (\$2,019), city hall (\$22,751), fire department (\$27,118), garbage collection (\$48,572), and E.M.T. (\$3,124). The most significant overage in general government was caused by higher than anticipated collections on sales tax and TIF property taxes. The remittance of those funds to Burkburnett Development Corporation and the TIF fund, respectively, is budgeted as budgetary outflow in the general government department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had invested in a broad range of capital assets, net of accumulated depreciation, totaling \$26,003,894 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	
	2020	2019	2020	2019	2020	2019
Buildings and improvements	\$ 5,952,218	\$ 6,075,274	\$ 30,112	\$ 33,876	\$ 5,982,330	\$ 6,109,150
Aquatic Center	3,680,823	3,829,542	-	-	3,680,823	3,829,542
Library books	28,859	26,417	-	-	28,859	26,417
Streets and curbs	6,642,904	7,198,684	-	-	6,642,904	7,198,684
Golf course	129,342	6,002	-	-	129,342	6,002
Golf course land	64,000	64,000	-	-	64,000	64,000
Equipment and vehicles	1,119,411	1,071,755	458,609	485,463	1,578,020	1,557,218
Land	179,235	179,235	1,596,655	1,596,655	1,775,890	1,775,890
Construction in process	-	112,705	134,287	-	134,287	112,705
Water system	-	-	5,064,182	5,344,128	5,064,182	5,344,128
Sewer system	-	-	923,257	1,032,011	923,257	1,032,011
Totals	\$17,796,792	\$18,563,614	\$ 8,207,102	\$ 8,492,133	\$26,003,894	\$27,055,747

Long-term Liabilities

At year-end, the City had \$16,869,591 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 3,785,000	\$ 3,880,000	\$ -	\$ -	\$ 3,785,000	\$ 3,880,000
General obligation refunding bonds	2,960,000	3,330,000	2,315,000	2,520,000	5,275,000	5,850,000
Certificates of obligation	4,205,000	4,330,000	-	-	4,205,000	4,330,000
Water and sewer revenue bonds	-	-	2,460,000	2,640,000	2,460,000	2,640,000
Notes payable	117,336	181,149	447,057	-	564,393	181,149
Capital lease payable	306,407	376,798	63,952	70,670	370,359	447,468
Compensated absences	165,031	136,457	44,808	33,729	209,839	170,186
Totals	\$11,538,774	\$12,234,404	\$ 5,330,817	\$ 5,264,399	\$16,869,591	\$17,498,803

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2020-2021 budget preparation is \$507,988,385 up \$23,657,363, or 4.9% above 2019-2020 values. This indicator was taken into account when adopting the General Fund budget for 2020-2021.

Budgeted General Fund revenues for 2020-2021 are \$7,836,651, which represents a 1.0% increase of \$108,687, from 2019-2020 actual budgetary revenues of \$7,727,967.

Budgeted General Fund expenditures for 2020-2021 are \$7,863,549, which represents a 4.0% increase of \$295,961, from 2019-2020 actual expenditures of \$7,567,588. If these estimates are realized, the City's budgeted General Fund balance is not expected to change by the close of 2020-2021.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burkburnett Development Corporation
Assets:				
Cash and cash equivalents	\$ 2,170,534	\$ 743,846	\$ 2,914,380	\$ 231,800
Receivables, net of allowances for uncollectibles:				
Property taxes	91,601	-	91,601	-
Sales taxes	249,456	-	249,456	83,152
Customer accounts	243,837	645,948	889,785	-
Municipal court	276,923	-	276,923	-
Other	142,916	-	142,916	136,535
Internal balances due to/from other funds	102,170	(102,170)	-	-
Inventory	2,327	82,408	84,735	-
Property held for sale	-	-	-	527,717
Restricted assets:				
Cash and cash equivalents	1,333,089	304,968	1,638,057	85,500
Property taxes receivable	61,233	-	61,233	-
Customer accounts receivable	44,717	-	44,717	-
Due from component unit	150,000	-	150,000	-
Capital assets, net of accumulated depreciation	17,796,792	8,207,102	26,003,894	-
Other assets	1,243	-	1,243	-
Total assets	22,666,838	9,882,102	32,548,940	1,064,704
Deferred outflows of resources:				
Deferred loss on refunding	16,202	26,057	42,259	-
Deferred outflows of resources from pensions	191,308	49,969	241,277	-
Deferred outflows of resources from OPEB	27,959	7,110	35,069	-
Total deferred outflows of resources	235,469	83,136	318,605	-
Liabilities:				
Accounts payable	158,250	215,034	373,284	4,850
Unearned revenue	97,627	-	97,627	-
Due to component unit	32,454	-	32,454	-
Accrued interest payable	52,893	26,842	79,735	-
Customer deposits	-	236,037	236,037	-
Long-term liabilities:				
Due within one year:				
Accrued compensated absences	109,201	22,517	131,718	-
Bonds payable	615,000	440,000	1,055,000	-
Notes payable	117,336	85,984	203,320	-
Capital lease payable	64,835	6,885	71,720	-
Due to primary government	-	-	-	50,000
Due in more than one year:				
Accrued compensated absences	55,830	22,291	78,121	-
Bonds payable	10,335,000	4,335,000	14,670,000	-
Notes payable	-	361,073	361,073	-
Capital lease payable	241,572	57,067	298,639	-
Unamortized premium on general obligation debt	350,287	91,944	442,231	-
Net pension liability	931,238	243,233	1,174,471	-
Total OPEB liability	219,876	57,430	277,306	-
Due to primary government	-	-	-	100,000
Total liabilities	13,381,399	6,201,337	19,582,736	154,850
Deferred inflows of resources:				
Deferred inflows of resources from pensions	461,816	134,755	596,571	-
Deferred inflows of resources from OPEB	7,429	2,884	10,313	-
Total deferred inflows of resources	469,245	137,639	606,884	-
Net position:				
Net investment in capital assets	6,211,916	3,302,420	9,514,336	-
Restricted for:				
Debt service	246,823	304,968	551,791	-
Other purposes	1,242,963	-	1,242,963	85,500
Unrestricted	1,349,961	18,874	1,368,835	824,354
Total net position	\$ 9,051,663	\$ 3,626,262	\$ 12,677,925	\$ 909,854

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Burkburnett Development Corporation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	367,268	\$ 44,818	\$ -	\$ -	\$ (322,450)	\$ -	\$ (322,450)	\$ -
Administration	165,704	-	-	-	(165,704)	-	(165,704)	-
Tax assessing/collecting	47,809	-	-	-	(47,809)	-	(47,809)	-
City hall	187,559	-	-	-	(187,559)	-	(187,559)	-
Police department	2,018,168	51,729	-	55,181	(1,911,258)	-	(1,911,258)	-
Municipal court	89,342	27,752	-	-	(61,590)	-	(61,590)	-
Fire department	144,441	-	39,125	-	(105,316)	-	(105,316)	-
Library	179,843	2,739	-	-	(177,104)	-	(177,104)	-
Streets and public works	1,608,283	-	-	-	(1,608,283)	-	(1,608,283)	-
Parks and recreation	475,288	87,442	31,079	-	(356,767)	-	(356,767)	-
Aquatic center	434,222	153,167	-	-	(281,055)	-	(281,055)	-
Community center	22,940	-	-	-	(22,940)	-	(22,940)	-
Garbage collection	1,546,191	1,654,170	-	-	107,979	-	107,979	-
E.M.T.	457,447	-	-	-	(457,447)	-	(457,447)	-
Community planning	203,486	-	-	-	(203,486)	-	(203,486)	-
Drainage improvement	12,572	270,898	-	-	258,326	-	258,326	-
Grant outlay	12,718	-	154,544	27,800	169,626	-	169,626	-
Interest expense	371,934	-	-	-	(371,934)	-	(371,934)	-
Total governmental activities	<u>8,345,215</u>	<u>2,292,715</u>	<u>224,748</u>	<u>82,981</u>	<u>(5,744,771)</u>	<u>-</u>	<u>(5,744,771)</u>	<u>-</u>
Business-type activities:								
Water supply, distribution and wells	2,677,880	2,828,503	-	-	-	150,623	150,623	-
Waste water treatment	1,071,762	1,234,735	-	-	-	162,973	162,973	-
Total business-type activities	<u>3,749,642</u>	<u>4,063,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,596</u>	<u>313,596</u>	<u>-</u>
Total primary government	<u>\$ 12,094,857</u>	<u>\$ 6,355,953</u>	<u>\$ 224,748</u>	<u>\$ 82,981</u>	<u>(5,744,771)</u>	<u>313,596</u>	<u>(5,431,175)</u>	<u>-</u>
Component units:								
Burkburnett Development Corporation	\$ 465,284	\$ -	\$ -	\$ -	-	-	-	(465,284)
Total component units	<u>\$ 465,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(465,284)</u>
General revenues:								
Property taxes					3,550,623	-	3,550,623	-
Franchise taxes					1,080,179	-	1,080,179	-
Sales taxes					1,288,810	-	1,288,810	429,613
Other taxes					61,035	-	61,035	-
Investment earnings					47,681	13,929	61,610	1,959
Miscellaneous					247,962	45,837	293,799	12,119
Gain (loss) on disposal of assets					20,482	-	20,482	-
Transfers					(35,300)	35,300	-	-
Total general revenues and transfers					<u>6,261,472</u>	<u>95,066</u>	<u>6,356,538</u>	<u>443,691</u>
Change in net position					516,701	408,662	925,363	(21,593)
Net position - beginning					8,534,962	3,217,600	11,752,562	931,447
Net position - ending					<u>\$ 9,051,663</u>	<u>\$ 3,626,262</u>	<u>\$ 12,677,925</u>	<u>\$ 909,854</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets:					
Petty cash	\$ 7,199	\$ -	\$ -	\$ -	\$ 7,199
Cash in bank	153,822	-	-	-	153,822
Certificates of deposit	2,224,905	-	-	-	2,224,905
Receivables, net of allowances for uncollectibles:					
Property taxes	91,600	-	-	-	91,600
Sales taxes	249,456	-	-	-	249,456
Customer accounts	243,837	-	-	-	243,837
Municipal court	276,923	-	-	-	276,923
Other	12,066	-	-	130,850	142,916
Due from other funds	286,826	78,960	697,312	-	1,063,098
Inventory	2,327	-	-	-	2,327
Other assets	1,243	-	-	-	1,243
Restricted assets:					
Cash	105,039	-	-	850,624	955,663
Certificates of deposit and money market	7,416	29,059	122,952	2,606	162,033
Property taxes	-	-	-	61,233	61,233
Customer accounts	-	-	-	44,717	44,717
Due from other funds	-	-	-	215,393	215,393
Total assets	\$ 3,662,659	\$ 108,019	\$ 820,264	\$ 1,305,423	\$ 5,896,365
Liabilities:					
Accounts payable	\$ 149,485	\$ -	\$ -	\$ 8,765	\$ 158,250
Unearned revenue	97,627	-	-	-	97,627
Due to component unit	32,454	-	-	-	32,454
Due to other funds	991,665	11,196	-	173,460	1,176,321
Total liabilities	1,271,231	11,196	-	182,225	1,464,652
Deferred inflows of resources:					
Unavailable revenues	361,393	-	-	130,850	492,243
Total deferred inflows of resources	361,393	-	-	130,850	492,243
Fund balances:					
Nonspendable	2,327	-	-	-	2,327
Restricted	112,455	96,823	122,952	1,130,508	1,462,738
Committed	-	-	697,312	-	697,312
Unassigned	1,915,253	-	-	(138,160)	1,777,093
Total fund balances	2,030,035	96,823	820,264	992,348	3,939,470
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,662,659	\$ 108,019	\$ 820,264	\$ 1,305,423	\$ 5,896,365

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, 2020

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 3,939,470

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	\$ 37,968,060	
Related accumulated depreciation	(20,171,268)	17,796,792

Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		492,243
---	--	---------

The City's proportionate share of net pension asset as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Net pension liability	(931,238)	
Deferred outflows of resources from pensions	191,308	
Deferred inflows of resources from pensions	(469,245)	(1,209,175)

The City's total OPEB liability as well as OPEB-related deferred outflows of resources are recognized in the government-wide statements and include:

Total OPEB liability	(219,876)	
Deferred outflows of resources from OPEB	27,959	(191,917)

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	150,000	
Capital leases payable	(306,407)	
Notes payable	(117,336)	
Bonds payable	(10,950,000)	
Unamortized premium on general obligation debt	(350,285)	
Deferred loss on refunding	16,202	
Compensated absences	(165,031)	
Accrued interest	(52,893)	(11,775,750)

Net position of governmental activities - statement of net position (Exhibit A-1)		\$ <u>9,051,663</u>
---	--	---------------------

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, 2020

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 2,394,752	\$ 942,647	\$ -	\$ 392,640	\$ 3,730,039
Non-property taxes	2,371,014	-	-	59,010	2,430,024
Fines and forfeitures	54,469	-	-	-	54,469
Licenses and permits	44,818	-	-	-	44,818
Fees and services	1,918,145	-	-	275,284	2,193,429
Miscellaneous	96,817	50,000	182,224	-	329,041
Intergovernmental revenue	94,306	-	-	23,694	118,000
Other grants and contributions	-	-	-	27,800	27,800
Total revenues	<u>6,974,321</u>	<u>992,647</u>	<u>182,224</u>	<u>778,428</u>	<u>8,927,620</u>
Expenditures:					
Current:					
General government	273,024	12,855	-	81,389	367,268
Administration	157,750	-	-	-	157,750
Tax assessing/collecting	47,809	-	-	-	47,809
City hall	181,044	-	-	-	181,044
Police department	1,794,520	-	-	-	1,794,520
Municipal court	87,624	-	-	-	87,624
Fire department	102,645	-	-	-	102,645
Library	131,480	-	16,780	-	148,260
Streets and public works	847,493	-	-	-	847,493
Parks and recreation	437,360	-	-	-	437,360
Aquatic center	281,779	-	-	-	281,779
Community center	18,519	-	-	-	18,519
Garbage collection	1,544,412	-	-	-	1,544,412
E.M.T.	433,031	-	-	-	433,031
Community planning	199,959	-	-	-	199,959
Drainage improvement	-	-	-	12,572	12,572
Grant outlay	-	-	-	12,718	12,718
Debt service:					
Principal payments on debt	-	590,000	149,205	-	739,205
Interest and other charges	-	387,475	19,358	-	406,833
Capital outlay	82,323	-	132,629	293,449	508,401
Total expenditures	<u>6,620,772</u>	<u>990,330</u>	<u>317,972</u>	<u>400,128</u>	<u>8,329,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>353,549</u>	<u>2,317</u>	<u>(135,748)</u>	<u>378,300</u>	<u>598,418</u>
Other financing sources (uses):					
Proceeds from capital leases	-	-	15,000	-	15,000
Interest income	35,120	384	1,703	10,472	47,679
Sale of capital assets	29,207	-	-	-	29,207
Transfers in	-	-	257,497	-	257,497
Transfers out	(257,497)	-	-	(35,300)	(292,797)
Total other financing sources (uses)	<u>(193,170)</u>	<u>384</u>	<u>274,200</u>	<u>(24,828)</u>	<u>56,586</u>
Change in fund balances	160,379	2,701	138,452	353,472	655,004
Fund balances - beginning	<u>1,869,656</u>	<u>94,122</u>	<u>681,812</u>	<u>638,876</u>	<u>3,284,466</u>
Fund balances - ending	<u>\$ 2,030,035</u>	<u>\$ 96,823</u>	<u>\$ 820,264</u>	<u>\$ 992,348</u>	<u>\$ 3,939,470</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 655,004

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	\$ 508,401	
Depreciation expense for the year	<u>(1,266,497)</u>	(758,096)

In the statement of activities only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold. (8,726)

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. (48,565)

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. (28,574)

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

Issuance of capital leases	(15,000)	
Issuance of long-term debt	-	
Repayment of long-term debt	739,205	
Amortization of premiums	32,895	
Amortization on deferred loss on refunding	<u>(3,054)</u>	754,046

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. 5,059

Changes in the proportionate share of net pension liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is: 7,622

Changes in the total OPEB liability and related deferred outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is: (11,069)

Change in net position of governmental activities - statement of activities (Exhibit A-2) \$ 516,701

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXASSTATEMENT OF NET POSITION
PROPRIETARY FUND
WATER AND SEWER FUND
SEPTEMBER 30, 2020

EXHIBIT A-7

Assets:

Current assets:

Petty cash	\$ 1,000
Certificates of deposit	742,846
Customer accounts receivable, net of allowance	645,948
Inventory	82,408
Due from other funds	46,496
Total current assets	<u>1,518,698</u>

Restricted assets:

Money market	<u>304,968</u>
--------------	----------------

Fixed assets:

Land	1,596,655
Buildings and improvements	150,560
Equipment and vehicles	1,819,188
Water system	10,867,823
Sewer system	5,018,969
Construction in progress	134,287
Accumulated depreciation	<u>(11,380,380)</u>

Net fixed assets	<u>8,207,102</u>
Total assets	<u>10,030,768</u>

Deferred outflows of resources:

Deferred loss on refunding	26,057
Deferred outflows of resources from pensions	49,969
Deferred outflows of resources from OPEB	7,110
Total deferred outflows of resources	<u>83,136</u>

Liabilities:

Current liabilities:

Accounts payable	215,034
Unearned revenue	-
Accrued compensated absences	22,517
Accrued interest payable	26,842
Customer deposits	236,037
Due to other funds	148,666
Debt due or payable within one year	532,869
Total current liabilities	<u>1,181,965</u>

Long-term liabilities:

Accrued compensated absences	22,291
Debt due or payable after one year	4,845,084
Net pension liability	243,233
Total OPEB liability	57,430
Total liabilities	<u>6,350,003</u>

Deferred outflows of resources:

Deferred outflows of resources from pensions	134,755
Deferred outflows of resources from OPEB	2,884
Total deferred outflows of resources	<u>137,639</u>

Net position:

Net investment in capital assets	3,302,420
Restricted for:	
Debt service	304,968
Unrestricted	18,874
Total net position	<u>3,626,262</u>

Total liabilities, deferred outflows of resources, and net position	<u>\$ 10,113,904</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, 2020

Operating revenues:	
Water revenues	\$ 2,828,503
Sewer services	1,234,687
Industrial charges	48
Total operating revenues	<u>4,063,238</u>
Operating expenses:	
Water supply and distribution	901,039
Billing and collections	751,540
Wastewater treatment	1,071,762
Water wells	816,510
Total operating expenses:	<u>3,540,851</u>
Operating income	<u>522,387</u>
Nonoperating revenues (expenses):	
Interest revenue	13,929
Miscellaneous revenue	45,837
Bond issuance costs	(38,800)
Interest expense and fiscal charges	(169,991)
Total nonoperating revenues (expenses)	<u>(149,025)</u>
Transfers	35,300
Net income	408,662
Net position - beginning	<u>3,217,600</u>
Net position - ending	<u>\$ 3,626,262</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash flows from operating activities:	
Cash received from customers	\$ 4,093,343
Cash payments to employees for services	(717,481)
Cash payments to other suppliers for goods and services	(2,164,728)
Net cash provided by operating activities	<u>1,211,134</u>
Cash flows from non-capital financing activities:	
Payments to other funds	(770,352)
Other receipts	45,837
Net cash used by non-capital financing activities	<u>(724,515)</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of capital lease	1,642,057
Principal paid on long-term debt	(411,718)
Principal paid to refunding bond escrow	(1,175,000)
Interest and paying agent fees paid on long-term debt	(180,566)
Bond issuance costs	(38,800)
Acquisition of capital assets	(231,867)
Net cash used by capital and related financing activities	<u>(395,894)</u>
Cash flows from investing activities:	
Interest earned	13,929
Net cash provided by capital and related financing activities	<u>13,929</u>
Net increase in cash and cash equivalents	104,654
Cash and cash equivalents - beginning	<u>944,160</u>
Cash and cash equivalents - ending	<u>\$ 1,048,814</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 522,387
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	516,898
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	21,730
Inventory	-
Deferred outflows of resources from pensions	269,393
Deferred outflows of resources from OPEB	3,307
Increase (decrease) in liabilities:	
Accounts payable	66,924
Customer deposits	8,375
Accrued compensated absences	11,079
Net pension liability	(215,290)
Total OPEB liability	6,331
Net cash provided by operating activities	<u>\$ 1,211,134</u>
Reconciliation of cash and cash equivalents	
Unrestricted cash	\$ 1,000
Unrestricted certificates of deposit	742,846
Restricted cash equivalents	304,968
	<u>\$ 1,048,814</u>
Noncash Investing, Capital, and Financing Activities:	
Intra-government net capital asset transfers	<u>\$ 208,701</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020

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

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

2. Reporting Entity

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

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

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

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

Discretely Presented Component Unit

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The City has three major governmental funds: General Fund, Debt Service Fund and Capital Projects 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 Capital Projects Fund accounts for the City's major capital and related activity.

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

b. Measurement Focus, Basis of Accounting

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

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

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

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

CITY OF BURKBURNETT, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 183,201
Allowance for uncollectible taxes	<u>(91,600)</u>
Net property taxes receivable	<u>\$ 91,601</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 \$91,601 in delinquent property taxes outstanding at September 30, 2020, it is expected that the City will collect approximately \$33,000 during the year ending September 30, 2020. This is similar to the collections for the year ending September 30, 2020.

d. Capital Assets

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

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

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

e. Inventories

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

f. Inter-fund Activity

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

g. Net Position

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

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

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

h. Governmental Fund Balances

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

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

i. Compensated Absences

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

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

j. Pensions

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

k. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

l. 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 City does not have any funds with a deficit fund balance or deficit fund net position.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits:

At September 30, 2020, the balance of the City's cash deposits was \$4,874,915. The City's cash deposits at September 30, 2020, and during 2019, 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, 2020, the Burkburnett Development Corporation's cash deposit balance was \$287,116. The cash at September 30, 2020 and during 2020, were entirely covered by FDIC insurance or under the umbrella of the City's pledged collateral.

Investments:

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

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

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

c. Concentrations of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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

Restricted Assets:

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental	Proprietary Fund
Debt service	\$ -	\$ 29,059	\$ -	\$ -	\$ 304,800
Capital projects	-	-	122,952	-	168
Hotel/motel funds	-	-	-	262,770	-
TIF funds	-	-	-	731,772	-
Court technology	-	-	-	24,652	-
Court security	-	-	-	11,018	-
Storm drainage	-	-	-	144,361	-
Pandemic response	102,944	-	-	-	-
Other	9,511	-	-	-	-
Total	\$ 112,455	\$ 29,059	\$ 122,952	\$ 1,174,573	\$ 304,968

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

D. Capital Assets

Capital asset activity for the period ended September 30, 2020, was as follows:

Primary government

Governmental activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Land	\$ 79,775	\$ -	\$ -	\$ 79,775
Construction in progress	112,705	-	(112,705)	-
Police department land	99,460	-	-	99,460
Golf course land	64,000	-	-	64,000
Total capital assets not being depreciated	355,940	-	(112,705)	243,235
Capital assets being depreciated:				
Buildings and improvements	7,438,357	54,616	-	7,492,973
Aquatic Center	4,461,602	-	-	4,461,602
Library books	370,483	27,141	(117,786)	279,838
Streets and curbs	19,894,923	123,499	-	20,018,422
Golf course	664,030	125,340	-	789,370
Equipment and vehicles	4,581,468	281,784	(180,634)	4,682,618
Total capital assets being depreciated	37,410,863	612,380	(298,420)	37,724,823
Less accumulated depreciation for:				
Buildings and improvements	1,363,083	177,672	-	1,540,755
Aquatic Center	632,060	148,719	-	780,779
Library books	344,066	24,699	(117,786)	250,979
Streets and curbs	12,696,239	679,279	-	13,375,518
Golf course	658,028	2,000	-	660,028
Equipment and vehicles	3,509,713	234,128	(180,634)	3,563,207
Total accumulated depreciation	19,203,189	1,266,497	(298,420)	20,171,266
Total capital assets being depreciated, net	18,207,674	(654,117)	-	17,553,557
Governmental activities capital assets, net	\$ 18,563,614	\$ (654,117)	\$ (112,705)	\$ 17,796,792

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Business-type activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,596,655	\$ -	\$ -	\$ 1,596,655
Construction in progress	-	134,287	-	134,287
Total capital assets not being depreciated	\$ 1,596,655	\$ 134,287	\$ -	\$ 1,730,942
Capital assets being depreciated:				
Buildings and improvements	150,560	-	-	150,560
Equipment and vehicles	1,847,442	82,080	(110,334)	1,819,188
Water system	10,852,323	15,500	-	10,867,823
Sewer system	5,018,969	-	-	5,018,969
Total capital assets being depreciated	17,869,294	97,580	(110,334)	17,856,540
Less accumulated depreciation for:				
Buildings and improvements	116,684	3,764	-	120,448
Equipment and vehicles	1,361,979	108,934	(110,334)	1,360,579
Water system	5,508,195	295,446	-	5,803,641
Sewer system	3,986,958	108,754	-	4,095,712
Total accumulated depreciation	10,973,816	516,898	(110,334)	11,380,380
Total capital assets being depreciated, net	6,895,478	(419,318)	-	6,476,160
Business-type activities capital assets, net	\$ 8,492,133	\$ (285,031)	\$ -	\$ 8,207,102

Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 3,879
City hall	2,593
Police department	211,694
Municipal court	610
Fire department	41,796
Library	30,895
Streets and public works	759,690
Parks and recreation	34,625
Aquatic center	150,572
E.M.T.	21,501
Community planning	2,441
Community Center	4,421
Garbage Collection	1,780
Total	\$ 1,266,497
Business-type activities:	
Water supply, distribution, and wells	\$ 387,126
Waste water treatment	129,772
Total	\$ 516,898

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Discretely presented component unit

Activity for the Burkburnett Development Corporation for the year ended September 30, 2020 was as follows:

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

The Burkburnett Development Corporation did not recognize any depreciation expense for the year ended September 30, 2020, as all the Corporation's assets were fully depreciated in the prior year.

E. Due from Component Unit

In fiscal year 2013, the Burkburnett Development Corporation agreed to pay \$50,000 annually for ten years towards principal and interest for the City of Burkburnett, Texas General Obligation Bonds, Series 2013. The bonds were issued to fund the development of the Burkburnett Family Aquatic Center. The balance of this note as of September 30, 2020 is \$150,000 in governmental activities.

F. Inter-fund Balances and Activity

1. Due To and From Other Funds

Inter-fund receivables and payables at September 30, 2020, consisted of the following:

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 286,826	\$ 991,665
Debt Service Fund	78,960	11,196
Capital Projects Fund	697,312	-
Special Revenue Fund	215,393	173,460
Water and Sewer Fund	46,496	148,666
Total	<u>\$ 1,324,987</u>	<u>\$ 1,324,987</u>

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Transfers To and From Other Funds

Transfers to and from other funds during fiscal year 2020, consisted of the following:

Fund	Transfers Out	Transfers In	Total
General Fund	\$ (257,497)	\$ -	\$ (257,497)
Capital Projects Fund	-	257,497	257,497
Nonmajor funds:			
TIF Fund	(35,300)	-	(35,300)
Water and Sewer Fund	-	35,300	35,300
Total	\$ (292,797)	\$ 292,797	\$ -

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

G. Long-Term Liabilities

1. Long-Term Liability Activity

Long-term liabilities include debt and other long-term payables. Changes in long-term liabilities for the year ended September 30, 2020, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds, series 2008 and 2013	\$ 3,880,000	\$ -	\$ 95,000	\$ 3,785,000	\$ 100,000
General obligation refunding bonds, series 2015	1,425,000	-	185,000	1,240,000	190,000
Certificate of obligation, series 2016	4,330,000	-	125,000	4,205,000	130,000
General obligation refunding bonds, series 2018	1,905,000	-	185,000	1,720,000	195,000
Notes payable	181,149	15,000	78,813	117,336	117,336
Capital leases payable	376,798	-	70,391	306,407	64,835
Compensated absences payable	136,457	129,681	101,107	165,031	109,201
Total governmental activities	\$ 13,229,351	\$ 144,681	\$ 840,311	\$ 11,538,774	\$ 906,372

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type activities:</u>					
General obligation refunding bonds, series 2010	\$ 1,340,000	\$ -	\$ 1,340,000	\$ -	\$ -
Revenue bonds, series 2010 and 2013	2,640,000	-	180,000	2,460,000	185,000
General obligation refunding bonds, series 2015 and 2020	1,180,000	1,195,000	60,000	2,315,000	255,000
Capital leases payable	70,670	-	6,718	63,952	6,885
Notes payable	-	447,057	-	447,057	85,984
Compensated absences	33,729	33,991	22,912	44,808	22,517
Total business-type activities	\$ 5,264,399	\$ 1,676,048	\$ 1,609,630	\$ 5,330,817	\$ 555,386
<u>Component Units:</u>					
<u>Burkburnett Economic Development Corporation:</u>					
Note payable to primary government	\$ 200,000	\$ -	\$ 50,000	\$ 150,000	\$ 50,000
Total component units	\$ 200,000	\$ -	\$ 50,000	\$ 150,000	\$ 50,000

2. General Obligation Bonds

In April 2020, the City issued \$1,195,000 in General Obligation Refunding Bonds, Series 2020 to advance refund General Obligation Bonds, Series 2010 to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled \$1,195,000. The proceeds were placed with an escrow agent to provide for all future debt payments of the refunded bond. This refunding resulted in a decrease in the City's debt service payments of \$84,119, and it created an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$78,313. The bonds are payable from ad valorem taxes of the City. The interest rate is 1.18%, final maturity date is in 2026 and the annual series payments range from \$190,000 to \$205,000.

In April 2018, the City issued \$2,085,000 in General Obligation Refunding Bonds, Series 2018 to advance refund General Obligation Bonds, Series 2008 to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled \$2,054,091. The proceeds were placed with an escrow agent to provide for all future debt payments of the refunded bond. This refunding resulted in a decrease in the City's debt service payments of \$74,382, and it created an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$62,229. The bonds are payable from ad valorem taxes of the City. The interest rate is 2.87%, final maturity date is in 2028 and the annual series payments range from \$180,000 to \$240,000.

In October, 2015, the City issued \$3,760,000 in General Obligation Refunding Bonds, Series 2015, allocated 53% to the general fund and 47% to the utility fund. The debt was issued to refund a portion of the City's outstanding debt to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled \$3,980,069. The proceeds were placed with an escrow agent to provide for all future debt payments of the refunded bonds. This refunding resulted in an increase in the City's debt service payments of \$29,648, but it created an economic gain (difference between the present value of the debt service payments of the old

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

debt and new debt) of \$191,369 due to the timing of the payments under the new bond. The bonds are payable from ad valorem taxes of the City. Interest rates range from 2.00% to 4.00%. The final maturity date is in 2026 and the annual series payments range from \$180,000 to \$335,000.

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

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

3. Revenue Bonds and Certificates of Obligation

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

In 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.

4. Notes Payable

In September 2020, the City entered into a note payable agreement with a local bank to fund the Water Outfall Project in the amount of \$447,057. The note bears interest at the rate of 2.00% with fixed annual payments of 94,925. The final maturity date is in September 2025.

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.

5. Capital Lease

The City entered into the following lease agreements that are considered to be a capital leases for accounting purposes:

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Description	Interest Rate	Issue Date	Maturity Date	Original Issue	Balance at 9/30/2020	Carrying Value of Equipment
<u>Governmental Activities</u>						
2016 Ford Sedan PPV	3.35%	12/28/2016	12/28/2021	\$ 30,973	\$ 12,800	\$ 12,025
Branson Tractor/Flex Mower	2.99%	3/30/2017	3/30/2022	48,100	20,096	31,265
2018 CAT Wheel Loader	2.85%	1/30/2018	1/30/2023	160,569	131,609	128,206
2019 Ford Taurus (2)- Police	3.95%	1/29/2019	1/29/2024	77,266	62,987	61,371
2018 CASE Backhoe	3.95%	1/29/2019	1/29/2024	70,318	57,323	58,598
2019 Ford Super Cab- Street	3.95%	4/10/2019	4/10/2024	26,488	21,592	21,112
					<u>\$ 306,407</u>	<u>\$ 312,577</u>
<u>Business-type Activities</u>						
2016 Warren Cat Backhoe #65358	2.55%	10/26/2016	10/26/2021	83,610	\$ 63,952	\$ 50,862

The liabilities for future capital lease payments for Governmental Activities and Business-type Activities are reported as capital lease payable due within one year of \$57,067 and \$6,885, respectively, and capital lease payable due in more than one year of \$241,572 and \$64,835 respectively.

The commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2020 as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2021	75,229	8,520
2022	75,025	58,520
2023	142,898	-
2024	39,050	-
Total minimum lease payments	332,202	67,040
Less amount representing interest	(25,795)	(3,088)
Present value of minimum lease payments	<u>\$ 306,407</u>	<u>\$ 63,952</u>

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

6. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020, are as follows:

	Governmental Activities					
	Notes Payable		General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 117,336	\$ 4,464	\$ 485,000	\$ 246,154	\$ 130,000	\$ 123,550
2022	-	-	495,000	230,425	135,000	120,225
2023	-	-	510,000	213,798	140,000	116,100
2024	-	-	480,000	197,162	140,000	111,900
2025	-	-	500,000	180,367	145,000	107,625
2026-2030	-	-	2,640,000	608,602	800,000	468,750
2031-2035	-	-	1,635,000	105,931	1,960,000	308,550
2036	-	-	-	-	755,000	11,325
Totals	\$ 117,336	\$ 4,464	\$ 6,745,000	\$ 1,782,439	\$ 4,205,000	\$ 1,368,025

	Business Type Activities					
	Notes Payable		Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 85,984	\$ 4,464	\$ 185,000	\$ 98,125	\$ 255,000	\$ 54,830
2022	87,704	-	195,000	91,650	260,000	50,609
2023	89,458	-	200,000	84,825	260,000	46,196
2024	91,247	-	210,000	77,588	275,000	41,473
2025	92,664	-	220,000	69,438	275,000	36,429
2026-2030	-	-	1,000,000	224,372	605,000	119,410
2031-2034	-	-	450,000	38,676	385,000	31,500
Totals	\$ 447,057	\$ 4,464	\$ 2,460,000	\$ 684,674	\$ 2,315,000	\$ 380,447

7. Component Unit Note Payable

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

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

2021	\$ 50,000
2022	50,000
2023	50,000
Total	\$ 200,000

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City obtains general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage.

The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Defined Benefit Pension Plan

A. Plan Description

The City of Burkburnett participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

	<u>Plan Year 2018</u>	<u>Plan Year 2019</u>
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	30% of CPI	30% of CPI

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>74</u>
Total	<u>168</u>

C. Contributions

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

Employees for the City of Burkburnett were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Burkburnett were 10.14% and 10.28% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$328,447, and were equal to the required contribution.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
Total	<u>100.0%</u>	

Discount Rate

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance at 12/31/2018	\$ 15,095,484	\$ 12,644,798	\$ 2,450,686
Changes for the year:			
Service cost	417,137	-	417,137
Interest	1,000,669	-	1,000,669
Change of benefit terms	-	-	-
Difference between expected and actual experience	(210,816)	-	(210,816)
Changes of assumptions	(11,754)	-	(11,754)
Contributions – employer	-	314,015	(314,015)
Contributions – employee	-	216,775	(216,775)
Net investment income	-	1,952,039	(1,952,039)
Benefit payments, including refunds of employee contributions	(958,657)	(958,657)	-
Administrative expense	-	(11,046)	11,046
Other changes	-	(332)	332
Net changes	<u>236,579</u>	<u>1,512,794</u>	<u>(1,276,215)</u>
Balance at 12/31/2019	<u>\$ 15,332,063</u>	<u>\$ 14,157,592</u>	<u>\$ 1,174,471</u>

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

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's net pension liability	<u>\$ 3,037,185</u>	<u>\$ 1,174,471</u>	<u>\$ (372,926)</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$376,926.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 148,844
Changes in actuarial assumptions	-	8,669
Difference between projected and actual investment earnings	-	439,058
Contributions subsequent to the measurement date	<u>191,308</u>	<u>-</u>
Total	<u>\$ 191,308</u>	<u>\$ 596,571</u>

\$191,308 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (161,631)
2021	(208,858)
2022	(6,378)
2023	<u>(219,704)</u>
Total	<u>\$ (596,571)</u>

J. Postemployment Benefits Other Than Pensions (OPEB)

1. Plan Description

The City of Burkburnett participates in a cost sharing multiple-employer defined benefit group life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to participate in SBDF, and the City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

2. Benefits Provided

The SBDF provides group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>74</u>
Total	<u>125</u>

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate	2.75%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates for service retirees are based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a full generational basis with scale UMP.

Mortality rates for disabled retirees are based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a full generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 273,108
Changes for the year:	
Service Cost	6,503
Interest on Total OPEB Liability	10,207
Changes of benefit terms	-
Differences between expected and actual experience	(48,285)
Changes in assumptions or other inputs	38,250
Benefit payments	<u>(2,477)</u>
Net changes	<u>4,198</u>
Total OPEB Liability – end of year	<u>\$ 277,306</u>

CITY OF BURKBURNETT, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75 percent) or 1-percentage-point higher (3.75% percent) than the current discount rate:

	1% Decrease In Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase In Discount Rate (3.75%)
City's total OPEB liability	<u>\$ 338,619</u>	<u>\$ 277,306</u>	<u>\$ 230,942</u>

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$23,929.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (10,313)
Changes in actuarial assumptions	28,732	-
Contributions subsequent to the measurement date	<u>6,337</u>	<u>-</u>
Total	<u>\$ 35,069</u>	<u>\$ (10,313)</u>

\$6,337 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	
2020	\$ 7,219
2021	7,219
2022	4,722
2023	(336)
2024	(405)
Thereafter	<u>-</u>
Total	<u>\$ 18,419</u>

K. Commitments and Contingencies

1. Contingencies

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

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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. Economic Development Incentive Agreement

The Board of Directors of the Burkburnett Development Corporation approved to enter into an agreement with the Wichita Falls Economic Development Corporation in support of a development agreement with Vitro Architectural Glass to create and retain primary jobs on a new expansion. The Corporation's commitment totals \$300,000, to be paid out annually as the Corporation is notified that certain milestones are met. The third and final payment was made during the current year. There is no remaining amount due as of September 30, 2020.

4. Operating lease

The City entered into a lease agreement for a postage machine in December 2014, which expired in December 2019. After the expiration of this contract, a new 60 month contract for postage meter and letter folder, signed subsequent to year end, will commence in January 2020. Additionally, the City purchased two of the older copiers previously leased and signed 60 month leases on three new copiers, effective January 2019. Rental expense related to these leases was \$13,375 for the year ended September 30, 2020.

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

<u>Year ending</u> <u>September 30,</u>	<u>Amount</u>
2021	\$ 12,710
2022	12,710
2023	12,710
2024	7,195
2025	<u>1,339</u>
Total future minimum lease payments	<u>\$ 46,664</u>

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

L. Tax Abatements

The City of Burkburnett's Tax Increment Financing District, Reinvestment Zone enters into ad valorem tax abatement agreements with businesses to promote economic development as permitted by chapter 311 of the Texas Tax Code. Under the tax abatement program, the City may negotiate to abate 100% of their portion of increased Ad Valorem tax during the first year that improvements are in place. The abatements are then reduced by 10% each year until the abatements cease during the 10th year. The abatements are based upon a project's capital investment and the number of jobs created as a result of expansion or new project location. Terms of these abatements are negotiated on a case-by-case basis and apply only to primary employers.

For the fiscal year ended September 30, 2020, the City abated taxes totaling \$33,184 to a skilled nursing facility under this program.

M. Pandemic

The COVID-19 outbreak in the United States has created economic uncertainties that may impact future operations. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on citizens, employees, and vendors, all of which are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the City's financial condition or results of operations is unknown.

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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 2,574,612	\$ 2,574,612	\$ 2,668,590	\$ 93,978
Non-property taxes	2,436,500	2,436,500	2,786,495	349,995
Fines and forfeitures	74,000	74,000	54,469	(19,531)
Licenses and permits	49,750	49,750	44,818	(4,932)
Fees and services	2,049,179	2,049,179	1,918,145	(131,034)
Miscellaneous	67,318	67,318	96,817	29,499
Intergovernmental revenue	80,609	80,609	94,306	13,697
Total operating revenues	<u>7,331,968</u>	<u>7,331,968</u>	<u>7,663,640</u>	<u>331,672</u>
Expenditures:				
Current:				
General government	940,803	940,803	1,219,840	(279,037)
Administration	155,208	155,208	157,750	(2,542)
Tax assessing/collecting	45,790	45,790	47,809	(2,019)
City hall	158,293	158,293	181,044	(22,751)
Police department	1,843,373	1,843,373	1,815,029	28,344
Municipal court	99,554	99,554	87,624	11,930
Fire department	110,200	110,200	137,318	(27,118)
Library	173,816	173,816	158,621	15,195
Streets and public works	906,470	906,470	847,493	58,977
Parks and recreation	437,674	437,674	437,360	314
Aquatic center	335,798	335,798	281,779	54,019
Community center	19,500	19,500	18,519	981
Garbage collection	1,495,840	1,495,840	1,544,412	(48,572)
E.M.T.	429,907	429,907	433,031	(3,124)
Community planning	234,723	234,723	199,959	34,764
Total expenditures	<u>7,386,949</u>	<u>7,386,949</u>	<u>7,567,588</u>	<u>(180,639)</u>
Excess of revenues over expenditures	<u>(54,981)</u>	<u>(54,981)</u>	<u>96,052</u>	<u>151,033</u>
Other financing sources (uses):				
Interest income	20,500	20,500	35,120	14,620
Sale of assets	-	-	29,207	29,207
Total other financing sources (uses)	<u>20,500</u>	<u>20,500</u>	<u>64,327</u>	<u>43,827</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (34,481)</u>	<u>\$ (34,481)</u>	<u>\$ 160,379</u>	<u>\$ 194,860</u>

CITY OF BURKBURNETT, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2020

Budget and Budgetary Accounting

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

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

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

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

Budget Amendments

There were no amendments to the budget during the year ended September 30, 2020.

Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures for the year ended September 30, 2020, determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 7,663,640
---	--------------

Differences—budget to GAAP:

Collections of property taxes that are remitted to another fund are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes	(273,838)
Collections of sales taxes that are remitted to the City's component unit are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes	<u>(415,481)</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 6,974,321</u>
--	---------------------

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,567,588
---	--------------

Differences—budget to GAAP:

Transfers of property taxes to another fund are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes	(273,838)
Remittances of sales taxes to the City's component unit are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes	(415,481)
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes	<u>(257,497)</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 6,620,772</u>
--	---------------------

CITY OF BURKBURNETT, TEXAS

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2019

	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service cost	\$ 326,157	\$ 384,710	\$ 397,893	\$ 394,188	\$ 406,872	\$ 417,137
Interest (on the Total Pension Liability)	853,168	891,119	882,631	924,437	973,551	1,000,669
Changes of benefit terms	-	-	-	88,217	-	-
Difference between expected and actual experience	42,745	(461,671)	54,167	222,912	(89,720)	(210,816)
Change of assumptions	-	280,309	-	-	-	(11,754)
Benefit payments, including refunds of employee contributions	(700,110)	(718,251)	(792,401)	(811,015)	(829,513)	(958,657)
Net Change in Total Pension Liability	521,960	376,216	542,290	818,739	461,190	236,579
Total Pension Liability - Beginning	12,375,089	12,897,049	13,273,265	13,815,555	14,634,294	15,095,484
Total Pension Liability - Ending (a)	<u>\$ 12,897,049</u>	<u>\$ 13,273,265</u>	<u>\$ 13,815,555</u>	<u>\$ 14,634,294</u>	<u>\$ 15,095,484</u>	<u>\$ 15,332,063</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 296,944	\$ 288,382	\$ 296,456	\$ 279,537	\$ 294,695	\$ 314,015
Contributions - Employee	188,278	199,332	206,468	206,845	212,228	216,775
Net investment income	649,544	17,385	780,812	1,667,984	(400,348)	1,952,039
Benefit payments, including refunds of employee contributions	(700,110)	(718,251)	(792,401)	(811,015)	(829,513)	(958,657)
Administrative expenses	(6,783)	(10,591)	(8,823)	(8,649)	(7,744)	(11,046)
Other	(558)	(523)	(475)	(439)	(403)	(332)
Net Change in Plan Fiduciary Net Position	427,315	(224,266)	482,037	1,334,263	(731,085)	1,512,794
Plan Fiduciary Net Position - Beginning	11,356,534	11,783,849	11,559,583	12,041,620	13,375,883	12,644,798
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,783,849</u>	<u>\$ 11,559,583</u>	<u>\$ 12,041,620</u>	<u>\$ 13,375,883</u>	<u>\$ 12,644,798</u>	<u>\$ 14,157,592</u>
Net Pension (Asset) Liability - Ending (a) - (b)	\$ 1,113,200	\$ 1,713,682	\$ 1,773,935	\$ 1,258,411	\$ 2,450,686	\$ 1,174,471
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.37%	87.09%	87.16%	91.40%	83.77%	92.34%
Covered Employee Payroll	2,689,692	2,847,593	2,949,539	2,954,931	3,031,835	3,096,786
Net Pension Liability as a Percentage of Covered Employee Payroll	41.39%	60.18%	60.14%	42.59%	80.83%	37.93%

CITY OF BURKBURNETT, TEXAS

EXHIBIT B-3

*REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2020*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 289,797	\$ 297,396	\$ 280,231	\$ 290,553	\$ 307,171	\$ 328,447
Contribution in relation to the actuarially determined contribution	<u>289,797</u>	<u>297,396</u>	<u>280,231</u>	<u>290,553</u>	<u>307,171</u>	<u>328,447</u>
Contribution excess (deficiency)	-	-	-	-	-	-
Covered employee payroll	\$ 2,784,180	\$ 2,893,113	\$ 2,949,539	\$ 3,010,643	\$ 3,063,525	\$ 3,206,717
Contributions as a percentage of covered employee payroll	10.41%	10.28%	9.50%	9.65%	10.03%	10.24%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF BURKBURNETT, TEXAS

EXHIBIT B-4

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

DECEMBER 31, 2019

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB Liability			
Service cost	\$ 5,910	\$ 6,973	\$ 6,503
Interest	7,672	7,717	10,207
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	46,206	(48,285)
Changes of assumptions	18,299	(16,221)	38,250
Benefit payments	<u>(2,068)</u>	<u>(2,425)</u>	<u>(2,477)</u>
Net Change in Total OPEB Liability	29,813	42,250	4,198
Total OPEB Liability - Beginning	<u>201,045</u>	<u>230,858</u>	<u>273,108</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 230,858</u></u>	<u><u>\$ 273,108</u></u>	<u><u>\$ 277,306</u></u>
Covered Employee Payroll	2,954,931	3,031,835	3,096,786
Total OPEB Liability as a Percentage of Covered Employee Payroll	7.81%	9.01%	8.95%

NOTES TO SCHEDULE:

Changes of assumptions.

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

Other Supplementary Information

CITY OF BURKBURNETT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Hotel/Motel Tax Fund	Court Technology Fund	Court Security Fund	TIF Fund	Grant Fund	Storm Drainage	
ASSETS							
Cash and cash equivalents	\$ 262,770	\$ -	\$ -	\$ 590,460	\$ -	\$ -	\$ 853,230
Receivables, net of allowances for uncollectibles:							
Property taxes	-	-	-	61,233	-	-	61,233
Customer accounts	-	-	-	-	-	44,717	44,717
Other	-	-	-	-	130,850	-	130,850
Due from other funds	-	24,652	11,018	80,079	-	99,644	215,393
Total assets	262,770	24,652	11,018	731,772	130,850	144,361	1,305,423
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Accounts payable	-	-	-	-	-	8,765	8,765
Due to other funds	-	-	-	35,300	138,160	-	173,460
Unearned revenues	-	-	-	-	130,850	-	130,850
Total liabilities	-	-	-	35,300	269,010	8,765	313,075
Deferred inflows of resources:							
Unavailable revenues	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
Fund balances:							
Restricted	262,770	24,652	11,018	696,472	-	135,596	1,130,508
Unassigned	-	-	-	-	(138,160)	-	(138,160)
Total fund balances	262,770	24,652	11,018	696,472	(138,160)	135,596	992,348
Total liabilities, deferred inflows of resources, and fund balances	\$ 262,770	\$ 24,652	\$ 11,018	\$ 731,772	\$ 130,850	\$ 144,361	\$ 1,305,423

CITY OF BURKBURNETT, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds					Total Nonmajor Governmental Funds	
	Hotel/Motel Tax Fund	Court Technology Fund	Court Security Fund	TIF Fund	Grant Fund		Storm Drainage
REVENUES							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ 392,640	\$ -	\$ -	\$ 392,640
Other	59,010	-	-	-	-	-	59,010
Fees and services	-	2,308	2,078	-	-	270,898	275,284
Intergovernmental	-	-	-	-	23,694	-	23,694
Other grants and contributions	-	-	-	-	27,800	-	27,800
Total revenues	<u>59,010</u>	<u>2,308</u>	<u>2,078</u>	<u>392,640</u>	<u>51,494</u>	<u>270,898</u>	<u>778,428</u>
EXPENDITURES							
Current:							
General government	73,664	5,950	1,775	-	-	-	81,389
Drainage	-	-	-	-	-	12,572	12,572
Grant outlay	-	-	-	-	12,718	-	12,718
Capital outlay	-	-	-	-	158,650	134,799	293,449
Total expenditures	<u>73,664</u>	<u>5,950</u>	<u>1,775</u>	<u>-</u>	<u>171,368</u>	<u>147,371</u>	<u>400,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,654)</u>	<u>(3,642)</u>	<u>303</u>	<u>392,640</u>	<u>(119,874)</u>	<u>123,527</u>	<u>378,300</u>
OTHER FINANCING SOURCES (USES)							
Interest income	4,030	-	-	6,442	-	-	10,472
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(35,300)	-	-	(35,300)
Total other financing uses	<u>4,030</u>	<u>-</u>	<u>-</u>	<u>(28,858)</u>	<u>-</u>	<u>-</u>	<u>(24,828)</u>
Net change in fund balances	(10,624)	(3,642)	303	363,782	(119,874)	123,527	353,472
Fund balances - beginning	<u>273,394</u>	<u>28,294</u>	<u>10,715</u>	<u>332,690</u>	<u>(18,286)</u>	<u>12,069</u>	<u>638,876</u>
Fund balances - ending	<u>\$ 262,770</u>	<u>\$ 24,652</u>	<u>\$ 11,018</u>	<u>\$ 696,472</u>	<u>\$ (138,160)</u>	<u>\$ 135,596</u>	<u>\$ 992,348</u>

Internal Control and Compliance Section



Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas, as of and for the year ended September 30, 2020, 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 March 9, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings to be a material weakness. See Finding 2020-1.

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. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies. See Finding 2020--2.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

March 9, 2021

**CITY OF BURKBURNETT, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. Summary of Auditor's Results - Financial Statements

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

B. Financial Statement Finding

Finding 2020-1: Material Weakness over Financial Reporting - Material Audit Adjustment

Condition and Criteria: The City's internal control over financial reporting should ensure all financial statement amounts are adjusted to be in accordance with generally accepted accounting principles (GAAP). During the audit, we proposed several audit adjustments that were material to the City's financial statements. The overall audit adjustments for governmental funds increased assets by \$595,419, liabilities by \$220,152, and decreased fund balance by \$375,267. The overall audit adjustments for the utility fund decreased assets by \$62,209, decreased liabilities by \$604,611, decreased deferred outflows and inflows by \$272,700, and decreased fund balance by \$269,702.

Cause: The City failed to identify all the adjustments needed during the year-end close process to adjust the general ledger balances to be in accordance with GAAP.

Effect: Material audit adjustments were required for the financial statement amounts to be in accordance with GAAP.

Recommendations: We recommend that the City perform all necessary reconciliations of general ledger balances to supporting records during the year and especially during the year-end close process to ensure that all balances are adjusted as necessary to be in agreement with the supporting records and recorded in accordance with GAAP. Additionally, we recommend that the City analyze unusual transactions during the year to determine if they are properly recorded in the general ledger.

Finding 2020-2: Significant Deficiency - Control Environment

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

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

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

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

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