

**CITY OF BURTON
FINANCIAL STATEMENTS
FOR YEAR ENDED MARCH 31, 2019**

CITY OF BURTON

Table of Contents

	<u>Page</u>
Independent Accountant’s Review Report	1 -2
Management’s Discussion and Analysis	3 - 8
Financial Statements – For the Year Ending March 31, 2019	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of Net Changes in Fund Balances of Government Funds To Change in Net Position of Governmental Activities	13
Statement of Net Position – Proprietary Fund	14
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to the Financial Statements.....	17 – 33
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	34
Budgetary Comparison Schedule – Water and Sewer Fund.....	35
Schedule of Changes in Net Pension Liability and Related Ratios	36
Schedule of Employer Contributions.....	37
Notes to the Schedule of Employer Contributions	38



MEDACK & OLTMANN, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

James E. Medack, CPA
Melodi J. Oltmann, CPA

PROFESSIONAL STAFF

Remington O'Dell, CPA

MEMBERS

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the City Council
Burton, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Burton, Texas, as of and for the year ended March 31, 2019, 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. 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, and each major fund, of the City of Burton, Texas, as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of employer contributions on pages 3 through 8 and 34 through 38 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 Burton, Texas's financial statements. The Budgetary Comparison Schedule – Proprietary Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information is the responsibility of management and was 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. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Medack & Oltmann, LLP
Giddings, Texas
August 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Burton's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2019. Please read it in conjunction with the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$114,557 as a result of this year's operations.
- The General fund balance at year-end was \$117,512.
- The Debt Service fund balance at year-end was \$66,994.
- The Wastewater net position was \$809,493, including current and capital assets.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's two funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we report the activities of the City as follows:

- Governmental activities – The City's basic services are reported here. Property, sales and other taxes along with court fines and fees finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of services it provides for water, wastewater and garbage services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 12 and provides detailed information about the most significant funds – not the City as a whole.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds – The City reports the activities for which it charges users in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities.
- Notes to the financial statements – the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The City as a Whole

The City's net position increased by \$114,557. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's activities.

Table 1
Net Position
March 31, 2019

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 408,418	\$ 321,329	\$ 108,948	\$ 66,669	\$ 517,366	\$ 387,998
Capital assets	267,133	279,709	723,902	765,852	991,035	1,045,561
Total Assets	675,551	601,038	832,850	832,521	1,508,401	1,433,559
Total Deferred Outflows of Resources	2,223	-	-	-	2,223	-
Current liabilities	200,765	155,437	23,357	8,882	224,122	164,319
Non-current liabilities	581,000	678,295	-	-	581,000	678,295
Total Liabilities	781,765	833,732	23,357	8,882	805,122	842,614
Total Deferred Inflows of Resources	-	-	-	-	-	-
Net Position:						
Net Investment in capital assets	(411,161)	(476,788)	723,902	765,852	312,741	289,064
Restricted	36,390	39,462	-	-	36,390	39,462
Unrestricted	270,780	204,632	85,591	57,787	356,371	262,419
Total Net Position	\$ (103,991)	\$ (232,694)	\$ 809,493	\$ 823,639	\$ 705,502	\$ 590,945

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for services	-	-	204,931	195,352	204,931	195,352
Operating grants & contributions	700	40,392	-	-	700	40,392
General Revenues						
Property Tax	126,498	121,971	-	-	126,498	121,971
Sales, Franchise and other taxes	94,655	90,731	-	-	94,655	90,731
Fines and Fees	95,364	72,841	-	-	95,364	72,841
Investment Income	279	306	11	122	290	428
Other Revenues	8,548	1,532	-	-	8,548	1,532
	-	-	-	-	-	-
Total Revenues	326,044	327,773	204,942	195,474	530,986	523,247
Expenses						
General Government	178,398	164,090	-	-	178,398	164,090
Interest and fees	18,943	19,568	-	-	18,943	19,568
Water and Wastewater Expenses	-	-	219,088	172,306	219,088	172,306
	-	-	-	-	-	-
Total Expenses	197,341	183,658	219,088	172,306	416,429	355,964
Change in net position	128,703	144,115	(14,146)	23,168	114,557	167,283
Net Position, beginning	(232,694)	(376,809)	823,639	800,471	590,945	423,662
Net Position, ending	(103,991)	(232,694)	809,493	823,639	705,502	590,945

THE CITY'S FUNDS

As the City completed the year on March 31, 2019, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$173,951. This is an increase of \$17,861.

General Fund Budgetary Highlights

The City's Council annually adopts an operating budget. There were no budget amendments made during the current year. In summary, total budgeted revenues exceeded actual revenues by \$93,389, and actual expenditures and other financing sources and uses were less than budgeted by \$103,500. In total, the City was under budget for a total of \$10,111.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2019, the City had \$991,035 invested in capital assets. (See Table 3 below.)

Table 3
Capital Assets at Year-end

	Governmental Activities	Business-type Activities	Totals
Furniture & Equipment	\$ 55,461	\$ 5,530	\$ 60,991
Parks	151,738		151,738
Buildings	158,870	-	158,870
Vehicles	24,976	-	24,976
Land	46,475	6,800	53,275
Water and sewer systems		1,678,018	1,678,018
Sewer Line Extension			-
	<u>437,520</u>	<u>1,690,348</u>	<u>2,127,868</u>
Accumulated depreciation	<u>(170,387)</u>	<u>(966,446)</u>	<u>(1,136,833)</u>
Net Capital Assets	<u>\$ 267,133</u>	<u>\$ 723,902</u>	<u>\$ 991,035</u>

Debt

Outstanding Debt at Year-end

<u>Governmental Activities</u>	
Burton State Bank	<u>\$ 650,000</u>
Burton State Bank	28,295
Compensated Absences	<u>0</u>
Total	<u>\$ 678,295</u>

Details for outstanding debt can be found in Note 4 to these financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The City will be entering into an Inter-local Agreement with Washington County Road and Bridge to repave and/or repair several of our most traveled city streets. These streets include portions of North Railroad Street, Texas Street, San Marcos Street, Nueces Street, South Railroad Street, and Live Oak Street. It is expected that the agreement will also provide for the improvement of drainage on properties along several of the streets listed.

City Hall expects to continue development of Weeren Park with the addition of a water feature, another picnic table and landscaping. The improvements at the park have been widely appreciated and citizens are encouraged to enjoy it.

A local Neighborhood Watch program will be launched with local residents, councilmembers and the Burton Police Department partnering to curtail crime in our small community.

The sewer and water lines of the City of Burton Utility System are aging and in need of major repairs. The water system is operating on a single well brought into service in 2012. The city will continue to pursue available grants through the Rural Water Development Board and Texas Community Development Block Grant to make replacements and repairs to the aging systems and make it possible to add a back-up water well to the water system.

The City currently anticipates little change in the current 2019 Operations and Maintenance tax rate of 0.1068% per \$100 valuation and its Interest and Sinking tax rate, which funds the \$616,000 Bond Debt Service, to be 0.3932% per \$100 valuation. These rates are projections only and could change based on the Washington County Appraisal District's 2020 final appraised valuation and further study of the District's financial needs.

The City has an interlocal agreement with Washington County whereby the City provides utilities to the EMS station and pays a portion of the fuel costs for the emergency vehicles in exchange for emergency medical services provided by the County.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City's citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Harrington, City Secretary, P.O. Box 255 Burton, Texas 77835.

City of Burton
Statement of Net Position
March 31, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 129,513	82,358	\$ 211,871
Restricted Cash	36,390	-	36,390
Receivables			
Sales taxes	13,227	-	13,227
Fines and fees	215,865	-	215,865
Property taxes	13,422	-	13,422
Water and wastewater	-	26,590	26,590
Capital Assets			
Non-depreciable	46,475	6,800	53,275
Depreciable, net of accumulated depreciation	220,659	717,102	937,761
Total Assets	<u>675,551</u>	<u>832,850</u>	<u>1,508,401</u>
Deferred Outflows of Resources	<u>\$ 2,223</u>	<u>\$ -</u>	<u>\$ 2,223</u>
Total assets and deferred outflows of resources	<u>\$ 677,774</u>	<u>\$ 832,850</u>	<u>\$ 1,510,624</u>
Liabilities			
Accounts payable	5,179	23,357	28,536
Pension Liability	10,382	-	10,382
Due to State of Texas	87,909	-	87,909
Noncurrent liabilities			
Due within one year	97,295	-	97,295
Due in more than one year	581,000	-	581,000
Total Liabilities	<u>781,765</u>	<u>23,357</u>	<u>805,122</u>
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and deferred inflows of resources	<u>\$ 781,765</u>	<u>\$ 23,357</u>	<u>\$ 805,122</u>
Net Position			
Net Investment in Capital Assets	(411,161)	723,902	312,741
Restricted	92,829	-	92,829
Unrestricted	214,341	85,591	299,932
Total Net Position	<u>\$ (103,991)</u>	<u>\$ 809,493</u>	<u>\$ 705,502</u>

See accompanying notes to the basic financial statements

City of Burton
Statement of Activities
For the Year Ended March 31, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities						
Administration	\$ 178,398	\$ -	\$ 700	\$ (177,698)	\$ -	\$ (177,698)
Interest on long-term debt	18,943	-	-	(18,943)	-	(18,943)
Total governmental activities	197,341	0	700	(196,641)	-	(196,641)
Business-type activities						
Water and Wastewater	219,088	204,931	-	-	(14,157)	(14,157)
Total business-type activities	219,088	204,931	-	-	(14,157)	(14,157)
Total government	<u>\$ 416,429</u>	<u>\$ 204,931</u>	<u>\$ 700</u>	\$ (196,641)	\$ (14,157)	\$ (210,798)
General Revenues						
Sales taxes				81,107	-	81,107
Mixed beverage taxes				1,756	-	1,756
Franchise taxes				11,792	-	11,792
Property taxes				126,498	-	126,498
Fines and fees				95,364	-	95,364
Investment income				279	11	290
Miscellaneous				8,548	-	8,548
Total General Revenues and transfers				325,344	11	325,355
Change in net position				128,703	(14,146)	114,557
Net position - beginning				(232,694)	823,639	590,945
Net position - ending				<u>\$ (103,991)</u>	<u>\$ 809,493</u>	<u>\$ 705,502</u>

See accompanying notes to the basic financial statements

**City of Burton
Balance Sheet
Governmental Funds
March 31, 2019**

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash	\$ 73,074	\$ 56,439	\$ 129,513
Restricted Cash	36,390	-	36,390
Receivables			
Sales taxes	13,227	-	13,227
Fines & Fees	215,865	-	215,865
Property taxes	2,867	10,555	13,422
Total Assets	\$ 341,423	\$ 66,994	\$ 408,417
Liabilities			
Accounts payable	\$ 5,179	\$ -	\$ 5,179
Salaries payable	0	-	-
Payroll taxes payable	0	-	-
Due to State of Texas	87,909	-	87,909
Total Liabilities	93,088	-	93,088
Deferred Inflows of Resources			
Fines & Fees	127,956		127,956
Property Taxes	2,867	10,555	13,422
Total Deferred Inflows of Resources	130,823	10,555	141,378
Fund Balance			
Non-spendable	-	-	-
Restricted	36,390	56,439	92,829
Unassigned	81,122	-	81,122
Total Fund Balances	117,512	56,439	173,951
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 341,423	\$ 66,994	\$ 408,417

Amounts reported for governmental activities in the Statement of Net Position are different because:

Net pension liability is not payable in the current period and therefore, is not reported in the funds	(10,382)
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	267,134
Deferred inflows and outflows related to pension liability are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Deferred outflows related to pension liability	2,223
Deferred inflows related to pension liability	-
Taxes and Fines & Fees receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance.	141,378
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Notes Payable	(678,295)
Net Position of Governmental Activities	\$ (103,991)

See accompanying notes to the basic financial statements

City of Burton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Sales taxes	\$ 81,107	\$ -	\$ 81,107
Mixed beverage taxes	1,756	-	1,756
Franchise taxes	11,792	-	11,792
Property taxes	26,307	97,141	123,448
Fines and fees	56,049	-	56,049
Contribution Revenue	700	-	700
Miscellaneous	8,503	45	8,548
Investment income	140	139	279
Total Revenues	<u>186,354</u>	<u>97,325</u>	<u>283,679</u>
EXPENDITURES			
Advertising	96	-	96
Automobile	6,257	-	6,257
Collection agency expense	3,177	-	3,177
Dues and Subscriptions	6,747	-	6,747
EMS Expense	2,344	-	2,344
Equipment Rental	1,861	-	1,861
Insurance	4,441	-	4,441
Mayor and Council Expense	561	-	561
Payroll and Benefits	64,030	-	64,030
Police Equipment and Canine expense	10,759	-	10,759
Professional Fees	3,394	-	3,394
Repairs and Maintenance	5,132	-	5,132
Security expense	1,708	-	1,708
State Criminal Costs & Fees	19,141	-	19,141
Street Lights & repairs	24,032	-	24,032
Supplies	3,766	-	3,766
Tax Collection Fees	4,320	-	4,320
Telephone and communications	4,393	-	4,393
Utilities	1,438	-	1,438
Miscellaneous	1,076	-	1,076
Debt service			
Principal	6,202	72,000	78,202
Interest	1,368	17,575	18,943
Total expenditures	<u>176,243</u>	<u>89,575</u>	<u>265,818</u>
Excess of revenues over expenditures	10,111	7,750	17,861
Net change in fund balance	10,111	7,750	17,861
Fund balances - beginning	<u>107,401</u>	<u>48,689</u>	<u>156,090</u>
Fund balances - ending	<u>\$ 117,512</u>	<u>\$ 56,439</u>	<u>\$ 173,951</u>

See accompanying notes to the basic financial statements

City of Burton
Reconciliation of Net Changes in Fund Balances of Governmental Funds to
Change in Net Position of Governmental Activities
For the Year Ended March 31, 2019

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:	
Net change in fund balances - total governmental funds	\$ 17,861
Because some property taxes will not be collected for several months after the City's fiscal year-end, they are not considered as "available" revenues in the governmental funds.	
Adjustment for property taxes collected after year-end	\$ 3,049
Because some fines and fees will not be collected for several months after the City's fiscal year-end, they are not considered as "available" revenues in the governmental funds.	
Adjustment for fines and fees collected after year-end	\$ 39,315
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Adjustment for Pension Liability	\$ 628
Change in Deferred Inflows/Outflows related to Pension	2,223
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets	
Depreciation expense	\$ (12,575)
Repayments of long-term debt is reported as an expenditure for governmental funds but is reported as a reduction of debt in government-wide financial statements	
Note principal payments	<u>\$ 78,202</u>
Change in Net Position of Governmental Activities	<u><u>\$ 128,703</u></u>

See accompanying notes to the basic financial statements

City of Burton
Statement of Net Position
Proprietary Fund
March 31, 2019

	<u>Water & Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 82,358
Receivables	26,590
Total current assets	<u>108,948</u>
Capital Assets	
Water and sewer system property, plant and equipment	\$ 1,690,348
Accumulated Depreciation	<u>(966,446)</u>
Net Capital Assets	<u>723,902</u>
Total Assets	\$ 832,850
Liabilities	
Current liabilities:	
Accounts payable	\$ 23,357
Total current liabilities	<u>23,357</u>
Total liabilities	\$ 23,357
Net Position	
Net Investment in Capital Assets	\$ 723,902
Restricted	-
Unrestricted	<u>85,591</u>
Total net position	<u>\$ 809,493</u>

See accompanying notes to the basic financial statements

City of Burton
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended March 31, 2019

	Water & Sewer Fund
Operating revenues:	
Charges for services	\$ 195,167
Grant Revenues (FEMA)	9,764
Total operating revenue	\$ 204,931
Operating expenses:	
Insurance	\$ 2,023
Supplies	1,667
Utilities	18,890
Repairs and maintenance	44,679
Garbage and Collection Cost	39,475
Fees and Permits	2,045
Testing	8,791
Contract Labor	49,100
Professional Services	7,200
Miscellaneous	3,268
Depreciation	41,950
Total operating expenses	\$ 219,088
Operating income (loss)	\$ (14,157)
Non-operating revenues and expenses	
Interest revenues	\$ 11
Total Non-operating revenues and expenses	\$ 11
Increase (decrease) in net position	\$ (14,146)
Net position at beginning of year	\$ 823,639
Net position at end of year	\$ 809,493

See accompanying notes to the basic financial statements

City of Burton
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2019

	Water & Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 195,122
Cash payments to suppliers for goods and services	(162,664)
Cash received from grantor (FEMA)	9,764
Net cash provided by (used in) operating activities	\$ 42,222
Cash flows from non-capital financing activities	\$ -
Cash flows from capital and related financing activities	\$ -
Cash flows from investing activities:	
Interest earned	\$ 11
Net cash provided by (used in) investing activities	\$ 11
Net increase (decrease) in cash and equivalents	\$ 42,233
Cash and equivalents at beginning of year	\$ 40,125
Cash and equivalents at end of year	\$ 82,358
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (14,157)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	41,950
Changes in assets and liabilities:	
Increase in accounts receivable	(45)
Decrease in accounts payable	14,474
Net cash provided by (used in) operating activities	\$ 42,222

See accompanying notes to the basic financial statements

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Burton (“City”) is a municipality under the provision of the State of Texas. The City operates as a Council government. All powers of the City are vested in the Mayor and elective Council members. This body enacts local legislation, adopts budgets, and determines policies. The City provides the following services to its citizens: public safety, street maintenance, solid waste collection and disposal, recreation programs, municipal court, community development, public improvements, water and sewer services, and general administrative services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the City’s financial statements include all funds and other organizations over which the Council is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete. The City has no component units based on the foregoing criteria.

B. Basis of Presentation

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. The effect of interfund activity has been eliminated. Governmental activities, which normally are supported by taxes, assessments and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants, and contributions

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Fund financial statements

Fund financial statements report detailed information about the City's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

Since the City maintains only a few funds, all are considered major and reported in separate columns in the fund financial statements. These governmental funds are described below:

The City reports the following major governmental funds:

General Fund – The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund- The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on long term debt paid primarily from property taxes.

The following major proprietary funds are presented:

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and wastewater services. Activities of the fund include administration, operations and maintenance of the water and wastewater system, billing and collection activities.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. The City considers revenue as available if it is collected within 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The City reports the systems fund as a proprietary fund. The City applies all Governmental Accounting Standards Board (GASB) pronouncements. GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, offers the option of following all Financial Accounting Standards Board (FASB) standards issued after November 30, 1989, unless the latter conflict with or contradict GASB pronouncements, or not following FASB standards issued after such date. The City has elected the option to not follow FASB standards after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Revenue Recognition and Receivables

All water and wastewater revenues are recognized on the accrual basis when the related services are provided and the earning process is complete. Services are provided to customers under a rate structure designed to produce revenue sufficient for operating and maintenance costs.

All receivables are reported at their gross value, and are reduced when a portion is expected to be uncollectible.

D. Budgets

An annual fiscal budget is prepared for all income and expense general ledger accounts. A draft of the budget is populated with the actual income and expense totals incurred in the previous fiscal year by month. The draft is reviewed and all previous fiscal year one-time extra-ordinary items are identified and removed from the draft, and accommodates the effect of any new price, rate, fee and salary changes. The resulting revised draft of the budget is presented to the City Council in their annual open meeting Budget Workshop. Any noted changes and the estimated cost for various projects proposed by City Council are then added to the latest budget draft thereby creating the proposed budget.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The City Mayor then submits the proposed budget for all funds to the City Council. The proposed budget with any changes is then approved by City Council. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All annual appropriations lapse at fiscal year-end.

E. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

F. Fair Value Measurements

The City complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

. There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations

G. Property taxes

Property taxes attach as an enforceable lien on property located in the City as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. Washington County Appraisal District's office bills and collects the City's property taxes.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

H. Restricted assets

Amounts in governmental funds which are legally identified for specific purposes either by City ordinance or contractual obligation are reflected as restricted assets.

I. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in applicable governmental or business-like activities columns in the government-wide financial statements. The City defines capital assets as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Infrastructure	20-40 years
Buildings & Improvements	20-40 years
Machinery and equipment	10 years
Vehicles	5 years

J. Net Position/ Fund Balances

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that are restricted by the City's creditors, by the state enabling legislation, by grantors and by other contributors.
- Unrestricted net position – all other net position are reported in this category.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.
- Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned—All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

K. Interfund Activity

Interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

M. Deferred Outflows and Inflows of Resources

The City complies with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred inflows of resources and Net Position, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the City's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the City's acquisition of net position applicable to a future reporting period.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

The City complies with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or resources or inflows of resources, certain items that were previously reported as assets and liabilities.

N. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of March 31, 2019, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

O. 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 and certain related disclosures:

Credit Risk. 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 exposed to credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Its deposits at year-end were fully covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name. Therefore, at year-end, the City was not exposed to custodial credit risk.

Concentration of Credit Risk. 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.

Interest Rate Risk. 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.

Foreign Currency Risk. 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.

P. 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 additional to/deductions from TMRS's Fiduciary Net Position have been determined on

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

2. CASH

Deposits did not exceed FDIC coverage at the end of the fiscal year (Category 1). At March 31, 2019, the carrying amount of the City’s deposits was \$165,8903 (General and Debt Service Fund) and \$82,358 (Proprietary) the bank balance was \$166,852 (General and Debt Service Funds) and \$99,737 (Proprietary).

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- Category 1 - Insured by FDIC or collateralized with securities held by the District or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized.

Restricted Cash. The City had received funds in the current and prior year which were restricted as listed below. The balances of the restricted assets at March 31, 2019, were as follows:

Governmental Funds-Education	\$2,851
-Municipal Court	9,940
-Pavement	8,806
-Security	710
-Technology	3,303
-Police & Road Repair	564
-Seized Money	<u>10,216</u>
Total	<u>\$36,390</u>

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

2. CASH - continued

Investment Policy. The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank 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.

The **Public Funds Investment Act** contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. It requires the City to adopt, implement, and publicize an investment policy. The policy must address the following: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (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, (10) and common trust funds.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

3. CAPITAL ASSETS

	Balance 3/31/2018	Additions/ Completions	Retirements/ Adjustments	Balance 3/31/2019
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land and Improvement	46,475	-	-	46,475
Total capital assets not being depreciated	46,475	-	-	46,475
Capital assets, being depreciated				
Buildings	158,870	-	-	158,870
Parks	151,738	-	-	151,738
Vehicles	24,976	-	-	24,976
Furnitures and Fixtures	55,461	-	-	55,461
Total capital assets being depreciated	391,045	-	-	391,045
Less accumulated depreciation for:				
Buildings	(22,507)	(3,972)	-	(26,479)
Parks	(79,220)	(6,105)	-	(85,325)
Vehicles	(624)	(2,498)	-	(3,122)
Furnitures and Fixtures	(55,461)	-	-	(55,461)
Total accumulated depreciation	(157,812)	(12,575)	-	(170,387)
Total capital assets, being depreciated, net	233,233	(12,575)	-	220,658
Governmental activities capital assets, net	279,708	(12,575)	-	267,133
<i>Business-type Activities:</i>				
Capital assets not being depreciated:				
Land	6,800	-	-	6,800
Total capital assets not being depreciated	6,800	-	-	6,800
Capital assets, being depreciated				
Equipment	5,530	-	-	5,530
Water and sewer systems	1,678,018	-	-	1,678,018
Total capital assets being depreciated	1,683,548	-	-	1,683,548
Less accumulated depreciation for:				
Equipment	(5,530)	-	-	(5,530)
Water and sewer systems	(918,966)	(41,950)	-	(960,916)
Total accumulated depreciation	(924,496)	(41,950)	-	(966,446)
Total capital assets, being depreciated, net	759,052	(41,950)	-	717,102
Business activities capital assets, net	765,852	(41,950)	-	723,902
<i>Total Activities:</i>				
Total capital assets not being depreciated	53,275	-	-	53,275
Total capital assets being depreciated	2,074,593	-	-	2,074,593
Total capital assets (prior to depreciation)	2,127,868	-	-	2,127,868
Total accumulated depreciation	(1,082,307)	(54,525)	-	(1,136,832)
Total capital assets, being depreciated, net	992,286	(54,525)	-	937,761
All Activities capital assets, net	1,045,561	(54,525)	-	991,036

Total depreciation for the year was \$ 12,575 for administration of the governmental activities and \$ 41,950 was charged to the water and wastewater business-type activities.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

4. LONG-TERM DEBT

The City of Burton had the following long-term debt outstanding as of March 31, 2019:

	Balance March 31, 2018	Additions	Retirements	Balance March 31, 2019	Due within one year
<i>Governmental Activities:</i>					
Burton State Bank, 2.5% interest, with annual payments for principal and interest, matures Sept. 2027	\$ 722,000	\$ -	\$ 72,000	\$ 650,000	\$ 69,000
Burton State Bank, 3.00% Interest, with annual payments for principal and interest, matures Feb. 2020	\$ 34,497	\$ -	\$ 6,202	\$ 28,295	\$ 28,295
Total Notes and Bonds Payable	\$ 756,497	\$ -	\$ 78,202	\$ 678,295	\$ 97,295
Total Governmental Activities	\$ 756,497	\$ -	\$ 78,202	\$ 678,295	\$ 97,295

The annual debt service requirements to maturity as of March 31, 2019, are as follows:

Year Ended March 31,	<u>Governmental Activities</u>	
	Principal	Interest
2020	\$ 97,295	\$ 16,667
2021	71,000	14,100
2022	74,000	12,300
2023	75,000	10,438
2024	77,000	8,550
2025-2028	284,000	14,375
Totals	\$ 678,295	\$ 76,429

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

5. **PENSION PLAN**

Plan Description

The City of Burton participates as one of 879 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 Governments 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 advise 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. TRMS 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.

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 payment 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.

Plan Provisions

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plan also provides death benefits, and all provide disability benefits.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-0-
Inactive employees entitled to but not yet receiving benefits	-0-
Active employees	<u>-1-</u>
	-1-

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

5. PENSION PLAN – continued

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of the 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 costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Burton were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Burton, Texas were 9.91% and 10.2% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended March 31, 2019, were \$3,239, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and females rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

5. PENSION PLAN – continued

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience

Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

5. PENSION PLAN – continued

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.

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2017	\$24,683	\$13,674	\$11,009
Changes for the year:			
Service Cost	2,284	-	2,284
Interest	1,743	-	1,743
Changes in current period benefits	-	-	-
Difference between expected and actual experience	20	-	20
Changes in assumptions	-	-	-
Contributions – employer	-	3,374	(3,374)
Contributions – employee	-	1,720	(1,720)
Net Investment income	-	(413)	413
Benefit payment, including refunds of employee contributions	-	-	-
Administrative expense	-	(8)	8
Other changes	-	-	-
Net changes	\$4,047	\$4,674	(\$626)
Balance at 12/31/2018	\$28,730	\$18,348	\$10,382

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	\$14,817	\$10,382	\$6,618

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

5. PENSION PLAN – continued

Pension Plan Fiduciary Net Position

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

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

For the year ended March 31, 2019, the city recognized pension expense of \$1,621.

At March 31, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$18	\$-0-
Changes in actuarial assumptions	\$-0-	\$-0-
Difference between projected and actual investment earnings	\$1,069	\$-0-
Contributions subsequent to the measurement date	\$1,136	\$-0-
Total	\$2,223	\$-0-

\$1,136 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 March 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$229
2021	\$227
2022	\$231
2023	\$339
2024	\$71
Thereafter	(\$10)

Payable to the Pension Plan

At March 31, 2019, the City reported a payable of \$-0- for the outstanding amount of employer and employee contributions to the pension plan required for the year ended March 31, 2019.

City of Burton
Notes to Basic Financial Statements
For the Year Ending March 31, 2019

6. MANAGEMENT EVALUATION

Management has evaluated subsequent events through the date of this report, the date of which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Burton
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Sales taxes	\$ 70,800	\$ 70,800	\$ 81,107	\$ 10,307
Mixed beverage taxes	1,500	1,500	1,756	256
Franchise taxes	1,500	1,500	11,792	10,292
Property taxes	133,091	133,091	26,307	(106,784)
Fines and fees	72,000	72,000	56,049	(15,951)
Contribution revenues	-	-	700	700
Miscellaneous	600	600	8,503	7,903
Investment income	252	252	140	(112)
Total Revenues	<u>279,743</u>	<u>279,743</u>	<u>186,354</u>	<u>(93,389)</u>
Expenditures				
Advertising	360	360	96	264
Automobile	9,000	9,000	6,257	2,743
Collection agency expense	4,800	4,800	3,177	1,623
Dues and subscriptions	4,560	4,560	6,747	(2,187)
EMS expense	4,200	4,200	2,344	1,856
Equipment Rental	1,920	1,920	1,861	59
Insurance	5,400	5,400	4,441	959
Mayor and council expense	-	-	561	(561)
Payroll and benefits	62,400	62,400	64,030	(1,630)
Police equipment and canine expense	3,420	3,420	10,759	(7,339)
Professional Fees	6,000	6,000	3,394	2,606
Repairs and maintenance	3,600	3,600	5,132	(1,532)
Security expense	600	600	1,708	(1,108)
State criminal costs and fees	24,000	24,000	19,141	4,859
Street lights and repairs	30,240	30,240	24,032	6,208
Supplies	4,884	4,884	3,766	1,118
Tax collection fees	3,600	3,600	4,320	(720)
Telephone and communications	4,680	4,680	4,393	287
Utilities	3,180	3,180	1,438	1,742
Miscellaneous	5,748	5,748	1,076	4,672
Debt service				
Principal	78,155	78,155	6,202	71,953
Interest	18,996	18,996	1,368	17,628
Total Expenditures	<u>279,743</u>	<u>279,743</u>	<u>176,243</u>	<u>103,500</u>
Excess of revenues over expenditures	-	-	10,111	10,111
Net change in Fund Balance	<u>-</u>	<u>-</u>	<u>10,111</u>	<u>10,111</u>
Fund Balance - Beginning			<u>107,401</u>	
Fund Balance - Ending			<u>\$ 117,512</u>	

City of Burton
Budgetary Comparison Schedule
Water and Sewer Fund
For the Year Ended March 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	203,676	203,676	195,167	(8,509)
Grant revenues	-	-	9,764	9,764
Interest revenues	240	240	11	(229)
Total Revenues	203,916	203,916	204,942	1,026
Expenditures				
Insurance	2,016	2,016	2,023	(7)
Supplies	7,560	7,560	1,667	5,893
Utilities	21,600	21,600	18,890	2,710
Repairs and maintenance	60,000	60,000	44,679	15,321
Garbage and collection costs	37,200	37,200	39,475	(2,275)
Fees and permits	1,800	1,800	2,045	(245)
Testing	5,400	5,400	8,791	(3,391)
Contract labor	48,000	48,000	49,100	(1,100)
Professional services	6,000	6,000	7,200	(1,200)
Wages and payroll taxes	7,200	7,200	-	7,200
Miscellaneous	7,140	7,140	3,268	3,872
Depreciation	-	-	41,950	(41,950)
Total expenditures	203,916	203,916	219,088	(15,172)
Operating Income	-	-	(14,146)	(14,146)
Net change in fund balance	-	-	(14,146)	(14,146)
Beginning Fund Balance			823,639	
Ending Fund Balance			809,493	

City of Burton
Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service cost	\$ 2,284	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,743	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience	20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	<u>4,047</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>24,683</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ <u>28,730</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	3,374	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employee contributions	1,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	(413)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds or contributions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(8)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	<u>4,673</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>13,674</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ <u>18,347</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/(asset), ending = (a) - (b)	\$ 10,383	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	63.86%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 34,397	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	30.19%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See Accompanying Notes to the Financial Statements

City of Burton
Schedule of Employer Contributions

Year Ending March 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
2009	Not Available	Not Available	Not Available	Not Available	Not Available
2010	**	**	**	**	**
2011	**	**	**	**	**
2012	**	**	**	**	**
2013	**	**	**	**	**
2014	**	**	**	**	**
2015	**	**	**	**	**
2016	**	**	**	**	**
2017	**	**	**	**	**
2018	**	**	**	**	**
2019	3,217	3,217	-	32,466	9.9%

*Payroll is calculated based on contributions as reported to TMRS

City of Burton
Notes to the Schedule of Employer Contributions
For the Year Ending March 31, 2019

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	6 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other Information:	There were no benefit changes during the year.