



## Finance & Internal Services Committee Agenda

Monday, March 13, 2023  
10:00 AM

City Hall - 141 W. Renfro  
Burleson, TX 76028

1. **Call to Order**
2. **Citizen Appearances**
3. **Consent Agenda**
  - A. Consider approval of the minutes from the March 7, 2022 Finance & Internal Services Committee meetings.
4. **Reports and Discussion Items**
  - A. Receive a report, hold a discussion and give staff direction regarding fiscal year 2021-2022 Annual Comprehensive Financial Report (ACFR), Single Audit Report and the annual audit. *(Staff Presenter: Martin Avila, Director of Finance)*
  - B. Receive a report, hold a discussion and give staff direction regarding the proposed new City Council Policy #41, Debt Management Policy. *(Staff Presenter: Martin Avila, Director of Finance)*
  - C. Receive a report, hold a discussion and give staff direction regarding the proposed amended City Council Policy #32, Financial Policy. *(Staff Presenter: Martin Avila, Director of Finance)*
5. **Board Requests for Future Agenda Items or Reports**
6. **Adjourn**

Martin Avila  
Director of Finance  
817-426-9651  
mavila@burlesontx.com

### CERTIFICATE

I hereby certify that the above agenda was posted on this day the **9th of March 2023, by 5:00 p.m.**, on the official bulletin board at the Burleson City Hall, 141 W. Renfro, Burleson, Texas.

Amanda Campos  
City Secretary



### ACCESSIBILITY STATEMENT

The Burleson City Hall is wheelchair accessible. The entry ramp is located in the front of the building,

accessible from Warren St. Accessible parking spaces are also available in the Warren St. parking lot. Sign interpretative services for meetings must be made 48 hours in advance of the meeting. Call the A.D.A. Coordinator at 817-426-9600, or TDD 1-800-735-2989.

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## Finance & Internal Services Committee

**DEPARTMENT:** City Secretary's Office  
**FROM:** Amanda Campos, City Secretary  
**MEETING:** February 13, 2023

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**SUBJECT:**

Consider approval of the minutes from the March 7, 2022 Finance & Internal Services Committee meetings.

**SUMMARY:**

The Finance & Internal Services Committee duly and legally met on March 7, 2022 for a regular meeting.

**OPTIONS:**

- 1) Committee may approve the minutes as presented or approve with amendments

**RECOMMENDATION:**

Approve.

**PRIOR ACTION/INPUT (Council, Boards, Citizens):**

N/A.

**FISCAL IMPACT:**

N/A.

**STAFF CONTACT:**

Name: Amanda Campos, TRMC  
Title: City Secretary  
Email: [acampos@burlesontx.com](mailto:acampos@burlesontx.com)  
Phone: 817-426-9665

**FINANCE & INTERNAL SERVICES COUNCIL COMMITTEE**  
**March 7, 2022**  
**MINUTES**

Council present:

Dan McClendon  
Victoria Johnson  
Rick Green

Council Absent:

Staff present

Amanda Campos, City Secretary  
Monica Solko, Deputy City Secretary  
Bryan Langley, City Manager  
Martin Avila, Finance Director  
John Butkus, Assistant Finance Director

**Call to order – Time:4:04 p.m.**

- 1. Consider approval of the minutes from the January 12, 2022 Finance & Internal Services Council Committee. (Staff Contact: Amanda Campos, City Secretary)**

Motion made by Rick Green and seconded by Victoria Johnson to approve.

Motion passed 3-0.

- 2. Consider approval of amendments to Council Policy #36 – Purchasing Policy (Staff Presenter: Matt Ribitzki, Deputy City Attorney/Compliance Manager).**

Justin Scharnhorst, Purchasing Manager, presented proposed amendments to the Purchasing policy to allow the City Manager or designee to allow for increases on a case by case basis for p-cards.

Motion was made by Rick Green and seconded by Victoria Johnson to recommend approval of the proposed amendments.

Motion passed 3-0.

- 3. Receive a report, hold a discussion and give staff direction regarding fiscal year 2020-2021 Annual Financial Report and the annual audit. (Staff Presenter: Martin Avila, Director of Finance)**

Martin Avila, Director of Finance introduced representatives of Weaver, the city's audit firm. Weaver presented the findings of the audit and explained the process used.



Motion was made by the committee to recommend the city council accept the audit findings.

### **Adjourn**

There being no further business Chair Dan McClendon adjourned the meeting.

**Time: 4:48 p.m.**

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Monica Solko  
Deputy City Secretary

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## DEPARTMENT MEMO

**DEPARTMENT:** Finance  
**FROM:** Martin Avila, Finance Director  
**MEETING:** March 13, 2023

**SUBJECT:**

Receive a report, hold a discussion and give staff direction regarding fiscal year 2021-2022 Annual Comprehensive Financial Report (ACFR), Single Audit Report and the annual audit. *(Staff Presenter: Martin Avila, Director of Finance)*

**BACKGROUND:**

Each year, the City hires an independent accounting firm to conduct an audit of the City's basic financial statements. The purpose of the audit is to express an opinion as to whether the City's financial statements present fairly, in all material respects, the financial position of the City. On June 21, 2021, Council approved a 3-year professional service agreement and two 1-year options with Weaver LLP for audit services.

The ACFR represents the financial position of the City for the fiscal year ending September 30, 2022. The document includes the independent auditor's opinion of management's representations within the annual report. The auditors have provided the City a clean opinion (unmodified), which means that in the opinion of Weaver, the City's financial statements present fairly, in all material respects, the financial position of the City. A "clean" or "unmodified opinion" is the best opinion that may be rendered in an audit of the financial statements.

The audit specifically included the following items:

- Audit of the City's ACFR in accordance with generally accepted auditing standards.
- An evaluation of the City's internal control over financial reporting.
- Single Audit in accordance with generally accepted auditing standards and compliance with U.S Office of Management and budget (OMB) Compliance Supplement

The auditor's examination of internal controls was conducted at a level sufficient to gain an understanding of the internal control structure to determine the nature, timing, and extent of audit procedures. The auditors did not perform an audit of internal controls, but performed limited tests of internal controls for the purpose of providing an opinion on the financial statements.

Additionally, the auditors examined, on a test basis, evidence supporting amounts and disclosures in the combined financial statements. The City did not receive a management letter as there were no material weaknesses or recommendations for strengthening controls identified.

Jackie Gonzalez, Audit Partner, Weaver will be providing a presentation regarding the results of the audit, and answer any questions City Council may have.

**RECOMMENDATION:**

Recommend approval to accept ACFR, Single Audit, and annual audit as presented.

**PRIOR ACTION/INPUT (Council, Boards, Citizens):**

**FISCAL IMPACT:**

NA

**STAFF CONTACT:**

Martin Avila  
Finance Director  
[mavila@burlesontx.com](mailto:mavila@burlesontx.com)  
817-426-9651



# Audit Insights

City of Burleson, Texas

Year Ended September 30, 2022

# Overview

- Introductions
- Audit Process
- Audit Results
- Financial Highlights
- Questions





# Introductions

# Our Experience

Item A.

At Weaver, there are no “one-size-fits-all” solutions. We combine leading technical knowledge with specific industry experience to provide highly customized services tailored to each client's needs.

## Industries

- ▶ Government
- ▶ Not-for-profit
- ▶ Higher Education
- ▶ Real Estate
- ▶ Construction
- ▶ Hospitality & Entertainment
- ▶ Health Care
- ▶ Professional Services
- ▶ Private Equity
- ▶ Insurance
- ▶ Technology
- ▶ Blockchain & Digital Assets
- ▶ Alternative Investments
- ▶ Financial Services
- ▶ Banking
- ▶ Manufacturing
- ▶ Distribution & Logistics
- ▶ Oil & Gas
- ▶ Energy Transition & Renewables

## Services

### Advisory Services

- ▶ Risk Advisory Services
- ▶ IT Advisory Services
- ▶ Digital Transformation & Automation
- ▶ Government Consulting Services
- ▶ Asset Management Consulting
- ▶ Accounting Advisory Services
- ▶ Transaction Advisory Services
- ▶ Valuation Services
- ▶ Forensic & Litigation Services
- ▶ Family Office Services

### Assurance Services

- ▶ Audit, Review & Compilation
- ▶ Agreed-Upon Procedures
- ▶ Employee Benefit Plan Audit
- ▶ SOC Reporting
- ▶ Attestation Services
- ▶ IFRS Assessment & Conversion

### Tax Services

- ▶ Federal Tax
- ▶ State & Local Tax
- ▶ International Tax
- ▶ Personal Client Services



Top 35 Firm  
nationwide

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GLOBAL

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PUBLIC ACCOUNTING  
BEST OF THE  
BEST  
FIRMS  
2022

INSIDE  
PUBLIC ACCOUNTING  
TOP 100  
FIRMS  
2022

# Today's Presenters



## **Jackie Gonzalez, CPA**

*Partner, Government and Not for Profit Services*

- Your relationship partner
- 18+ years of experience
- ▶ Member, GFOA Special Review Committee
- ▶ Practice emphasis in auditing and consulting for cities, school districts, counties and not for profit organizations
- Serves on the Inspire Advisory Board, as a Culture Ambassador and a Community Champion for the Weaver Foundation

## **Justine Singletary, CPA**

*Manager, Government and Not for Profit Services*

- ▶ Your audit manager
- ▶ 6+ years of experience
- ▶ Practice emphasis in auditing and consulting for cities, school districts, counties and not for profit organizations.



# Audit Team

Item A.

**Jackie Gonzalez, CPA**  
Engagement Partner

**Justine Singletary, CPA**  
Manager

**Melissa Kirkland**  
Senior Associate

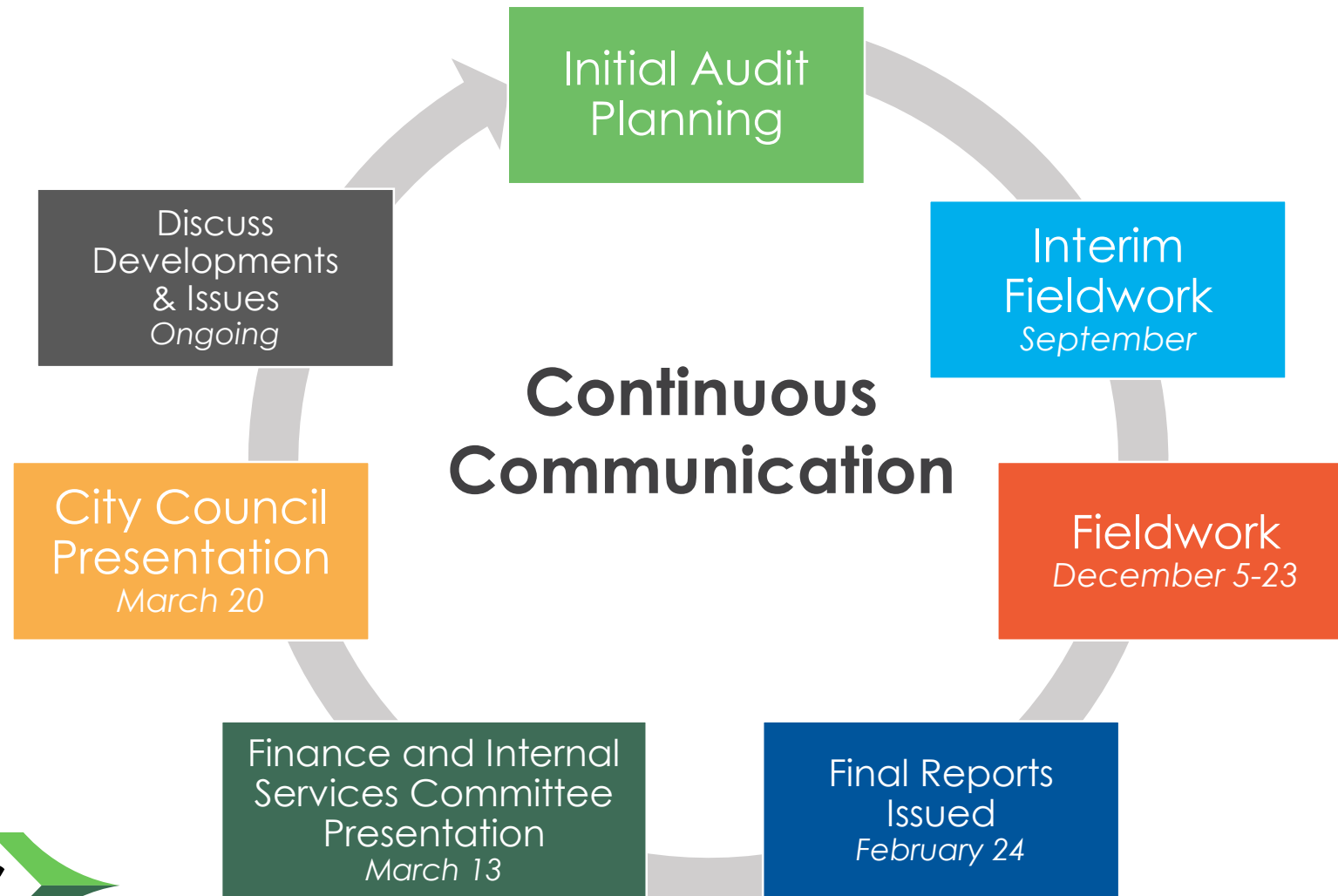
AUDIT ASSOCIATES AND OTHER SUPPORTING STAFF MEMBERS



# Audit Process

# The Audit Cycle

Item A.



# Audit Process

Item A.

- ✓ **Audit Standards** — The audit is performed in accordance with General Accepted Auditing Standards (**GAAS**), Generally Accepted Government Auditing Standards (**GAGAS**), Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (**Uniform Guidance**)
- ✓ **Risk-based approach** — Focused on specific risks, such as:
  - Revenue recognition and related receivables
  - Federal grant revenues and expenditures
  - Capital projects, purchasing and compliance with bidding procedures
  - Long-term debt, payables, accrued liabilities (Pension, OPEB) and expenditures
- ✓ **Identified significant and fraud risks** and designed responses to:
  - Misappropriation of assets
  - Management override of controls
  - Revenue recognition



# Audit Results

# Audit Results – Financial Statements

Item A.

**Type of Report issued:**

**UNMODIFIED**

Internal control over financial reporting:

Any material weakness(es) identified?

No

Any significant deficiencies that are not material weaknesses?

None reported

Any noted noncompliance material to financial statements?

No

# Audit Results – Federal Awards

Item A.

**Type of Report Issued, Compliance on Major Programs:**

**UNMODIFIED**

**Low Risk Auditee?**

Yes

Internal control over the major program:

Any material weakness(es) identified?

No

Any significant deficiencies that are not material weaknesses?

None reported

Any audit findings required to be reported under 2 CFR 200.516(a)?

No

# Audit Results

## Major Program Analysis

- In addition to detailed transaction testing, we also:
  - ✓ Analyzed the composition of costs for each major program
- All costs charged to the program were consistent with expectations and complied with compliance requirements.

## MAJOR PROGRAM COMPOSITION OF COST

	American Rescue Plan Act
Personnel Services	54%
Professional & Contracted Services	4%
Supplies & Materials	2%
Capital Outlay – Machinery & Equipment	40%
Total	100%

# Additional Major Program Analysis





# Auditor Communications

Item A.

- All known and likely misstatements identified during the audit, other than those that are trivial, were communicated to management and recorded as adjustments to the City's financial statements.
- The most significant adjustments were as follows:
- Significant adjustments to the Water & Wastewater Fund:

Water & Wastewater Fund	Assets	Deferred Outflows	Liabilities	Deferred Inflows	Net Position	Operating and Non-operating Revenues and Transfers In	Operating and Non-operating Expenses and Transfers Out
Construction In Progress - Sewer System	445,065	-	-	-	-	-	-
Sewer System Expense	-	-	-	-	-	-	(445,065)
<To capitalize costs incurred on sewer system project during FY22>							
Total current year effect	445,065	-	-	-	-	-	(445,065)
Water & Wastewater Fund balances per FY22 ACFR:	173,011,081	682,885	(62,208,948)	(1,410,827)	(110,074,191)	(30,798,272)	21,294,034
As a percent	0.26%	0.00%	0.00%	0.00%	0.00%	0.00%	-2.09%

# Auditor Communications

Item A.

- Significant adjustments to the COVID Relief Grants Fund:

COVID Relief Grants Fund	Assets	Deferred Outflows	Liabilities	Deferred Inflows	Fund Balance	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Intergovernmental Revenue	-	-	-	-	-	49,948	-
Payroll Expense	-	-	-	-	-	-	(49,948)
<To correct recording of ARPA expenditures incurred in FY21 in General Fund>							
Total current year effect	-	-	-	-	-	49,948	(49,948)
COVID Relief Grants Fund balances per FY22 ACFR:	9,862,857	-	(9,982,957)	-	120,100	(1,437,015)	1,557,115
As a percent	0.00%	0.00%	0.00%	0.00%	0.00%	-3.48%	-3.21%

# Auditor Communications

Item A.

- Management's estimates of the following were found to be reasonable based on our evaluation of key factors and assumptions used to develop the estimates:
  - Proportionate share of the net pension liability
  - Proportionate share of the other post employment benefit (OPEB) liability
  - Depreciation expense
  - Allowance for doubtful accounts as related to property tax and utility revenues

# Auditor Communications

Item A.

- No material errors, irregularities, or illegal acts noted
- No transactions entered into by which the City during the year for which there is a lack of authoritative guidance or consensus
- No difficulties or disagreements arose during the course of the audit
- No independence issues noted
- No consultations or request for a second opinion from other accountants



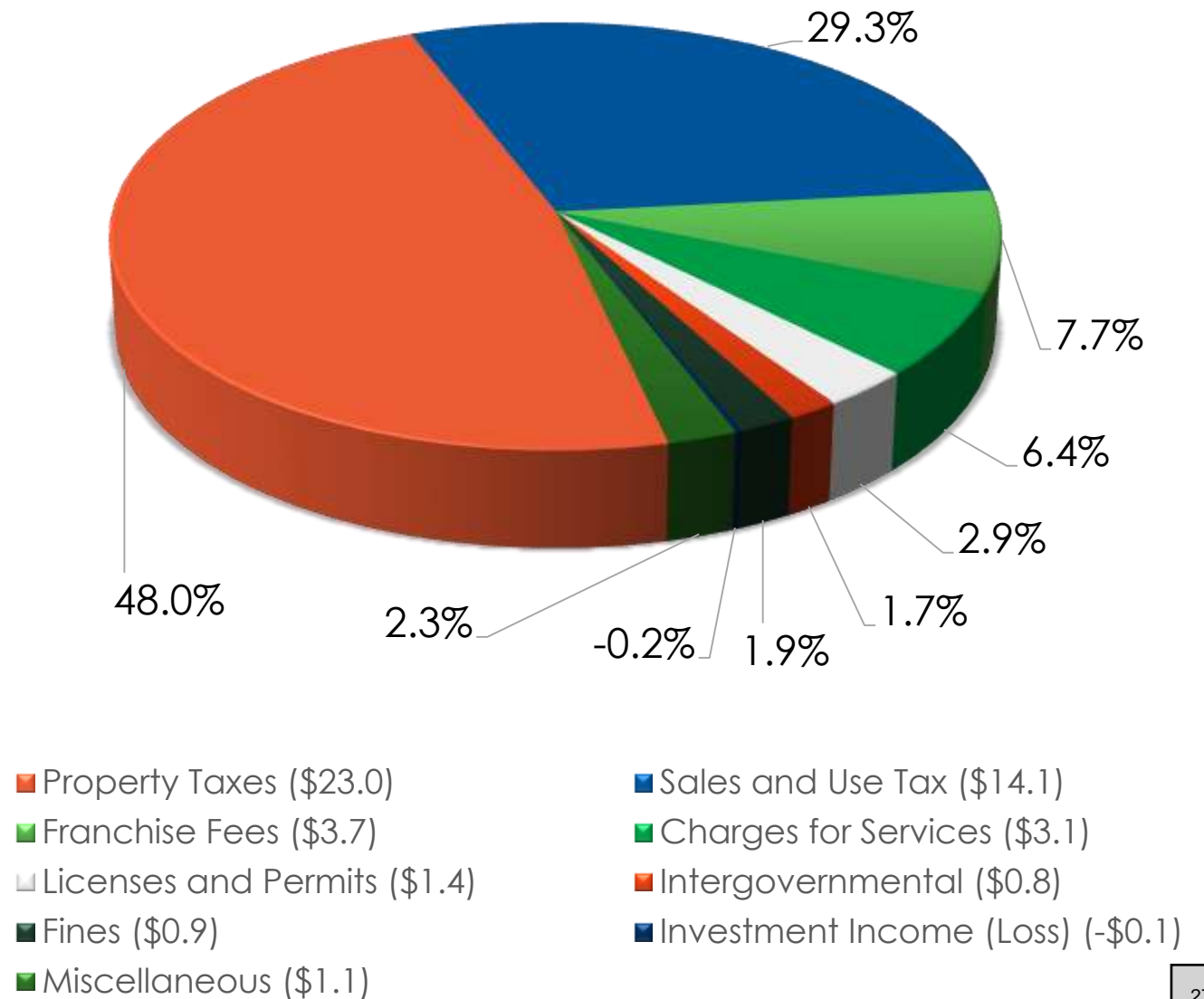
# Financial Highlights – General Fund

Item A.

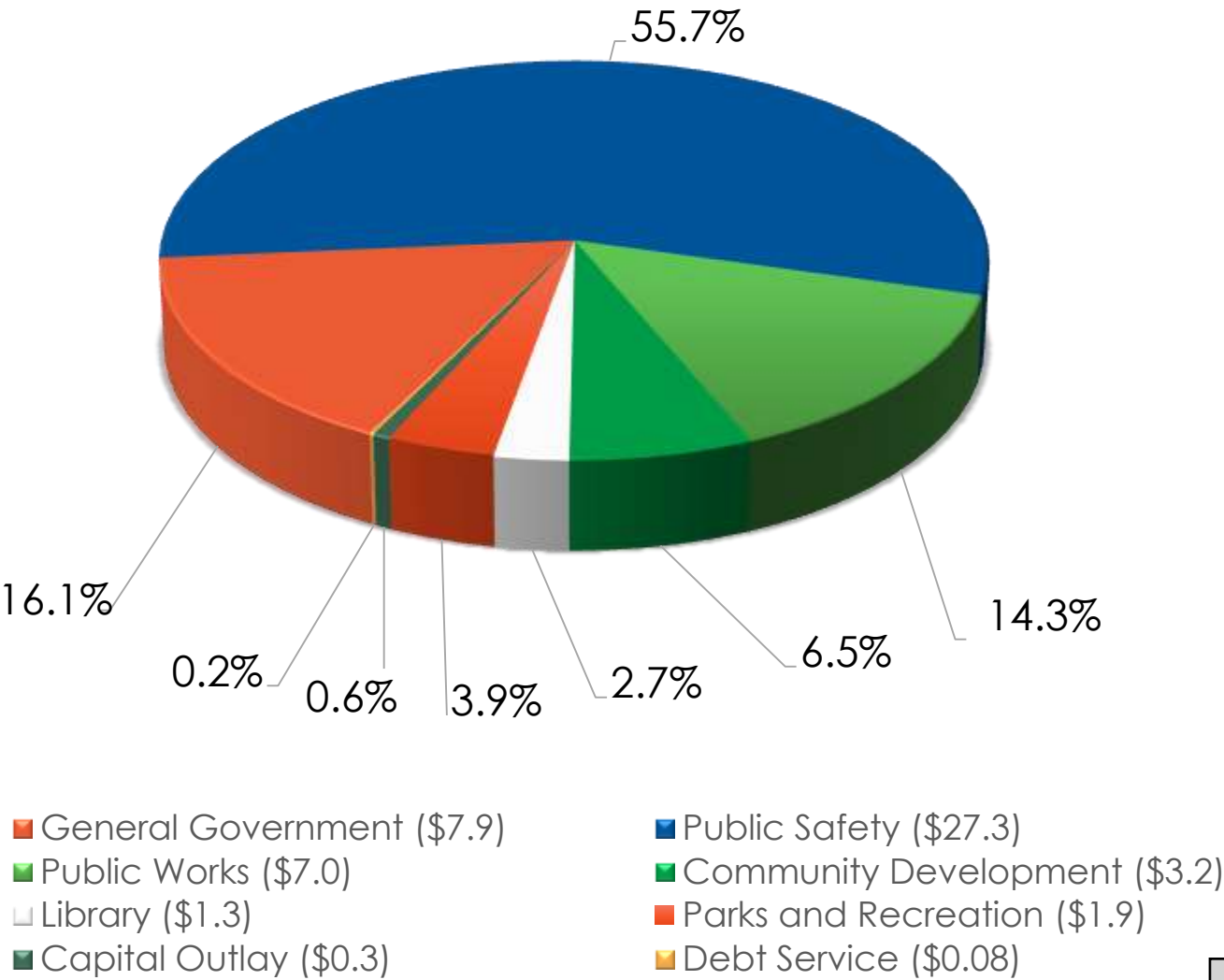
# Financial Highlights – General Fund

<b>ASSETS</b>	\$	27,662,358
<b>LIABILITIES</b>		2,978,024
<b>DEFERRED INFLOWS OF RESOURCES</b>		2,760,169
<b>FUND BALANCES</b>		
Nonspendable:		27,424
Committed:		
Debt service		405,527
Other purposes		1,025,116
Unassigned		20,466,098
		<hr/>
Total Fund Balances	\$	21,924,165
<b>REVENUES</b>		47,976,053
<b>EXPENDITURES</b>		<hr/> 49,075,438
Excess (deficiency) of revenues over (under) expenditures		(1,099,385)
<b>OTHER FINANCING SOURCES (USES)</b>		<hr/> 4,684,241
Net change in fund balance		3,584,856

# Financial Highlights – General Fund Revenue – Fiscal Year 2022 (in millions)

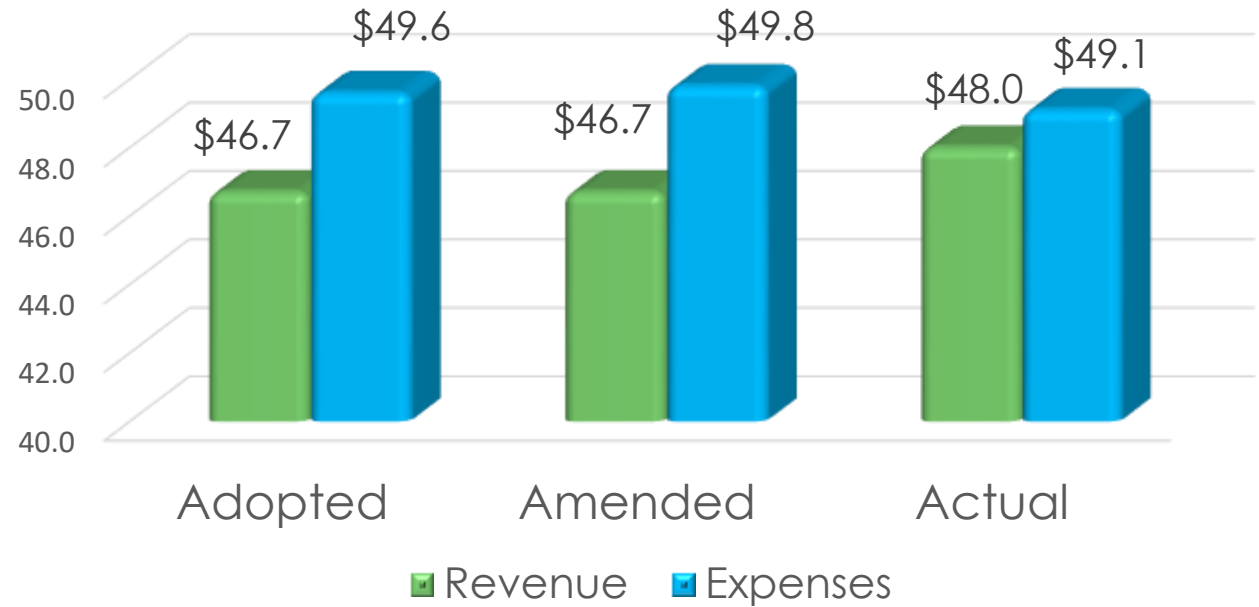


# Financial Highlights – General Fund Expenditures - Fiscal Year 2022(in millions)





# Financial Highlights – General Fund Budget to Actual — (in millions)



- Actual revenues of \$48.0M were more than budgeted amounts by \$1.3M
- Actual expenditures of \$49.1M were less than budgeted expenditures by \$.7M
- Ending fund balance for FY 2022 totaled \$21.9M
- Unassigned fund balance \$20.5M, which is 41.2% of FY 2022 budgeted expenditures (\$49.8M)

””  
““

# QUESTIONS?

Let's Connect



**COVID-19 Resilience  
& Recover Resource  
Center**

## Jackie Gonzalez, CPA

Partner, Government & Not for Profit Services

**Direct:** 817.882.7758

**Email:** [jackie.gonzalez@weaver.com](mailto:jackie.gonzalez@weaver.com)

## Justine Singletary, CPA

Manager, Government & Not for Profit Services

**Direct:** 817.882.7358

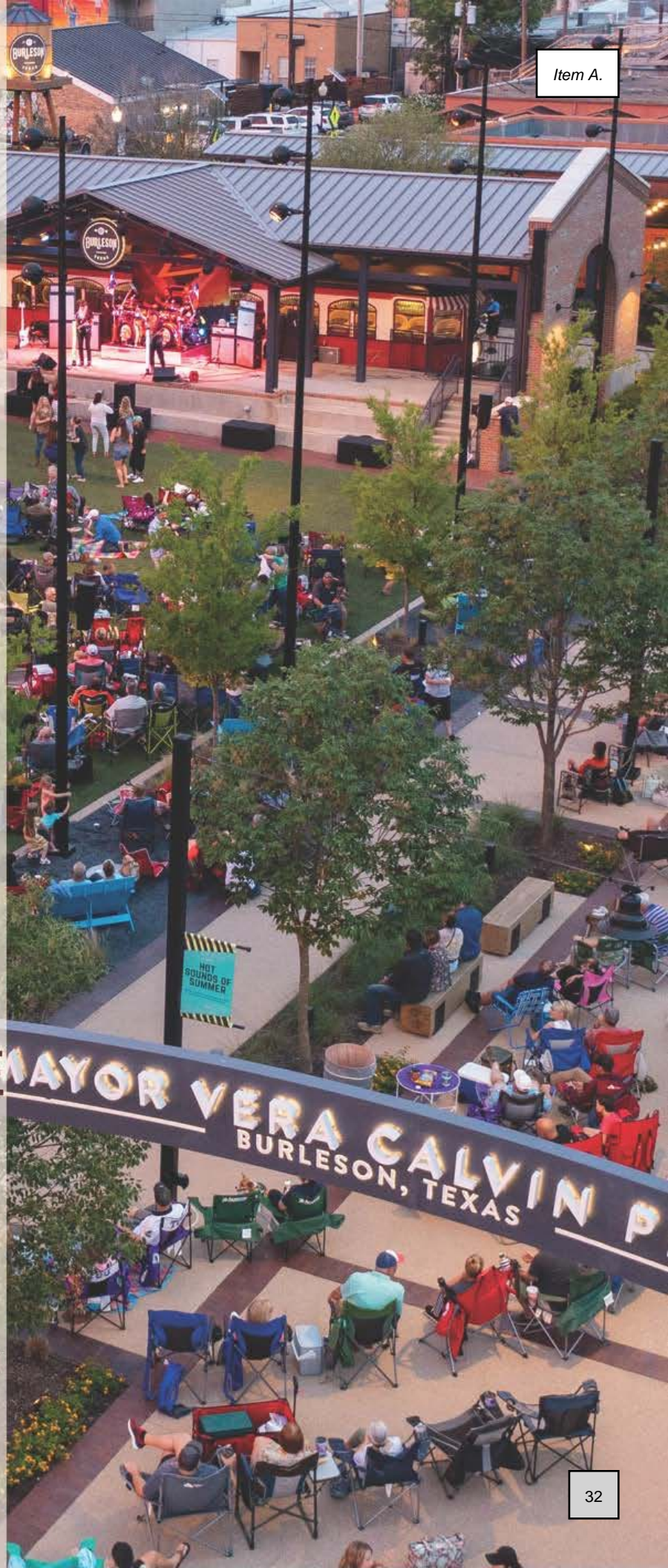
**Email:** [justine.singletary@weaver.com](mailto:justine.singletary@weaver.com)



THE CITY OF  
**BURLESON**  
TEXAS

ANNUAL  
COMPREHENSIVE  
FINANCIAL  
REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2022





THE CITY OF  
**BURLESON**  
TEXAS

**CITY OF BURLESON, TEXAS**  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2022

**CITY OFFICIALS**

Chris Fletcher  
**Mayor**

Dan McClendon	<b>Mayor Pro Tem</b>
Victoria Johnson	<b>Councilmember</b>
Rick Green	<b>Councilmember</b>
Jimmy Stanford	<b>Councilmember</b>
Tamara Payne	<b>Councilmember</b>
Ronnie Johnson	<b>Councilmember</b>

Bryan Langley  
**City Manager**

Tommy Ludwig  
**Deputy City Manager**

Martin Avila  
**Director of Finance**

Tien Nguyen  
**Controller**

Prepared by: Finance Department



THE CITY OF  
**BURLESON**  
TEXAS

**City of Burleson, Texas**  
**Annual Comprehensive Financial Report**  
**For the Year Ended September 30, 2022**

Item A.

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**City of Burleson, Texas**  
**Annual Comprehensive Financial Report**  
**For the Year Ended September 30, 2022**

Item A.

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# Introductory Section

THE CITY OF  
**BURLESON**  
TEXAS

141 West Renfro  
Burleson, Texas 76028-4261  
[www.burlesontx.com](http://www.burlesontx.com)  
February 24, 2023

TO: The Honorable Mayor, Members of the City Council, and Citizens of Burleson (the "City")

Submitted herewith is a copy of the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2022. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

These statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

#### THE REPORTING ENTITY

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State and the City's home rule Charter. Burleson was incorporated in 1912. The City operates under a Council-Manager form of government and provides a full range of services that include: police and fire protection, sanitation services, library services, construction and maintenance of streets and infrastructure, parks and recreation, code enforcement, planning and zoning, economic development, water and wastewater services, and general administrative services. The accompanying ACFR includes all governmental organizations and functions for which the City is financially accountable as well as its blended component units. Although legally separate entities, the Burleson 4B Community Services Development Corporation, the Burleson 4A Economic Development Corporation and Tax Increment Finance Reinvestment Zone Number Two are in substance part of the primary government's operations and are included as part of the primary government. Additional information on these component units can be found in the notes to the financial statements.

#### ECONOMY AND BUSINESS CLIMATE

Burleson is located along the southwestern edge of the Dallas/Fort Worth Metroplex, on Interstate Highway 35W, State Highway 174, and the Chisholm Trail Parkway toll road. Economically, this region is ranked as one of the most robust in Texas, a state that in recent years has trended well ahead of the national economy. Local measures of business activity have recovered and surpassed peak levels. The City is currently experiencing a strong expansion of business with more than \$125 million in new taxable value added in 2022, with more in the development pipeline.

Although the City of Fort Worth adjoins much of Burleson's northern boundary, the remaining three directions are surrounded by an extensive extra-territorial jurisdiction (ETJ). The City's corporate limits include more than 28 square miles and its extraterritorial jurisdiction (ETJ) is comprised of approximately 35,000 acres. Combined, Burleson's city limit and ETJ include more than 23,000 undeveloped acres. In 2017, The Texas State Legislature significantly restricted cities' abilities to involuntarily annex within their ETJs. The City of Burleson was proactive prior to 2017 in obtaining development agreements in large, strategic portions of its ETJ. These development agreements allow the City to pursue annexation when these areas develop. This has allowed the City to work with property owners to ensure orderly development of these areas and program our capital improvements to ensure services are provided.

Once largely agricultural, these areas have developed into a form of semi-urban, residential use. With vibrant retail destinations and commercial development, many of the individuals residing in these adjacent areas shop, dine, and send their children to schools located in Burleson. Thus, functionally speaking, Burleson's estimated population of just above 50,000 belies the true size of the community's economy. The combination of highway accessibility and more than 400,000 people located within the retail trade area create a community with a strong and growing trade area.

#### LONG TERM PLANNING

These focus areas create a roadmap for achieving the long-term goals and objectives that have been articulated by the City Council, and play a key role in the budget process, as well as long term financial planning of the City's major funds. The strategic focus areas are:

- Operational Excellence
- Infrastructure
- Community
- Public Safety

Five year projections are prepared for all of the City's major funds with the focus on maintaining year end fund balances that meet or exceed their requirements. In addition, the City continues to prepare five year capital improvement plans (CIP) for streets and drainage, parks, and water and wastewater projects. The five year projections and five year CIPs are presented to Council throughout the budget process and provides a great opportunity for feedback and direction. Incorporating the projections and CIP are crucial in the budget process to ensure the strategic focus areas are met and the City continues to be financially sound.

#### ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal accounting controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

In addition to the system of internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance of legal provisions embodied in the annual appropriation budget adopted by the City Council. Budgetary controls over the General and Water and Wastewater Funds are exercised at the departmental level. This level of control occurs at the fund level for other funds. Activities of the Governmental and Proprietary Fund are closely reviewed at mid-year. If necessary, the original budget is modified and incorporated into a proposed mid-year budget, which is then used as the working budget for the remainder of the fiscal year. The City also maintains an encumbrance accounting system as one technique to help prevent the overspending of authorized appropriations.

Information regarding general accounting policies can be found in the notes to the basic financial statements.

#### INDEPENDENT AUDIT

An annual audit is required to be made of the financial statements of the City of Burleson by an independent auditor. Weaver and Tidwell, LLP was selected by the City Council to perform the audit for fiscal year ended September 30, 2022. The audit opinion is included in this report.

## AWARDS

For the year ended September 30, 2021, the Government Finance Officers Association (GFOA) recognized the City for achievement in the presentation of the annual budget document and the ACFR. This was the 31st consecutive year that the City has received this prestigious national award. To earn the Certificate of Achievement, the City published an easy-to-read and efficiently organized Annual Comprehensive Financial Report with contents that conformed to program standards. Such reports satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year. The City believes that the current ACFR continues to meet the Certificate of Achievement Program requirements and thus is submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for the 33rd consecutive year for its annual appropriated budget dated October 1, 2021. To qualify for the Budget Award, the City's budget document was judged proficient in all categories.

## ACKNOWLEDGEMENTS

I would like to thank the staff of the Finance Department, City Management, and Department Directors, Managers and Staff for their cooperative effort and help in the leadership and support of the City that made this report possible. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Burleson's finances.

Respectfully Submitted,



Finance Department



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Burleson  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

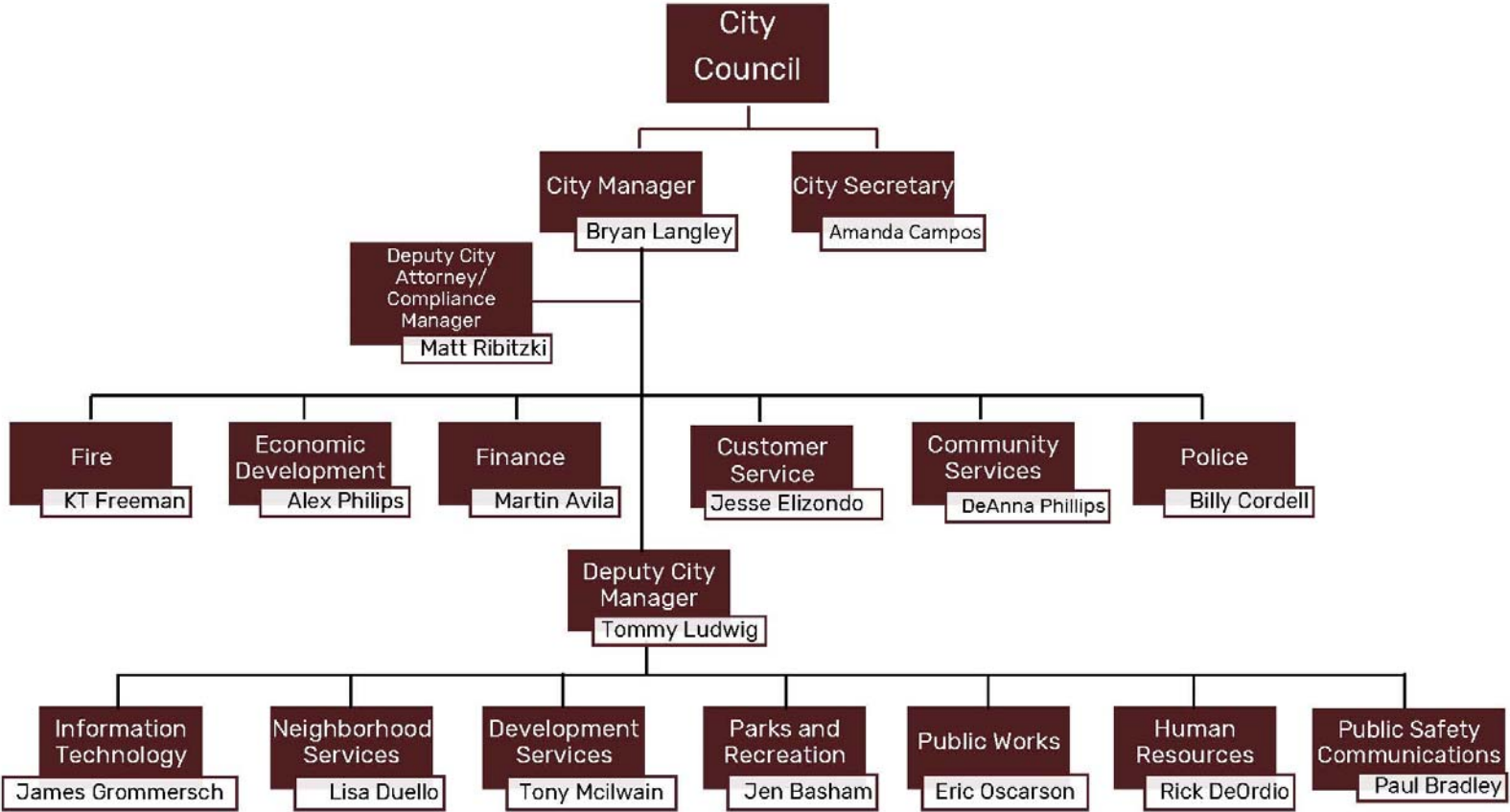
September 30, 2021

*Christopher P. Morill*

Executive Director/CEO



Organizational Chart



Revised September 2022



**CITY OF BURLESON, TEXAS**  
**LIST OF PRINCIPAL OFFICIALS**  
**SEPTEMBER 30, 2022**

**Elected Officials**

Mayor	Chris Fletcher
Mayor Pro-Tem	Dan McClendon
Councilmember	Victoria Johnson
Councilmember	Rick Green
Councilmember	Jimmy Stanford
Councilmember	Tamara Payne
Councilmember	Ronnie Johnson

**City Officials**

City Manager	Bryan Langley
Deputy City Manager	Tommy Ludwig
Director of Finance	Martin Avila
Deputy City Attorney	Matt Ribitzki
Police Chief	Billy Cordell
City Secretary	Amanda Campos
Fire Chief	Kenneth Freeman
Director of Parks and Recreation	Jen Basham
Director of Human Resources	Rick DeOrdio
Director of Neighborhood Services	Lisa Duello
Chief Technology Officer	James Grommersch
Director of Development Services	Tony McIlwain
Director of Public Works	Eric Oscarson
Director of Economic Development	Alex Philips
Director of Community Services	DeAnna Phillips
Director of Customer Service	Jesse Elizondo
Director of Public Safety Communications	Paul Bradley

# Financial Section

THE CITY OF  
**BURLESON**  
TEXAS

## Independent Auditor's Report

Honorable Mayor, City Council  
and City Manager  
City of Burleson, Texas  
Burleson, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burleson, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, 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.

#### *Basis of Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Honorable Mayor, City Council  
and City Manager  
City of Burleson, Texas

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas Municipal Retirement System pension schedules, Texas Municipal Retirement System OPEB schedule, and budgetary comparison information on pages 7 through 14 and 65 through 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary Information**

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

Honorable Mayor, City Council  
and City Manager  
City of Burleson, Texas

The combining and individual fund financial statements and schedules are the responsibility of management and was derived from and relates 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, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information Included in the Annual Comprehensive Financial Report (ACFR)***

Management is responsible for the other information included in the ACFR. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
February 24, 2023

THE CITY OF  
**BURLESON**  
TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Burleson's (City) annual financial report presents our discussion of the City's financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$324,989,209 (net position). Of this amount, \$51,523,465 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$27,493,744 or 9.24% from previous year. The City's total unrestricted net position increased by \$26,607,997, due to increases in revenues in both governmental and business-type activities which exceeded increases in expenses. \$8,032,001 increase in net investment in capital assets resulted from additions in construction capital cost and land acquisitions netted against the decrease of related debt.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$20,466,098 or 42% of total general fund expenditures.
- The City's total debt increased by \$1,665,000 during the current fiscal year. The increase represents the net effect of scheduled debt retirement and issuance of Series 2022 Combination Tax and Revenue Certificates of Obligation and Series 2022 General Obligation Bonds in the current year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave).

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities include water and wastewater operations, solid waste collection, the City's Hidden Creek Golf Course, and a cemetery.



**Fund Financial Statements** - The fund financial statements provide detailed information about the most significant funds – not the City as a whole. A fund is a grouping of related accounts that the City uses to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required by state law or bond covenants. The 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 two types of funds:

**Governmental Funds** - These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, bond supported capital projects fund, and COVID relief grants fund, which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds** – The City of Burleson maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for water and wastewater, solid waste, golf, and cemetery operations. Internal Service Funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the acquisition and replacement of major components of equipment used throughout the organization, such as the fleet of City vehicles, for the repair and maintenance of significant components of equipment used by the organization, and for the health self-insurance program.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water & wastewater operations are considered to be a major fund of the City. All internal service funds are combined in a single presentation in the proprietary fund financial statements. Individual data for each of the nonmajor enterprise funds and internal service funds is provided in the form of combining statements elsewhere in this report.

**Notes to the Basic 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.

**Other Information** - The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$324,989,209 as of September 30, 2022.

The largest portion of the City's net position (80%) reflects its investments in capital assets (e.g., land, buildings, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

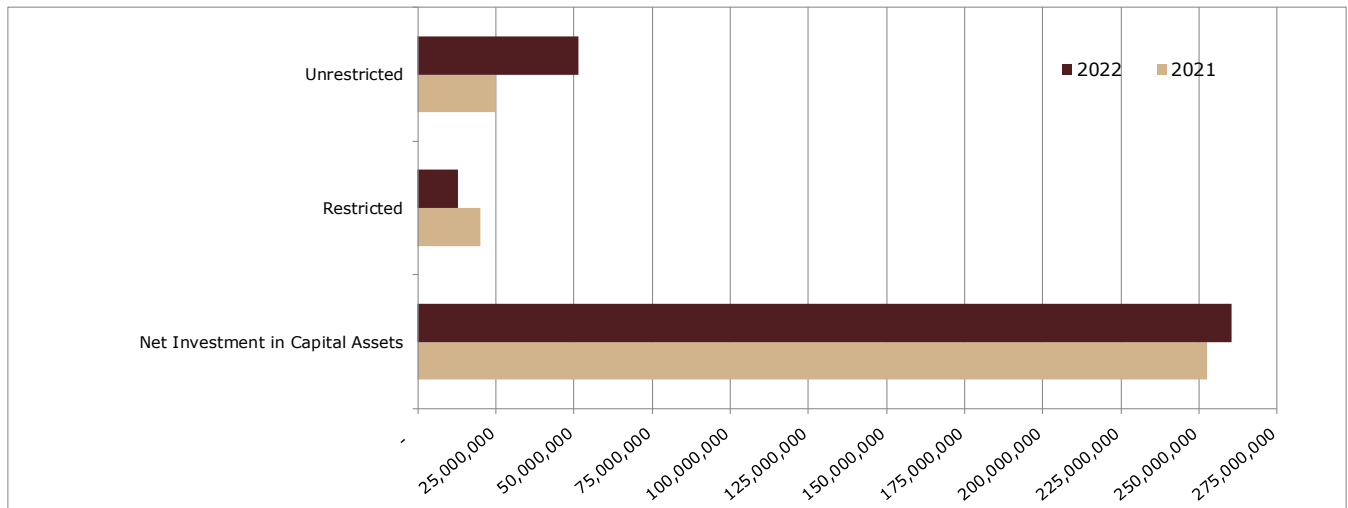
### CITY OF BURLESON, TEXAS – NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Other assets	\$ 78,488,679	\$ 94,730,804	\$ 53,477,743	\$ 57,374,088	\$ 131,966,422	\$ 152,104,892
Capital assets	240,302,688	251,050,175	116,109,033	122,829,136	356,411,721	373,879,311
Total assets	318,791,367	345,780,979	169,586,776	180,203,224	488,378,143	525,984,203
Total deferred outflows of resources	6,598,261	8,237,747	855,118	875,998	7,453,379	9,113,745
Noncurrent liabilities – due in more than one year	113,184,319	108,952,166	55,676,214	55,817,730	168,860,533	164,769,896
Other liabilities	18,891,148	25,652,502	7,772,080	8,984,772	26,663,228	34,637,274
Total liabilities	132,075,467	134,604,668	63,448,294	64,802,502	195,523,761	199,407,170
Total deferred inflows of resources	2,606,156	9,117,971	206,140	1,583,598	2,812,296	10,701,569
Net position:						
Net investment in capital asset	163,721,859	174,521,592	88,788,759	86,021,027	252,510,618	260,542,619
Restricted	12,460,606	12,617,978	7,608,773	305,147	20,069,379	12,923,125
Unrestricted	14,525,540	23,156,517	10,389,928	28,366,948	24,915,468	51,523,465
Total net position	\$ 190,708,005	\$ 210,296,087	\$ 106,787,460	\$ 114,693,122	\$ 297,495,465	\$ 324,989,209

An additional portion of the City's net position (4%) represents resources that are subject to external restriction on how they may have been used. The remaining balance of unrestricted net position (16%) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

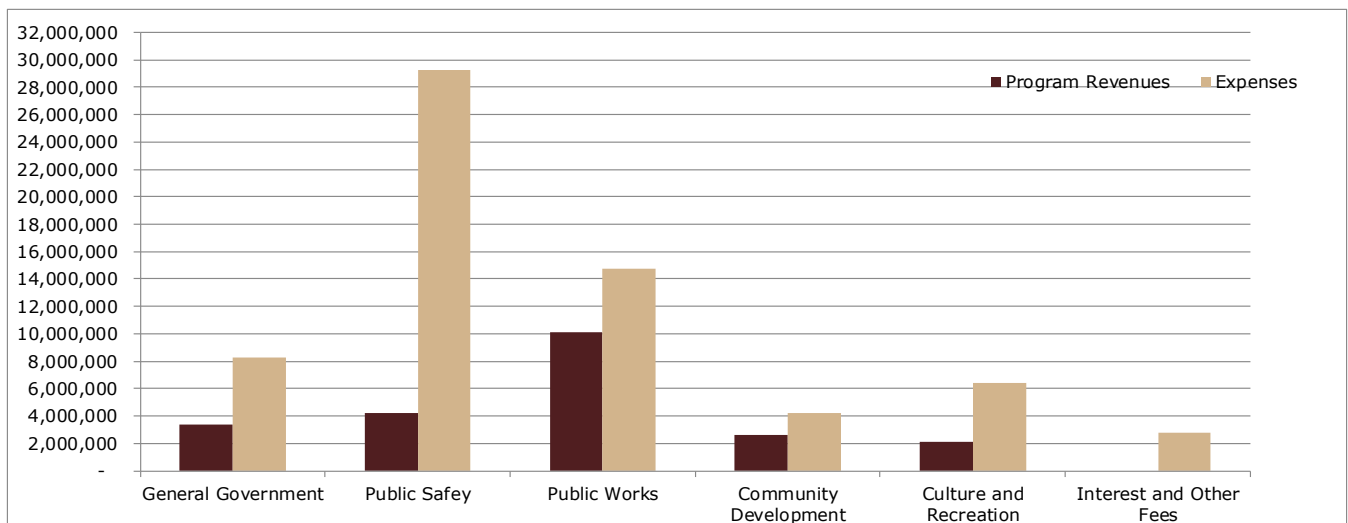
**City of Burleson Net Position  
September 30, 2021 and 2022**



The City's overall net position increased \$27,493,744 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$19,588,082, an increase of \$6,114,172 from the prior fiscal year's increase in net position for governmental activities. Increase is primarily due to a 12.94% or approximately \$3,200,000 increase in sales & use tax from the prior year due to growth and increase in cost of goods from rise in inflation rates and a transfer of \$3,100,000 excess funds from Equipment Replacement Fund to General Fund.

**Expenses and Program Revenues - Governmental Activities**



**Business-Type Activities.** During the current fiscal year, net position for business-type activities increased by \$7,905,662, an increase of \$2,064,814 from the prior fiscal year's increase in net position for business-type activities. Increase was the result of an approximately \$2,700,000 increase in water and sewer revenues from increased consumption from prior year, due to a very hot and dry summer, and approximately 2% growth in accounts.

### CITY OF BURLESON, TEXAS – CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 8,780,004	\$ 9,394,259	\$ 26,713,025	\$ 29,937,355	\$ 35,493,029	\$ 39,331,614
Operating grants and contributions	5,981,907	4,270,180	14,260	34,699	5,996,167	4,304,879
Capital grants and contributions	2,253,873	8,786,321	2,980,216	5,036,972	5,234,089	13,823,293
General Revenues:						
Taxes:						
Property taxes levied for general purposes	29,343,869	30,311,580	-	-	29,343,869	30,311,580
Tax Increment Financing	905,662	1,175,995	-	-	905,662	1,175,995
Sales and use taxes	24,801,831	28,011,255	-	-	24,801,831	28,011,255
Hotel / motel taxes	455,115	466,584	-	-	455,115	466,584
Franchise fees	3,732,406	3,931,439	-	-	3,732,406	3,931,439
Investment income	78,034	(484,929)	44,697	(116,987)	122,731	(601,916)
Gain (loss) on sale of assets	70,477	13,402	15,575	634,561	86,052	647,963
<b>Total revenues</b>	<b>76,403,178</b>	<b>85,876,086</b>	<b>29,767,773</b>	<b>35,526,600</b>	<b>106,170,951</b>	<b>121,402,686</b>
<b>Expenses</b>						
General government	7,678,903	8,293,081	-	-	7,678,903	8,293,081
Public safety	26,227,399	29,220,408	-	-	26,227,399	29,220,408
Public works	13,597,575	14,743,553	-	-	13,597,575	14,743,553
Community development	4,587,759	4,178,055	-	-	4,587,759	4,178,055
Library	-	1,411,839	-	-	-	1,411,839
Parks and recreation	7,697,763	6,377,399	-	-	7,697,763	6,377,399
Interest and other fees	2,886,794	2,805,915	-	-	2,886,794	2,805,915
Water & wastewater	-	-	18,640,527	20,536,810	18,640,527	20,536,810
Hidden Creek Golf course	-	-	1,895,172	2,546,070	1,895,172	2,546,070
Solid Waste	-	-	3,563,473	3,780,319	3,563,473	3,780,319
Cemetery	-	-	80,828	15,493	80,828	15,493
<b>Total expenses</b>	<b>62,676,193</b>	<b>67,030,250</b>	<b>24,180,000</b>	<b>26,878,692</b>	<b>86,856,193</b>	<b>93,908,942</b>
Change in net position before transfers	13,726,985	18,845,836	5,587,773	8,647,908	19,314,758	27,493,744
Transfers	(253,075)	742,246	253,075	(742,246)	-	-
Change in net position	13,473,910	19,588,082	5,840,848	7,905,662	19,314,758	27,493,744
Net position - beginning	177,234,095	190,708,005	100,946,612	106,787,460	278,180,707	297,495,465
<b>Net position - ending</b>	<b>\$ 190,708,005</b>	<b>\$ 210,296,087</b>	<b>\$ 106,787,460</b>	<b>\$ 114,693,122</b>	<b>\$ 297,495,465</b>	<b>\$ 324,989,209</b>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned fund balance serves as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance, which has not yet been limited to use for a particular purpose.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$67,599,984. The 70% or \$47,287,431 of this total has constraints on its spending at because it is classified as either (1) non-spendable for inventory and prepaid items; (2) restricted for debt service, public safety, parks and recreation, library, economic development, tourism, capital projects, and other; and (3) committed for capital projects, debt service and other. Approximately 30% of the combined ending fund balance, or \$20,312,553, constitutes unassigned fund balance and is primarily in the General Fund.

Net change in fund balance was an increase of \$9,795,108 of which 37% is from the General Fund, 55% from Non-major Governmental Funds, and the remaining 8% is from Bond Funded Capital Projects fund.

The increase of \$3,584,856 in the General Fund is primarily due to a transfer of \$3,000,000 of excess funds from the Equipment Replacement Fund to the General Fund. The remaining is due to overall General Fund revenues exceeding overall expenditures reflecting the overall management of the governmental funds to ensure sources of funds are sufficient to meet the uses of funds.

The \$5,389,899 increase in Other Governmental Funds, due to \$1,633,874 increase in the BCSDC Special Revenue fund primarily due to a \$797,835 increase sales and use tax revenue exceeding expenditures from prior year, and \$806,363 in less debt service payments from prior year. In addition, net increase of \$3,976,618 in 4A EDC Non-bond Fund was due to a transfer from 4A Corp Special Revenue fund for \$5,000,000 for future purchase of land offset by capital outlay and transfer out of about \$1,000,000.

The Bond Funded Capital Projects fund increased by \$940,453 finishing the year at \$16,238,510. This is due to the issuance of \$8,000,000 of bonds offset with capital expenditures.

**Proprietary funds** – The City's proprietary funds provide the same type of information found in business-type activities in the government-wide financial statements, but in more detail.

Year-end net position in the water and wastewater fund amounted to \$110,074,191. Net position in the water and wastewater fund increased \$9,504,238 which is approximately \$4,000,000 more than prior year's increase. Difference is from an increase of about \$2,000,000 in developer non-cash contributions due to the City's continued growth; a \$1,000,000 transfer of excess funds from Equipment Replacement Proprietary Fund; an approximately \$3,000,000 increase in charges for services due to 2% growth in customer accounts, and an increase in consumption due to a hot and dry summer. These increases in revenue were offset by an approximately \$1,000,000 increase in expenditures from prior year due to an increase in water purchase costs from increased consumption.

### General Fund Budgetary Highlights –

Total actual revenue collections exceeded the revised estimates by about \$1,284,121 over the revised estimate, primarily due to sales tax revenues.

The general fund's final revised expenditure budget was approximately \$184,572 more than the figure originally adopted due to encumbrances rolled over from the prior year.

Actual year-end expenditures totaled about \$683,188 less than the revised budget total. This decrease was primarily due to budget saving in several areas including maintenance & repair, material & supplies, and capital outlays which offset other expenditures. ARPA grant reimbursement of allowable expenditure is also a factor in the decrease of expenditure overall. The overall savings reflect the budget management and focus on spending needs.

## CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of September 30, 2022 amounts to \$373,879,311 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment and roads. The total increase in capital assets for the current fiscal year was approximately 5%.

	Capital Assets at Year End (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Land	\$ 38,300,084	\$ 40,312,769	5,397,686	\$ 5,413,714	\$ 43,697,770	\$ 45,726,483
Buildings & improvements	78,425,585	79,489,539	3,224,127	3,064,471	81,649,712	82,554,010
Infrastructure	107,992,652	117,002,996	-	-	107,992,652	117,002,996
Machinery & equipment	4,670,966	5,219,041	42,052	177,985	4,713,018	5,397,026
Vehicles	2,519,407	2,552,391	927,555	839,494	3,446,962	3,391,885
Other	45,000	45,000	-	-	45,000	45,000
Water distribution system	-	-	53,093,669	56,106,747	53,093,669	56,106,747
Wastewater system	-	-	43,319,080	46,783,947	43,319,080	46,783,947
Capitalized interest	-	-	-	-	-	-
Intangible assets	-	-	1,437,497	1,377,432	1,437,497	1,377,432
Construction in progress	8,348,994	6,428,439	8,667,367	9,065,346	17,016,361	15,493,785
Total	<u>\$ 240,302,688</u>	<u>\$ 251,050,175</u>	<u>\$ 116,109,033</u>	<u>\$ 122,829,136</u>	<u>\$ 356,411,721</u>	<u>\$ 373,879,311</u>

Major capital asset events during the current fiscal year included the following:

- Construction costs related to arterial roads amount to approximately \$2,757,688.
- Construction and right-of-way costs related to construction of water infrastructure amounted to approximately \$3,555,571.
- Construction and right-of-way costs related to construction of sanitary sewer lines amounted to approximately \$1,807,977.
- Cost of purchasing land and buildings to be used as City Facilities amounted to \$3,736,926.
- Costs related to construction of City recreational facilities amounted to \$4,353,312.
- Approximately \$1,607,632 of water lines were donated by developers.
- Approximately \$1,670,717 of sewer lines were donated by developers.
- Streets and sidewalks worth approximately \$8,462,744. Were donated by developers.

Additional information on the City's capital assets can be found in Note 4 in the notes to basic financial statements.

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt issues of \$144,025,000. Of this amount, \$56,930,000 comprises of general obligation (GO) outstanding bonds debt backed solely by the full faith and credit of the City, \$84,600,000 represent certificate of obligation (CO) bonds secured by a combination of property taxes and a limited pledge of other revenues, and \$2,495,000 secured by revenues generated from the City's water and wastewater utility. The total GO and CO outstanding debt of \$141,530,000 includes self-supporting debt of \$53,000,000 paid with revenues generated from the City's water and wastewater utility, \$24,282,633 paid with revenue generated from sales tax dedicated to the Burleson 4B Community Service Corporation (Type 4B) and Burleson 4A Economic Development Service Corporation (Type A) and \$7,890,000 to be paid with tax revenues generated from the Reinvestment Zone Number Two reflected in the TIF 2&3 Fund, with the remaining balance of \$56,357,367 paid directly from the debt rate portion of the property tax rate.

Additional information on the City's outstanding debt can be found in Note 7 in the notes to basic financial statements.

### Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
General obligation bonds	\$ 46,569,428	\$ 42,596,857	\$ 17,250,572	\$ 14,333,143	\$ 63,820,000	\$ 56,930,000
Certificate of obligation bonds	40,045,000	44,870,000	35,795,000	39,730,000	75,840,000	84,600,000
Utility system revenue bonds	-	-	2,700,000	2,495,000	2,700,000	2,495,000
	<u>\$ 86,614,428</u>	<u>\$ 87,466,857</u>	<u>\$ 55,745,572</u>	<u>\$ 56,558,143</u>	<u>\$ 142,360,000</u>	<u>\$ 144,025,000</u>

The City maintains favorable bond ratings as assigned from the following rating agencies:

	Moody's Investors Service	Standard & Poor's
General obligation bonds	Aa2	AA
Water & wastewater revenue bonds	A1	AA-
4A sales tax revenue bonds	NA	AA-
4B sales tax revenue bonds	NA	AA-

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

In fiscal year 2023 budget, City adopted a property tax rate of \$0.6572 per \$100 value which was \$0.0287 less than the previous rate of \$0.6859 per \$100 value. Since 2019, the rate has been reduced by almost eight (8) cents, from \$0.7350 (2019) to \$0.6572 (2023). The budget also includes a two percent (2%) homestead exemption in FY 2023. The property tax revenues are budgeted to increase 7.8% or about \$1,749,741 from fiscal year 2022 year end projection primarily due to new growth. Sales tax revenues are budgeted to increase by about 3% or \$419,877 from fiscal year 2022 year end projections. General Fund total revenues including transfers is \$53,151,097 or 5% increase from fiscal year 2022 budget. General Fund total expenditures is \$55,328,010 or 10% increase from prior year budget. The result is a \$2,176,913 reduction in fund balance. This projected reduction continues to maintain an unassigned fund balance to a level above the City's policy target of 20% of annual operating expenses.

No increase in water rates nor sewer rates is proposed in the FY 2023 budget. Water and Sewer Fund has a strong financial position and ability to continue meetings its debt obligations.

Solid Waste budget has no increase in proposed rates. Revenues and working capital is sufficient to meet the obligations.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Burleson's finances. Questions concerning any of the information provided in this report or requests for additional information may be obtained by contacting the City of Burleson, Attn: Finance Department, 141 West Renfro Street, Burleson, Texas 76028.

**City of Burleson, Texas**  
**Statement of Net Position**  
**September 30, 2022**

**Exhibit A** Item A.

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 84,893,177	\$ 22,918,131	\$ 107,811,308
Receivables			
Taxes, net	157,889	-	157,889
Accounts, net	1,532,039	3,314,870	4,846,909
Leases	2,030,283	1,058,840	3,089,123
Due from other governmental units	5,119,140	-	5,119,140
Accrued interest	137,185	67,603	204,788
Inventories	54,943	341,004	395,947
Prepaid items	127,424	-	127,424
Internal balances	678,724	(678,724)	-
Total current assets	94,730,804	27,021,724	121,752,528
Noncurrent assets:			
Restricted cash and investments	-	30,352,364	30,352,364
Capital assets:			
Nondepreciable	46,786,208	14,479,060	61,265,268
Depreciable, net of depreciation	204,263,967	108,350,076	312,614,043
Total noncurrent assets	251,050,175	153,181,500	404,231,675
Total assets	345,780,979	180,203,224	525,984,203
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	666,895	282,445	949,340
Deferred outflows related to pensions	6,743,460	528,685	7,272,145
Deferred outflows related to OPEB (RHP & SDBF)	827,392	64,868	892,260
Total deferred outflows of resources	8,237,747	875,998	9,113,745
<b>LIABILITIES</b>			
Accounts payable	2,823,691	2,607,638	5,431,329
Accrued liabilities	1,886,599	152,065	2,038,664
Accrued interest payable	287,959	164,191	452,150
Deposits payable	-	735,317	735,317
Unearned revenue	10,179,700	2,279	10,181,979
Current portion of:			
Bonds, leases, compensated absences	10,474,553	5,323,282	15,797,835
Total current liabilities	25,652,502	8,984,772	34,637,274
Noncurrent Liabilities			
Bonds, leases, compensated absences	90,306,764	54,355,940	144,662,704
Net pension liability	13,345,964	1,046,318	14,392,282
Total OPEB liability (RHP & SDBF)	5,299,438	415,472	5,714,910
Total noncurrent liabilities	108,952,166	55,817,730	164,769,896
Total liabilities	134,604,668	64,802,502	199,407,170
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to leased assets	2,091,195	1,032,701	3,123,896
Deferred inflows related to pensions	6,418,557	503,212	6,921,769
Deferred inflows related to OPEB (RHP & SDBF)	608,219	47,685	655,904
Total deferred inflows of resources	9,117,971	1,583,598	10,701,569
<b>NET POSITION</b>			
Net investment in capital assets	174,521,592	86,021,027	260,542,619
Restricted for			
Debt service	2,521,806	305,147	2,826,953
Public safety	289,721	-	289,721
Other purposes	46,781	-	46,781
Economic development/tourism	9,759,670	-	9,759,670
Unrestricted	23,156,517	28,366,948	51,523,465
<b>TOTAL NET POSITION</b>	<b>\$ 210,296,087</b>	<b>\$ 114,693,122</b>	<b>\$ 324,989,209</b>

The Notes to the Financial Statements are an integral part of this statement.



**City of Burleson, Texas**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
Governmental activities:			
General government	\$ 8,293,081	\$ 3,335,561	\$ 35,544
Public safety	29,220,408	1,143,155	3,008,621
Public works	14,743,553	398,116	1,063,307
Community development	4,178,055	2,580,560	-
Library	1,411,839	24,497	-
Parks and recreation	6,377,399	1,912,370	162,708
Interest and other fees	2,805,915	-	-
Total governmental activities	67,030,250	9,394,259	4,270,180
Business type activities:			
Water and wastewater	20,536,810	24,638,049	-
Hidden Creek Golf Course	2,546,070	1,925,878	-
Solid waste	3,780,319	3,323,598	-
Cemetery	15,493	49,830	34,699
Total business-type activities	26,878,692	29,937,355	34,699
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 93,908,942</b>	<b>\$ 39,331,614</b>	<b>\$ 4,304,879</b>

General revenues:

Taxes:

Property

Tax increment financing

Sales and use

Hotel occupancy taxes

Franchise fees based on gross receipts

Unrestricted investment earnings

Gain on sale of capital assets

Transfers between governmental and  
business-type activities

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Program Revenues	Net (Expense) Revenue and		
	Changes in Net Position		
Capital			
Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (4,921,976)	\$ -	\$ (4,921,976)
34,571	(25,034,061)	-	(25,034,061)
8,684,550	(4,597,580)	-	(4,597,580)
-	(1,597,495)	-	(1,597,495)
-	(1,387,342)	-	(1,387,342)
67,200	(4,235,121)	-	(4,235,121)
-	(2,805,915)	-	(2,805,915)
<u>8,786,321</u>	<u>(44,579,490)</u>	<u>-</u>	<u>(44,579,490)</u>
5,036,972	-	9,138,211	9,138,211
-	-	(620,192)	(620,192)
-	-	(456,721)	(456,721)
-	-	69,036	69,036
<u>5,036,972</u>	<u>-</u>	<u>8,130,334</u>	<u>8,130,334</u>
<u>\$ 13,823,293</u>	<u>(44,579,490)</u>	<u>8,130,334</u>	<u>(36,449,156)</u>
	30,311,580	-	30,311,580
	1,175,995	-	1,175,995
	28,011,255	-	28,011,255
	466,584	-	466,584
	3,931,439	-	3,931,439
	(484,929)	(116,987)	(601,916)
	13,402	634,561	647,963
	<u>742,246</u>	<u>(742,246)</u>	<u>-</u>
	<u>64,167,572</u>	<u>(224,672)</u>	<u>63,942,900</u>
	19,588,082	7,905,662	27,493,744
	<u>190,708,005</u>	<u>106,787,460</u>	<u>297,495,465</u>
	<u>\$ 210,296,087</u>	<u>\$ 114,693,122</u>	<u>\$ 324,989,209</u>

**City of Burleson, Texas**  
**Balance Sheet – Governmental Funds**  
**September 30, 2022**

**Exhibit B** Item A.

	General	Bond Funded Capital Projects	COVID Relief Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 21,257,878	\$ 16,911,391	\$ 9,840,197	\$ 27,957,656	\$ 75,967,122
Receivables:					
Taxes, net	-	-	-	157,889	157,889
Accounts, net	1,498,638	-	-	31,807	1,530,445
Leases	1,877,823	-	-	152,460	2,030,283
Due from other governmental units	2,420,281	-	-	2,698,859	5,119,140
Accrued interest	28,168	1,000	22,660	65,529	117,357
Due from other funds	552,146	-	-	-	552,146
Prepaid items	27,424	-	-	100,000	127,424
Total Assets	<u>\$ 27,662,358</u>	<u>\$ 16,912,391</u>	<u>\$ 9,862,857</u>	<u>\$ 31,164,200</u>	<u>\$ 85,601,806</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,292,275	\$ 673,881	\$ -	\$ 593,151	\$ 2,559,307
Accrued liabilities	1,685,749	-	-	137,168	1,822,917
Unearned revenue	-	-	9,982,957	196,743	10,179,700
Due to other funds	-	-	-	396,588	396,588
Total Liabilities	<u>2,978,024</u>	<u>673,881</u>	<u>9,982,957</u>	<u>1,323,650</u>	<u>14,958,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - mowing liens	60,905	-	-	-	60,905
Unavailable revenue - hotel occupancy taxes	-	-	-	99,847	99,847
Unavailable revenue - leased assets	1,942,472	-	-	148,723	2,091,195
Unavailable revenue - grants	-	-	-	34,571	34,571
Unavailable revenue - franchise fees	756,792	-	-	-	756,792
Total Deferred Inflows of Resources	<u>2,760,169</u>	<u>-</u>	<u>-</u>	<u>283,141</u>	<u>3,043,310</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	27,424	-	-	100,000	127,424
Restricted:					
Debt service	-	-	-	2,809,765	2,809,765
Public safety	-	-	-	289,721	289,721
Parks and recreation	-	-	-	23,405	23,405
Library	-	-	-	12,991	12,991
Economic development	-	-	-	8,739,711	8,739,711
Tourism	-	-	-	1,019,959	1,019,959
Capital projects	-	16,238,510	-	-	16,238,510
Other purposes	-	-	-	46,781	46,781
Committed:					
Capital projects	-	-	-	16,548,521	16,548,521
Debt service	405,527	-	-	-	405,527
Other purposes	1,025,116	-	-	-	1,025,116
Unassigned	20,466,098	-	(120,100)	(33,445)	20,312,553
Total Fund Balances	<u>21,924,165</u>	<u>16,238,510</u>	<u>(120,100)</u>	<u>29,557,409</u>	<u>67,599,984</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 27,662,358</u>	<u>\$ 16,912,391</u>	<u>\$ 9,862,857</u>	<u>\$ 31,164,200</u>	<u>\$ 85,601,806</u>

The Notes to the Financial Statements are an integral part of this statement.

**City of Burleson, Texas**  
**Reconciliation of the Balance Sheet of Governmental**  
**Funds to the Statement of Net Position**  
**September 30, 2022**

**Exhibit B** Item A.

Total fund balances - governmental funds		\$ 67,599,984
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		246,838,608
Internal service funds are used by the City's management for equipment maintenance and vehicle replacement. The assets and liabilities of certain internal service funds are included with governmental activities in the Statement of Net Position but are not included at the fund level.		12,465,949
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		952,115
Long-term liabilities and related balance sheet items are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bonds payable	\$ (92,855,760)	
Deferred charge on refunding	666,895	
Leases payable	(405,528)	
Accrued interest payable	(287,959)	
Compensated absences (net of ISF of \$107,660)	(7,412,369)	
Net pension liability (net of ISF of \$615,990)	(12,729,974)	
Deferred outflows related to pensions (net of ISF of \$311,248)	6,432,212	
Deferred inflows related to pensions (net of ISF of \$296,252)	(6,122,305)	
Total SDBF & RHP OPEB liability (net of ISF of \$244,600)	(5,054,838)	
Deferred outflows related to SDBF & RHP OPEB (net of ISF of \$38,188)	789,204	
Deferred inflows related to SDBF & RHP OPEB (net of ISF of \$28,072)	(580,147)	
Combined adjustment		(117,560,569)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>		<b>\$ 210,296,087</b>

The Notes to the Financial Statements are an integral part of this statement.

**City of Burleson, Texas**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended September 30, 2022**

**Exhibit B** Item A.

	General	Bond Funded Capital Projects	COVID Relief Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 22,995,972	\$ -	\$ -	\$ 8,491,603	\$ 31,487,575
Sales and use taxes	14,100,029	-	-	13,911,226	28,011,255
Hotel occupancy taxes	-	-	-	366,737	366,737
Franchise fees	3,743,615	-	-	50,174	3,793,789
Charges for services	3,149,498	-	-	1,907,846	5,057,344
Licenses and permits	1,421,318	-	-	-	1,421,318
Intergovernmental	755,523	-	1,557,116	1,019,350	3,331,989
Fines	877,635	-	-	71,066	948,701
Contributions and donations	-	-	-	995,633	995,633
Investment income (loss)	(120,108)	90,127	(120,101)	(255,231)	(405,313)
Mineral lease	-	-	-	618,527	618,527
Street assessments	-	-	-	69,999	69,999
Miscellaneous	1,052,571	-	-	789,568	1,842,139
<b>Total Revenues</b>	<b>47,976,053</b>	<b>90,127</b>	<b>1,437,015</b>	<b>28,036,498</b>	<b>77,539,693</b>
<b>EXPENDITURES</b>					
Current:					
General government	7,921,038	-	-	24,589	7,945,627
Public safety	27,272,278	-	913,212	591,566	28,777,056
Public works	7,049,142	-	-	309,331	7,358,473
Community development	3,231,431	-	-	2,623,861	5,855,292
Library	1,330,397	-	-	95,494	1,425,891
Parks and recreation	1,878,571	-	-	4,962,544	6,841,115
Capital outlay	316,576	7,759,172	643,903	2,941,354	11,661,005
Debt service:					
Principal retirement	59,901	-	-	7,242,571	7,302,472
Interest and fiscal agent charges	16,104	-	-	3,376,012	3,392,116
Debt issuance costs	-	160,505	-	-	160,505
<b>Total Expenditures</b>	<b>49,075,438</b>	<b>7,919,677</b>	<b>1,557,115</b>	<b>22,167,322</b>	<b>80,719,552</b>
Excess (deficiency) of revenues over (under) expenditures	(1,099,385)	(7,829,550)	(120,100)	5,869,176	(3,179,859)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	8,095,000	-	-	8,095,000
Premium on debt issuance	-	675,003	-	-	675,003
Sale of capital assets	-	-	-	462,718	462,718
Transfers in	5,380,223	-	-	13,658,877	19,039,100
Transfers out	(695,982)	-	-	(14,600,872)	(15,296,854)
<b>Total other financing sources (uses)</b>	<b>4,684,241</b>	<b>8,770,003</b>	<b>-</b>	<b>(479,277)</b>	<b>12,974,967</b>
<b>Net change in fund balance</b>	<b>3,584,856</b>	<b>940,453</b>	<b>(120,100)</b>	<b>5,389,899</b>	<b>9,795,108</b>
<b>Fund balance, beginning</b>	<b>18,339,309</b>	<b>15,298,057</b>	<b>-</b>	<b>24,167,510</b>	<b>57,804,876</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 21,924,165</b>	<b>\$ 16,238,510</b>	<b>\$ (120,100)</b>	<b>\$ 29,557,409</b>	<b>\$ 67,599,984</b>

The Notes to the Financial Statements are an integral part of this statement.

# City of Burleson, Texas

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Fiscal Year Ended September 30, 2022

Exhibit B

Item A.

Net change in fund balances - total governmental funds \$ 9,795,108

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 11,252,314	
Depreciation (net of internal service funds)	<u>(9,675,748)</u>	1,576,566

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is reported with governmental activities. 8,056,548

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (59,745)

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 the governmental funds. 733,918

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. Neither transaction, however, has any effect on net position. (8,770,003)

Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 8,054,496

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and vehicle replacement, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 201,194

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 19,588,082

**City of Burleson, Texas**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2022**

**Exhibit C** Item A.

	<b>Business-Type Activities Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water &amp; Wastewater</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets:				
Deposits and investments	\$ 19,609,505	\$ 2,006,307	\$ 21,615,812	\$ 10,228,374
Receivables:				
Accounts, net	2,981,288	333,582	3,314,870	1,594
Leases	1,058,840	-	1,058,840	-
Accrued interest	58,938	7,132	66,070	21,361
Inventories	341,004	-	341,004	54,943
Total current assets	24,049,575	2,347,021	26,396,596	10,306,272
Noncurrent assets:				
Restricted deposits and investments	30,352,364	-	30,352,364	-
Capital assets, net	118,609,142	3,380,499	121,989,641	5,051,062
Total noncurrent assets	148,961,506	3,380,499	152,342,005	5,051,062
Total assets	173,011,081	5,727,520	178,738,601	15,357,334
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	275,480	6,965	282,445	-
Deferred outflows related to pensions	362,880	165,805	528,685	311,248
Deferred outflows related to OPEB (RHP & SDBF)	44,525	20,343	64,868	38,188
Total deferred outflows of resources	682,885	193,113	875,998	349,436
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,721,784	885,854	2,607,638	264,384
Accrued liabilities	101,433	50,632	152,065	63,682
Unearned revenue	1,700	579	2,279	-
Accrued interest payable	160,765	3,426	164,191	-
Customer deposits	735,317	-	735,317	-
Due to other funds	-	-	-	155,558
Bonds, compensated absences	4,944,608	378,674	5,323,282	76,136
Total current liabilities	7,665,607	1,319,165	8,984,772	559,760
Noncurrent liabilities:				
Bonds, compensated absences	53,539,994	815,946	54,355,940	31,524
Net pension liability	718,174	328,144	1,046,318	615,990
Total OPEB liability (RHP & SDBF)	285,173	130,299	415,472	244,600
Total noncurrent liabilities	54,543,341	1,274,389	55,817,730	892,114
Total liabilities	62,208,948	2,593,554	64,802,502	1,451,874
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to leased assets	1,032,701	-	1,032,701	-
Deferred inflows related to pensions	345,396	157,816	503,212	296,252
Deferred inflows related to OPEB (RHP & SDBF)	32,730	14,955	47,685	28,072
Total deferred inflows of resources	1,410,827	172,771	1,583,598	324,324
<b>NET POSITION</b>				
Net investment in capital assets	82,895,408	2,286,124	85,181,532	5,051,062
Restricted for debt service	305,147	-	305,147	-
Unrestricted	26,873,636	868,184	27,741,820	8,879,510
<b>TOTAL NET POSITION</b>	<b>\$ 110,074,191</b>	<b>\$ 3,154,308</b>	<b>\$ 113,228,499</b>	<b>\$ 13,930,572</b>
Net position of business-type activity internal service funds			2,143,347	
Adjustment to reflect activity between governmental and business-type activities			(678,724)	
Net position of business-type activities			<u>\$ 114,693,122</u>	

The Notes to the Financial Statements are an integral part of this statement.

**City of Burleson, Texas**  
**Statement of Revenues, Expenses,**  
**and Changes in Net Position - Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2022**

**Exhibit C** Item A.

	<b>Business-Type Activities Enterprise Funds</b>			
	<b>Water &amp; Wastewater</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>				
Charges for goods and services	\$ 24,062,535	\$ 5,299,306	\$ 29,361,841	\$ 14,259,556
Penalties and interest	395,555	-	395,555	-
Miscellaneous	156,828	23,131	179,959	219,741
Mineral lease	-	34,699	34,699	-
Total operating revenues	<u>24,614,918</u>	<u>5,357,136</u>	<u>29,972,054</u>	<u>14,479,297</u>
<b>OPERATING EXPENSES</b>				
Water and wastewater services	12,837,839	-	12,837,839	-
Cost of golf operations	-	2,420,931	2,420,931	-
Cost of collecting revenues and other administrative expenses	2,952,938	-	2,952,938	7,196,401
Cost of cemetery operations	-	2,061	2,061	-
Cost of solid waste operations	-	3,752,644	3,752,644	-
Cost of equipment services	-	-	-	2,699,141
Materials, supplies, and cemetery lots	-	2,807	2,807	-
Depreciation	2,974,292	75,394	3,049,686	1,432,799
Total operating expenses	<u>18,765,069</u>	<u>6,253,837</u>	<u>25,018,906</u>	<u>11,328,341</u>
<b>OPERATING INCOME (LOSS)</b>	<u>5,849,849</u>	<u>(896,701)</u>	<u>4,953,148</u>	<u>3,150,956</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gain on disposition of capital assets	-	167,341	167,341	424,100
Investment income (loss)	(83,768)	(28,608)	(112,376)	(84,619)
Interest and fiscal agent charges	(1,635,387)	(51,032)	(1,686,419)	-
Total non-operating revenues	<u>(1,719,155)</u>	<u>87,701</u>	<u>(1,631,454)</u>	<u>339,481</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>4,130,694</u>	<u>(809,000)</u>	<u>3,321,694</u>	<u>3,490,437</u>
Transfers in	1,146,382	936,630	2,083,012	-
Transfers out	(809,810)	(1,015,448)	(1,825,258)	(4,000,000)
Impact fees	1,664,917	-	1,664,917	-
Capital contributions	3,372,055	-	3,372,055	-
<b>CHANGE IN NET POSITION</b>	<u>9,504,238</u>	<u>(887,818)</u>	<u>8,616,420</u>	<u>(509,563)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>100,569,953</u>	<u>4,042,126</u>	<u>104,612,079</u>	<u>14,440,135</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 110,074,191</u>	<u>\$ 3,154,308</u>	<u>\$ 113,228,499</u>	<u>\$ 13,930,572</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(710,758)</u>
Change in net position of business-type activities				<u>\$ 7,905,662</u>

The Notes to the Financial Statements are an integral part of this statement.



**City of Burleson, Texas**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2022**

**Exhibit C** Item A.

	Business-Type Activities			Governmental
	Enterprise Funds		Total	Internal
	Water & Wastewater	Nonmajor Enterprise Funds	Enterprise Funds	Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 24,492,471	\$ 5,443,619	\$ 29,936,090	\$ -
Refunds of customer deposits	68,351	(17,589)	50,762	-
Receipts from interfund services provided	-	-	-	14,349,546
Payments to suppliers and service providers	(9,283,872)	(4,522,970)	(13,806,842)	(7,465,748)
Payments to employees for salaries and benefits	(2,189,105)	(1,209,237)	(3,398,342)	(2,285,656)
Payments to other funds for services provided	(4,100,708)	-	(4,100,708)	-
Other receipts	-	58,409	58,409	219,741
Net cash provided by (used in) by operating activities	8,987,137	(247,768)	8,739,369	4,817,883
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payments from other funds	1,146,382	936,630	2,083,012	-
Payments to other funds	(809,810)	(1,015,448)	(1,825,258)	(3,844,442)
Net cash provided by (used in) noncapital financing activities	336,572	(78,818)	257,754	(3,844,442)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Receipts from sale of capital assets	-	180,392	180,392	424,100
Principal paid on bonds	(4,475,000)	(339,357)	(4,814,357)	-
Interest payments on bonds	(1,436,024)	(32,106)	(1,468,130)	-
Proceeds of bond issuance	5,610,000	-	5,610,000	-
Impact fees	1,664,917	-	1,664,917	-
Acquisition of capital assets	(5,824,411)	(674,436)	(6,498,847)	(2,459,110)
Net cash provided by capital and related financial activities	(4,460,518)	(865,507)	(5,326,025)	(2,035,010)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	(133,826)	(33,897)	(167,723)	(102,654)
Net cash used in investing activities	(133,826)	(33,897)	(167,723)	(102,654)
Net increase (decrease) in cash and cash equivalents	4,729,365	(1,225,990)	3,503,375	(1,164,223)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>				
(including restricted deposits and investments of \$27,890,949 in the water and wastewater fund and \$82,845 in nonmajor enterprise funds)	45,232,504	3,232,297	48,464,801	11,392,597
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>				
(including restricted deposits and investments of \$13,742,661 in the water and wastewater fund and \$0 in nonmajor enterprise funds)	\$ 49,961,869	\$ 2,006,307	\$ 51,968,176	\$ 10,228,374

The Notes to the Financial Statements are an integral part of this statement.

# City of Burleson, Texas

## Statement of Cash Flows - Proprietary Funds - Continued For the Fiscal Year Ended September 30, 2022

Exhibit C

Item A.

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water & Wastewater	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of operating income (loss)</b>				
<b>to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 5,849,849	\$ (896,701)	\$ 4,953,148	\$ 3,150,956
Depreciation	2,974,292	75,394	3,049,686	1,432,799
Change in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(96,308)	144,892	48,584	89,990
(Increase) decrease in leases receivable	(1,058,840)	-	(1,058,840)	-
(Increase) decrease in inventories	14,369	35,567	49,936	(21,671)
(Increase) decrease in deferred outflows related to pension	(117,505)	(40,335)	(157,840)	(112,419)
(Increase) decrease in deferred outflows related to OPEB	8,057	6,544	14,601	4,418
Increase (decrease) in accounts payable	133,821	519,881	653,702	227,838
Increase (decrease) in accrued liabilities	33,675	5,946	39,621	11,401
Increase (decrease) in unearned revenue	1,700	579	2,279	-
Increase (decrease) in deposits payable	66,651	(17,589)	49,062	-
Increase (decrease) in compensated absences	63,979	(48,021)	15,958	(96,310)
Increase (decrease) in net pension liability and total OPEB liability	(161,034)	(136,952)	(297,986)	(82,921)
Increase (decrease) in deferred inflows related to leased assets	1,032,701	-	1,032,701	-
Increase (decrease) in deferred inflows related to pension	215,961	91,631	307,592	191,370
Increase (decrease) in deferred inflows related to OPEB	25,769	11,396	37,165	22,432
Net cash provided by (used in) operating activities	8,987,137	(247,768)	8,739,369	4,817,883
<b>Noncash capital and related financing activities:</b>				
Contributions from developers	3,372,055	-	3,372,055	-
Total noncash capital and related financing activities	\$ 3,372,055	\$ -	\$ 3,372,055	\$ -

The Notes to the Financial Statements are an integral part of this statement.

THE CITY OF  
**BURLESON**  
TEXAS

# City of Burleson, Texas

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

The City's major operations include public safety, public works, culture, recreation, and community development. In addition, the City owns and operates a water and wastewater system, solid waste system, a golf course, and a cemetery.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of more significant policies.

#### A. Reporting Entity

The City of Burleson, Texas (the "City") Home Rule Charter was adopted by the voters at an election held on April 5, 1969. The City operates under a Council-Manager form of government. As required by the accounting principles generally accepted in the United States of America, the basic financial statements present the City (primary government) and its component units.

The Burleson Community Service Development Corporation ("BCSDC") was incorporated June 25, 1993 as a nonprofit industrial development corporation under the Development Corporation Act of 1979 ("Act"). The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City, and the specific purposes for which the Corporation is organized. This includes the construction and renovation of municipal buildings and other facilities. Although it is legally separate from the City, the BCSDC is reported as if it were part of the primary government (blended) because its Board of Directors is substantively the same as the City Council. Separate financial statements for the BCSDC are not available.

The Burleson 4A Economic Development Corporation (the "4A Corporation") was incorporated September 28, 2000. The Corporation as organized is to promote and provide for economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing projects under the Act and as defined in Section 4A of the Act. Although it is legally separate from the City, the 4A Corporation is reported as a blended component unit because its Board of Directors is substantively the same as the City Council. Separate financial statements for the 4A Corporation are not available.

Tax Increment Finance Reinvestment Zone Number Two (TIF 2) was formed to finance and make public improvements serving only the City, under the authority of the Tax Increment Financing Act. The TIF is governed by a five-member board of directors, of which four members are appointed by the City Council. Although it is legally separate from the City, the TIF is reported as a blended component unit because its Board of Directors is substantively the same as the City Council. Separate financial statements for TIF 2 are not available.

Tax Increment Finance Reinvestment Zone Number Three (TIF 3) was formed to finance and make public improvements serving only the City, under the authority of the Tax Increment Financing Act. The TIF is governed by a five-member board of directors, of which four members are appointed by the City Council. Although it is legally separate from the City, the TIF is reported as a blended component unit because its Board of Directors is substantively the same as the City Council. Separate financial statements for TIF 3 are not available. The TIF was terminated and the board of directors dissolved effective July 5, 2022.

#### B. Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. The focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental or business-type activities.

The government-wide Statement of Net Position is, (a) presented for the primary government distinguishing between the governmental and business-type activities columns, and (b) reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the respective fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, sales taxes, hotel occupancy taxes and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Bond-Funded Capital Projects Fund** is used to account for the acquisition and construction of various capital facilities and is funded by various sales tax revenue and general obligation bonds.

The **COVID Relief Grants Fund** - This fund accounts for the resources received from federal and state agencies to be used to react to the COVID-19 pandemic.

The City reports the following major enterprise fund:

The **Water/Wastewater Fund** is used to account for the provision of water and sewer services to residents of the City and certain nonresidents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service and billing and collection.

Internal Service Funds are used to account for goods and services provided to City departments such as equipment and information technology services, the purchase of vehicles and equipment, and health self-insurance program.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater fund and various other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various funds concerned.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Deposits and Investments**

Substantially all operating deposits and investments are maintained in pooled deposit and investment accounts. Investment income relating to pooled deposits and investments is allocated to the individual funds primarily based on each fund's pro rata share of the total deposits and investments. For purposes of cash flows, the City considers cash on hand, demand deposits, and investments with original maturities of three months or less to be cash equivalents.

Legal provisions generally permit the City to invest in direct obligations of the Federal government, municipal investment pools and interest-bearing deposit accounts. During the year ended September 30, 2022, the City did not own any types of securities other than those permitted by state law.

##### **2. Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

##### **3. Receivables – Property Taxes**

All trade and property tax receivables are shown net of an allowance for uncollectible receivables. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible receivables. The net property tax receivable is comprised of the property tax revenues collected within 60 days after year end. The City believes amounts remaining uncollected at sixty days after year-end are generally uncollectible.

The City's property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. The assessed value, net of exemptions, upon which the fiscal year 2022 levy was based, was approximately \$4,781,489,823. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 assessed valuation. The City's Home Rule Charter authorizes assessment, levy, and collection of property taxes: a) at a rate not exceeding \$1.00 per \$100 of assessed valuation for the purpose of paying the general governmental operating costs of the City and b) at a rate sufficient to pay the principal and interest on bonds of the City. The City's combined tax rate for the year ended September 30, 2022 was \$0.6859 per \$100 of assessed valuation.

##### **4. Lease Receivable – Lessor**

The City is a lessor for noncancelable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.

Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### 5. Inventories

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

#### 6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### 7. Restricted Assets

Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

#### 8. Capital Assets

Capital assets, which include land, buildings, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), purchased or acquired, are carried at historical cost, or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. A capitalization threshold of \$5,000 is used for all capital assets. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives. Right-to-use assets are amortized over the shorter of the useful life or duration of the lease using the straight-line method.

Buildings	30 - 50 Years
Machinery and equipment	5 - 30 Years
Vehicles	5 - 30 Years
Water and sewer system	50 Years
Improvements other than building	20 Years
Infrastructure	15 - 40 Years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

#### 9. Compensated Absences

Vacation and sick leave are granted to City employees in varying amounts. The City accrues vacation benefits as they are earned. In the event of termination, an employee is reimbursed for accumulated unused vacation days if the employee has at least six months service. The City's policy regarding unused sick leave allows terminated employees with at least five years of service to receive reimbursement of accumulated unused sick leave.

#### 10. Leases Payable - Lessee

The City is a lessee for noncancelable leases of equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

#### 11. 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.

#### 12. Other Post-Employment Benefits

**TMRS Supplemental Death Benefits Fund.** The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. For purposes of measuring the total TMRS SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

**Retiree Health Insurance.** For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City's total OPEB liability is obtained from a report prepared by a consulting actuary.



### 13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in expected and actual economic experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in expected and actual economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

### 14. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### 15. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### 16. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

It is the goal of the City that unassigned fund balance of the General Fund should be at least 20% of General Fund annual expenditures. This percentage is the equivalent of 73 days of expenditures. To adhere to the principles of matching current revenues with current expenditures and minimizing property taxes, the City will take action to reduce the fund balance if the unassigned fund balance grows beyond 90 days of expenditures. At September 30, 2022, the General Fund unassigned fund balance equated to 152 days of expenditures.

## **E. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### **2. Proprietary Funds Operating And Nonoperating Revenues and Expenses**

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 proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds and internal service funds are charges to customers for sales and services.

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **F. Budgetary Information**

*Budget Policy* – Prior to September 1, the City Manager submits to the City council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them. The proposed budget and all supporting schedules are filed with the City Secretary when submitted to the City Council. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is adopted by affirmative vote of a majority of the members of the City Council.

Annual operating budgets are prepared on a budgetary basis for the General Fund, Debt Service funds and all special revenue funds except for the Grants Fund, COVID Relief Grants Fund, and Other Special Revenue Funds. Budgetary data for capital projects funds is budgeted over the life of the respective project and not on an annual basis.

*Budgetary Data* – Budget amounts presented in the required supplementary information reflect the original budget and the amended budget, which has been adjusted for legally authorized revisions to the annual budget during the year. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of each fiscal year.

## **G. Accounting Pronouncements**

The Government Accounting Standards Board (GASB) pronouncements effective in fiscal years 2022 and beyond are listed below:

GASB Statement No. 87, Leases (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 87 was implemented in the City's 2022 financial statements with no impact to amounts reported under previous standards.

GASB Statement No. 91, Conduit Debt Obligations (GASB 91), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2020; however, issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95), extended the effective date of GASB 91 to reporting periods beginning after December 15, 2021, with earlier application encouraged. GASB 91 will be implemented in the City's fiscal year 2023 financial statements and the impact has not yet been determined.

GASB Statement No. 92, Omnibus 2020 (GASB 92), enhances comparability in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB pronouncements. The requirements for parts of this statement were originally effective for reporting periods beginning after June 15, 2020; however, issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95), extended the effective date of GASB 92 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 92 was implemented in the City's fiscal year 2022 financial statements with no impact to amounts previously reported.

GASB Statement No. 93, Replacement of Interbank Offered Rates (GASB 93), addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). The requirements of this statement were originally effective for reporting periods beginning after June 15, 2020; however, issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95), extended the effective date of GASB 93 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 93 was implemented in the City's fiscal year 2022 financial statements with no impact to amounts previously reported.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94), improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 94 will be implemented in the City's fiscal year 2023 financial statements and the impact has not yet been determined.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 will be implemented in the City's fiscal year 2023 financial statements and the impact has not yet been determined.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (GASB 97), increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. It also provides for 1) mitigation of costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and 2) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of paragraph 4 of this statement were effective immediately upon issuance in June 2020. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 97 was implemented in the City's fiscal year 2022 financial statements with no impact to amounts previously reported.

GASB Statement No. 99, Omnibus 2022 (GASB 99), enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. These requirements were implemented in the City's fiscal year 2022 financial statements with no impact to amounts previously reported. The requirements related to leases were implemented in the City's fiscal year 2022 financial statements in conjunction with GASB 87 as discussed above. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. These requirements for GASB 99 will be implemented in the City's fiscal year 2023 financial statements and the impact has not yet been determined. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements for GASB 99 will be implemented in the City's fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 100, Accounting Changes and Error Corrections (GASB 100), enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement 1) defines accounting changes and corrections of errors; 2) prescribes the accounting and financial reporting for each type of accounting change and error corrections; and 3) clarifies required note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. GASB 100 will be implemented in the City's fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 101, Compensated Absences (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 will be implemented in the City's fiscal year 2025 financial statements and the impact has not yet been determined.

## **H. Oil and Gas Royalties**

The City receives royalties related to various oil and gas leases for which the City acts as lessor. The royalties are generally payable to the City when production begins at the lease site, and revenue is recognized at the time the royalty is earned and considered measurable and available if received within 60 days of year-end.

## Note 2. Cash and Investments

### A. Cash Deposits with Financial Institutions

State statutes authorize the City's cash to be deposited in demand deposits, time deposits, or certificates of deposit, and require that all deposits be fully collateralized or insured.

*Custodial Credit Risk – Deposits.* Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's policy requires that all deposits with financial institutions must be collateralized to the extent not protected by FDIC insurance.

At September 30, 2022, the carrying amount of the City's deposits was \$36,163,660. The bank balances were entirely covered either by Federal Depository Insurance or by collateral held by the City's agent in the City's name.

### B. Investments

In accordance with the Texas Public Funds Investment Act (PFIA) and the City's investment policy, the City invests in:

- a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities.
- c. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States.
- d. Obligations of states, agencies, counties, cities, and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- e. Financial institution deposits that, are issued by a state or national bank that a) has its main office or a branch office in Texas and is guaranteed or insured by the FDIC or its successor, b) is secured by obligations in a manner and amount provided by law and this Investment Policy for deposits of the City, or c) is placed in a manner that meets the requirements of the PFIA.
- f. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City, held in the City's account, and deposited at the time the investment is made with the City or with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. A Repurchase Agreement must be signed by the counter-party prior to investment in a repurchase agreement. All repurchase agreement transactions must have a market value of purchased securities greater than or equal to 102 percent of the total balance of the agreement.
- g. Money Market Mutual funds that: (1) are registered and regulated by the Securities and Exchange Commission, (2) seek to maintain a net asset value of \$1.0000 per share, and (3) are rated AAA by at least one nationally recognized rating service.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, which provides a framework for measuring fair value by establishing a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of September 30, 2022, the City had the following cash and investments:

	September 30, 2022	(Level 1)	(Level 2)	(Level 3)	Percent of Total Investment Portfolio	Weighted Average Maturity (Days)*
Cash	\$ 36,171,500	\$ -	\$ -	\$ -	N/A	N/A
Investments measured at net asset value/amortized cost per share:						
Investment pools:						
TexPool	8,895,389	-	-	-	8.7%	25
LOGIC	34,600,919	-	-	-	33.9%	19
Investments by fair value level:						
Debt securities:						
Municipal bonds	58,495,864	-	58,495,864	-	57.4%	356
Total investments	101,992,172	-	58,495,864	-		
Total cash and investments	\$ 138,163,672	\$ -	\$ 58,495,864	\$ -		

\* Portfolio weighted average maturity (days) = 213

### Investment Pools

Investment pools are not categorized as to investment risk since specific securities relating to the City cannot be identified. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool investment pools are measured at amortized cost.

Under the LOGIC Participation Agreement, administrative and investment services to LOGIC are provided by Hilltop Securities, Inc. and JP Morgan Asset Management, Inc. as co-administrators. The administrators settle all trades for LOGIC and secure and value its assets every day. The fair value of the City's position in these pools is the same as the value of the pool shares. LOGIC investment pool is measured at net asset value.

The City's investment pools each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Interest income (loss) includes realized and unrealized gains and losses on investments during the fiscal year. The calculation of realized gains and losses is independent of the calculation of the change in fair value of investments. Realized gains and losses of the current year include the cumulative effects of unrealized gains and losses incurred in prior years as a result of changes in fair value. For the fiscal year ended September 30, 2022, net investment income (loss) includes \$849,443 in realized gains resulting from the City's sale and/or redemption of its investments and \$1,451,359 in unrealized losses resulting from non-cash, temporary changes in fair value that are expected to smooth out over the long term life of the investments.

#### Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency.

The City will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, and concentration risk, the risk of loss attributed to the magnitude of investment in a single issuer, by limiting investments to the safest types of issuers, pre-qualifying the financial institutions and brokers/dealers with which the City will do business, and diversifying the investment portfolio so that potential losses on individual issuers will be minimized, as appropriate.

Local government investment pools in Texas are required to be rated AAA or equivalent by at least one nationally recognized securities rating organization. As of September 30, 2022, the City's investments in investment pools were all rated AAAM by Standard & Poor's.

#### Interest Rate Risk

The City will manage the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates. The City will structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity; invest funds primarily in certificates of deposit, shorter term securities, financial institution deposits, or money market mutual funds and local government investment pools whose investment objectives include maintaining a stable \$1.00 net share value; and diversify maturities and stagger purchase dates to minimize the impact of market movements over time.

#### Safekeeping and Custodial Agreements

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the City shall be held in the City's account as evidenced by safekeeping receipts of the institution holding the securities. The City shall approve all third party custodians for the holding of securities pledged to the City as collateral to secure financial institution deposits.

#### Collateral Policy

The City has established a collateral policy in compliance with Government Code Chapter 2257, Public Funds Collateral Act. Deposits secured with irrevocable letters of credit shall have 100% of principal plus anticipated interest of the deposit, less any amount insured by the FDIC. Deposits secured with pledged marketable securities shall have a market value 13 equal to or greater than 102% of the principal plus accrued interest of the deposit, less any amount insured by the FDIC. All deposits shall be insured or collateralized in compliance with applicable State law. The City reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards financial institution deposits. Financial institutions serving as City Depositories will be required to sign a depository agreement with the City. The collateralized deposit portion of the agreement shall define the City's rights to the collateral in case of default, bankruptcy, or closing, and shall establish a perfected security interest in compliance with Federal and State regulations, including: the agreement must be in writing, the agreement has to be executed by the Depository and City contemporaneously with the acquisition of the asset, the agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City, and the agreement must be part of the Depository's "official record" continuously since its execution.

### Note 3. Receivables and Deferred Inflows of Resources

Receivables as of September 30, 2022 for the City's individual major funds, and nonmajor funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Governmental Funds				
	General	Bond Funded Capital Projects	COVID Relief Grants	Other Nonmajor Governmental Funds	Total Governmental Funds
Receivables:					
Taxes	642,651	\$ -	\$ -	\$ 183,309	\$ 825,960
Accounts	1,498,638	-	-	46,022	1,544,660
Leases	1,877,823	-	-	152,460	2,030,283
Intergovernmental	2,420,281	-	-	2,698,859	5,119,140
Interest	28,168	1,000	22,660	65,529	117,357
Gross receivables	6,467,561	1,000	22,660	3,146,179	9,637,400
Less: allowance for uncollectibles	(642,651)	-	-	(39,635)	(682,286)
Net total receivables	\$ 5,824,910	\$ 1,000	\$ 22,660	\$ 3,106,544	\$ 8,955,114
Deferred inflows of resources:					
Mowing liens	\$ 60,905	\$ -	\$ -	\$ -	\$ 60,905
Hotel occupancy taxes	-	-	-	99,847	99,847
Leases	1,942,472	-	-	148,723	2,091,195
Grants	-	-	-	34,571	34,571
Franchise fees	756,792	-	-	-	756,792
Total deferred inflows	\$ 2,760,169	\$ -	\$ -	\$ 283,141	\$ 3,043,310
	Enterprise Funds				
	Water and Wastewater	Other Non-major	Enterprise Funds Total	Internal Service Funds	
Receivables:					
Accounts	\$ 1,849,445	\$ 307,417	\$ 2,156,862	\$ 1,594	
Unbilled	1,196,330	54,786	1,251,116	-	
Leases	1,058,840	-	1,058,840	21,361	
Interest	58,938	7,132	66,070	54,943	
Gross receivables	4,163,553	369,335	4,532,888	77,898	
Less: allowance for for uncollectibles	(64,487)	(28,621)	(93,108)	-	
Net total receivables	\$ 4,099,066	\$ 340,714	\$ 4,439,780	\$ 77,898	



## Leases Receivable

The City has entered into multiple lease agreements as lessor. The leases allow the right-to-use of land, buildings, and infrastructure to other organizations over the term of the lease. The City receives annual and monthly payments at the interest rate stated or implied within the leases. The interest rates for these leases is 3.5%. As of September 30, 2022, the City has \$1,877,823 remaining in lease receivables and \$1,942,472 remaining in deferred inflows recorded in the General Fund, \$152,460 remaining in lease receivables and \$148,723 remaining in deferred inflows recorded in the Nonmajor Governmental Funds, and \$1,058,840 remaining in lease receivables and \$1,032,701 remaining in deferred inflows recorded in the Water and Wastewater Fund.

As of September 30, 2022, expectation of lease receipts through the expiration of all leases is as follows:

	Lease Principal	Lease Interest	Totals
2023	\$ 38,722	\$ 70,911	\$ 109,633
2024	45,013	69,538	114,551
2025	50,961	67,945	118,906
2026	56,914	66,155	123,069
2027	63,255	64,157	127,412
2028-2032	432,909	282,106	715,015
2033-2037	596,622	194,953	791,575
2038-2042	745,887	74,439	820,326
<b>Total governmental activities</b>	<b>\$ 2,030,283</b>	<b>\$ 890,204</b>	<b>\$ 2,920,487</b>
	Lease Principal	Lease Interest	Totals
2023	\$ 10,647	\$ 36,894	\$ 47,541
2024	12,475	36,493	48,968
2025	14,412	36,025	50,437
2026	16,462	35,488	51,950
2027	18,631	34,878	53,509
2028-2032	130,263	162,343	292,606
2033-2037	205,877	133,334	339,211
2038-2042	304,010	89,229	393,239
2043-2047	165,638	46,159	211,797
2048-2052	180,425	14,310	194,735
<b>Total business-type activities</b>	<b>\$ 1,058,840</b>	<b>\$ 625,153</b>	<b>\$ 1,683,993</b>

## Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated or amortized:					
Land	\$ 38,300,084	\$ 2,239,311	\$ (226,626)	\$ -	\$ 40,312,769
Construction in progress	8,348,994	9,468,881	-	(11,389,436)	6,428,439
Historical/Artwork collections	45,000	-	-	-	45,000
<b>Total capital assets not being depreciated or amortized</b>	<b>46,694,078</b>	<b>11,708,192</b>	<b>(226,626)</b>	<b>(11,389,436)</b>	<b>46,786,208</b>
Capital assets being depreciated or amortized:					
Buildings and improvements	55,430,861	112,349	(599,520)	-	54,943,690
Improvements other than buildings	51,149,127	858,779	-	3,449,256	55,457,162
Infrastructure	183,332,227	6,812,057	-	7,698,991	197,843,275
Vehicles	9,207,657	952,969	(363,944)	-	9,796,682
Machinery and equipment	18,302,556	1,613,017	(55,592)	241,189	20,101,170
<b>Total capital assets being depreciated or amortized</b>	<b>317,422,428</b>	<b>10,349,171</b>	<b>(1,019,056)</b>	<b>11,389,436</b>	<b>338,141,979</b>
Less accumulated depreciation/amortization for:					
Buildings	(12,662,719)	(1,107,518)	419,950	-	(13,350,287)
Improvements other than buildings	(15,491,684)	(2,069,342)	-	-	(17,561,026)
Infrastructure	(75,339,575)	(5,500,704)	-	-	(80,840,279)
Vehicles	(6,688,250)	(876,865)	320,824	-	(7,244,291)
Machinery and equipment	(13,631,590)	(1,306,131)	55,592	-	(14,882,129)
<b>Total accumulated depreciation/amortization</b>	<b>(123,813,818)</b>	<b>(10,860,560)</b>	<b>796,366</b>	<b>-</b>	<b>(133,878,012)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>193,608,610</b>	<b>(511,389)</b>	<b>(222,690)</b>	<b>11,389,436</b>	<b>204,263,967</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 240,302,688</b>	<b>\$ 11,196,803</b>	<b>\$ (449,316)</b>	<b>\$ -</b>	<b>\$ 251,050,175</b>
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 5,397,686	\$ 26,028	\$ (10,000)	\$ -	\$ 5,413,714
Construction in progress	8,667,367	6,334,264	-	(5,936,285)	9,065,346
<b>Total capital assets not being depreciated</b>	<b>14,065,053</b>	<b>6,360,292</b>	<b>(10,000)</b>	<b>(5,936,285)</b>	<b>14,479,060</b>
Capital assets being depreciated:					
Water systems	73,904,274	1,782,354	-	2,800,447	78,487,075
Wastewater systems	59,047,105	1,670,717	-	3,024,786	63,742,608
Infrastructure	30,524	-	-	-	30,524
Buildings and improvements	7,499,818	-	(8,247)	-	7,491,571
Machinery and equipment	876,573	57,538	(127,990)	111,052	917,173
Vehicles	3,218,657	250,200	(314,341)	-	3,154,516
Intangible assets	3,047,865	-	-	-	3,047,865
<b>Total capital assets being depreciated</b>	<b>147,624,816</b>	<b>3,760,809</b>	<b>(450,578)</b>	<b>5,936,285</b>	<b>156,871,332</b>
Less accumulated depreciation for:					
Water systems	(20,810,605)	(1,569,723)	-	-	(22,380,328)
Wastewater systems	(15,728,025)	(1,230,636)	-	-	(16,958,661)
Infrastructure	(30,524)	-	-	-	(30,524)
Buildings and improvements	(4,275,691)	(156,605)	5,196	-	(4,427,100)
Machinery and equipment	(834,521)	(32,657)	127,990	-	(739,188)
Vehicles	(2,291,102)	(248,014)	224,094	-	(2,315,022)
Intangible assets	(1,610,368)	(60,065)	-	-	(1,670,433)
Capitalized interest	-	-	-	-	-
<b>Total accumulated depreciation</b>	<b>(45,580,836)</b>	<b>(3,297,700)</b>	<b>357,280</b>	<b>-</b>	<b>(48,521,256)</b>
<b>Total capital assets being depreciated, net</b>	<b>102,043,980</b>	<b>463,109</b>	<b>(93,298)</b>	<b>5,936,285</b>	<b>108,350,076</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 116,109,033</b>	<b>\$ 6,823,401</b>	<b>\$ (103,298)</b>	<b>\$ -</b>	<b>\$ 122,829,136</b>

Because the City maintains an internal service fund solely for the purpose of servicing business-type activities of the City, capital assets in this schedule are not equal to those reported in the statement of net position for proprietary funds. The net value of capital assets in the Proprietary Vehicle Replacement fund is \$839,495 and is included in the above schedule.

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 614,101
Public safety	1,696,443
Public works, which includes the depreciation of general infrastructure assets	7,316,352
Parks and recreation	<u>1,233,664</u>
Total governmental activities depreciation and amortization	<u>\$ 10,860,560</u>
Business-type activities:	
Water and wastewater	\$ 2,974,292
Golf course	64,307
Solid waste disposal and collection	462
Cemetery	10,625
Vehicle replacement fund	<u>248,014</u>
Total business-type activities depreciation	<u>\$ 3,297,700</u>

#### Note 5. Leases Payable

The City has entered into a lease agreement as a lessee. The leases allow the right-to-use assets over the term of the lease. The City is required to make payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

	Interest Rate	Liability at Commencement	Lease Term in Years	Ending Balance September 30, 2022
Machinery and equipment	3.46%	\$ 465,427	2023-2028	<u>\$ 405,528</u>
<b>Total governmental activities</b>				<u>\$ 405,528</u>

The future principal and interest lease payments as of fiscal year end are as follows:

	Lease Principal	Lease Interest	Totals
2023	\$ 61,973	\$ 14,031	\$ 76,004
2024	64,118	11,887	76,005
2025	66,336	9,668	76,004
2026	68,631	7,373	76,004
2027	71,006	4,999	76,005
2028-2032	<u>73,464</u>	<u>2,542</u>	<u>76,006</u>
<b>Total governmental activities</b>	<u>\$ 405,528</u>	<u>\$ 50,500</u>	<u>\$ 456,028</u>

The value of the right-to-use leased assets as of the end of the current fiscal year was \$631,520 and had accumulated amortization of \$221,032.

## Note 6. Interfund Balances and Transactions

### A. Interfund Receivables/Payables

The composition of interfund balances as of September 30, 2022, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General Fund	Nonmajor Governmental	\$ 396,588
General Fund	Internal Service Funds	155,558
Total		<u>\$ 552,146</u>

The outstanding balances between funds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables/payables are recorded between the governmental activities and business type activities in the government wide statement of net position resulting from allocation of interfund charges.

### B. Interfund Transfers

Interfund transfers during the year ended September 30, 2022, were as follows:

<u>Transfers Out:</u>	<u>Transfers in:</u>	<u>Amount</u>
Nonmajor Governmental	General Fund	\$ 1,570,413
Water & Wastewater	General Fund	809,810
Internal Service Funds	General Fund	3,000,000
General Fund	Water & Wastewater	146,382
Internal Service Funds	Water & Wastewater	1,000,000
Nonmajor Governmental	Nonmajor Enterprise	936,630
General Fund	Nonmajor Governmental	549,600
Nonmajor Enterprise	Nonmajor Governmental	1,015,448
Nonmajor Governmental	Nonmajor Governmental	12,093,829
Total		<u>\$ 21,122,112</u>

Transfers are used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to a debt service fund as debt service payments become due, (3) transfer additional funds to the golf course, (4) pay the water and solid waste utilities' payments in lieu of taxes, (5) transfer excess fund balance from internal service funds to the general fund, (6) and transfer fund balance from special revenue funds to capital projects funds for land purchase. In the government-wide financial statements, interfund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

### C. Cost Reimbursements

The cost of the City's central general and administrative services is allocated to the designated special revenue and enterprise funds. These costs are reported as interfund services provided and used rather than interfund transactions and are treated as revenues in the General fund and expenses (expenditures) in the other funds. Interfund services provided and used are "arms-length" transactions between departments or funds that would be treated as revenues, expenditures, or expenses if they were with an external organization. The distinguishing aspects of interfund services provided and used are that each department or fund both gives and receives consideration.

Significant cost reimbursements made to the General Fund during the year were as follows:

<u>Fund</u>	<u>Amount</u>
Water and Wastewater	\$ 1,752,134
4A Corp Special Revenue	366,203
BCSDC Special Revenue	15,450
Municipal Court	37,327
Parks Performance Fund	359,838
Hotel Motel	27,583
Golf Course	125,925
Solid Waste	<u>305,148</u>
Total	<u>\$ 2,989,608</u>

#### **D. Franchise Fees**

The City's enterprise funds, which use the public rights-of-way, pay franchise fees to the General Fund as if they were organizations separate from the City. These fees are not taxes but are compensation to the City for the use of the City's streets and public rights-of-way. These payments are reported as interfund services provided and used rather than interfund transactions and are treated as revenue (reported as franchise fees) in the General Fund and expenses in the enterprise funds. Such fees paid during the year were:

<u>Fund</u>	<u>Amount</u>
Water and Wastewater	\$ 963,074
Solid Waste	<u>265,000</u>
Total	<u>\$ 1,228,074</u>

#### **E. Payments in Lieu of Property Taxes**

For fiscal year 2022, the Water and Wastewater fund made a \$809,810 payment in lieu of property taxes to the General Fund. The payment is calculated by applying the City's property tax rate to the net book value of the enterprise fund's capital assets and is included in property tax revenue in the General Fund.

### **Note 7. Long Term Debt and Obligations**

The City issues general obligation bonds and certificates of obligation for the purpose of providing funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation are issued for both governmental activities and business-type activities and are direct obligations issued on a pledge of the general taxing power for payment of the debt obligations of the City.

In the current year, the City issued Series 2022 Combination Tax and Revenue Certificates of Obligation in the amount of \$12,340,000, split between the governmental activities and business-type activities. The bonds carry interest rates ranging from 4% to 5% and the proceeds will be used for the construction of improvements and extensions to the City's water and wastewater system, the construction, installation, and equipment of park and recreational improvements in the City, including parking and related infrastructure, the construction, installation, and equipment of public safety facilities in the City, the construction, installation and equipment of City facilities and offices within tax increment revenue zone number two, and paying the legal, fiscal, design, and engineering fees in connection with such projects and the certificates.

In the current year, the City issued Series 2022 General Obligation Bonds in the amount of \$1,365,000. The bonds carry interest rates ranging from 4% to 5% and the proceeds will be used for designing, constructing, reconstructing, improving, extending, expanding, upgrading and developing streets, roads, bridges, thoroughfares and related improvements in the City, including utility relocation, landscaping, sidewalks and pedestrian walkways, lighting, signalization, drainage, and the purchase of any necessary land or right-of-way, and the costs of issuance of the bonds.

Water and sewer revenue bonds are issued for the purpose of financing the acquisition and construction of major capital improvements for the water and sewer system and related facilities secured by a pledge of the net revenues of the water and sewer system.

Long-term debt transactions, including current portion, for the year ended September 30, 2022, are summarized as follows:

	Beginning Balance	Increased	Refunded/ Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation bonds	\$ 46,569,428	\$ 1,365,000	\$ 5,337,571	\$ 42,596,857	\$ 5,590,143
Certificates of obligation	40,045,000	6,730,000	1,905,000	44,870,000	2,205,000
Compensated absences	7,272,879	3,030,720	2,783,570	7,520,029	2,617,437
Leases payable	465,429	-	59,901	405,528	61,973
Premium on debt	5,704,181	675,003	990,281	5,388,903	-
Governmental activities long-term debt	<u>\$ 100,056,917</u>	<u>\$ 11,800,723</u>	<u>\$ 11,076,323</u>	<u>\$ 100,781,317</u>	<u>\$ 10,474,553</u>
Business-type activities:					
General Obligation bonds	\$ 17,250,572	\$ -	\$ 2,917,429	\$ 14,333,143	\$ 3,009,857
Certificates of obligation	35,795,000	5,610,000	1,675,000	39,730,000	1,925,000
Water & sewer revenue bonds	2,700,000	-	205,000	2,495,000	210,000
Compensated absences	262,380	249,950	233,991	278,339	178,425
Premium on debt	2,771,511	477,979	406,750	2,842,740	-
Business-type activities long-term debt	<u>\$ 58,779,463</u>	<u>\$ 6,337,929</u>	<u>\$ 5,438,170</u>	<u>\$ 59,679,222</u>	<u>\$ 5,323,282</u>

Premium on debt is amortized over the life of the debt using the effective interest method.

The City's direct borrowings (leases payable) related to governmental activities are secured with equipment as collateral.

The City's outstanding certificates of obligations related to governmental and business-type activities are secured with property tax revenue.

The revenue bonds are collateralized by the revenue of the combined utility system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used, first, to pay operating and maintenance expenses of the system and, second, to establish and maintain the revenue bond funds. Should the City default on these bonds, any registered owner of the certificates is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City.

Bonds payable at September 30, 2022, is comprised of the following individual issues:

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Amount Outstanding
<b>Governmental Activities:</b>					
General obligation bonds:					
2012 Series	2.00 - 4.00	5/16/2012	5/16/2032	\$ 5,040,000	\$ 3,575,000
2014 Series	2.00 - 4.00	7/2/2014	3/1/2034	19,558,570	8,821,857
2015 Series	1.00 - 5.00	4/20/2015	3/1/2035	12,150,000	6,655,000
2016 Series	2.00 - 5.00	6/6/2016	3/1/2036	25,135,000	16,995,000
2017 Series	2.50 - 4.00	7/17/2017	3/1/2037	2,155,000	1,760,000
2020 Series	5.00	8/19/2020	3/1/2030	4,445,000	3,425,000
2022 Series	4.00 - 5.00	9/15/2022	3/1/2042	1,365,000	1,365,000
Total general obligation bonds				69,848,570	42,596,857
Certificates of obligation:					
2013 Tax and Revenue	2.00 - 3.00	5/1/2013	3/1/2033	4,620,000	2,815,000
2014 Tax and Revenue	2.00 - 4.00	7/2/2014	3/1/2034	4,685,000	3,270,000
2015 Tax and Revenue	1.00 - 5.00	4/20/2015	3/1/2035	6,565,000	4,885,000
2016 Tax and Revenue	2.00 - 5.00	6/6/2016	3/1/2036	3,855,000	2,995,000
2017 Tax and Revenue	2.50 - 4.00	7/17/2017	3/1/2037	2,810,000	2,270,000
2018 Tax and Revenue	3.50 - 4.00	5/16/2018	3/1/2038	13,745,000	11,865,000
2019 Tax and Revenue	3.00 - 5.00	5/6/2019	3/1/2039	7,415,000	6,755,000
2020 Tax and Revenue	2.00 - 5.00	8/19/2020	3/1/2040	3,560,000	3,285,000
2022 Tax and Revenue	4.00 - 5.00	9/15/2022	3/1/2042	6,730,000	6,730,000
Total certificates of obligation				53,985,000	44,870,000
Total governmental activities				123,833,570	87,466,857
<b>Business-type Activities</b>					
General obligation bonds:					
2014 Golf Course Refunding	2.00 - 4.00	7/2/2014	3/1/2034	3,006,430	1,063,143
2015 Water & Sewer Refunding	1.00 - 5.00	4/20/2015	3/1/2035	10,730,000	4,615,000
2016 Water & Sewer Refunding	2.00 - 5.00	6/6/2016	3/1/2036	4,435,000	1,640,000
2021 Water & Sewer Refunding	0.96	7/21/2021	3/1/2031	8,345,000	7,015,000
Total general obligation bonds				26,516,430	14,333,143
Certificates of obligation:					
2013 Tax and Revenue	2.00 - 3.00	5/1/2013	3/1/2033	2,160,000	1,315,000
2014 Tax and Revenue	2.00 - 4.00	7/2/2014	3/1/2034	5,480,000	3,815,000
2015 Tax and Revenue	1.00 - 5.00	4/20/2015	3/1/2035	4,855,000	3,605,000
2016 Tax and Revenue	2.00 - 5.00	6/6/2016	3/1/2036	5,750,000	4,465,000
2017 Tax and Revenue	2.50 - 4.00	7/17/2017	3/1/2037	7,400,000	5,990,000
2018 Tax and Revenue	3.50 - 4.00	5/16/2018	3/1/2038	8,135,000	7,020,000
2019 Tax and Revenue	3.00 - 5.00	5/6/2019	3/1/2038	4,470,000	4,070,000
2020 Tax and Revenue	2.00 - 5.00	8/19/2020	3/1/2040	4,090,000	3,840,000
2022 Tax and Revenue	4.00 - 5.00	9/15/2022	3/1/2042	5,610,000	5,610,000
Total certificates of obligation				47,950,000	39,730,000
Water and sewer revenue bonds					
2012 Improvement	2.00 - 4.00	4/15/2012	3/1/2032	4,300,000	2,495,000
Total water and sewer revenue bonds				4,300,000	2,495,000
Total business-type activities				\$ 78,766,430	\$ 56,558,143

The annual requirements to amortize all debt outstanding as of September 20, 2022, are as follows:

Governmental Activities						
Year Ending September 30,	General Obligation	GO Interest	Certificate of Obligation	CO Interest	Leases Payable	Leases Payable Interest
2023	\$ 5,590,143	\$ 1,736,488	\$ 2,205,000	\$ 1,690,993	\$ 61,973	\$ 14,031
2024	5,826,428	1,504,834	2,275,000	1,609,625	64,118	11,887
2025	6,205,286	1,261,337	2,375,000	1,510,163	66,336	9,669
2026	4,860,000	1,017,606	2,490,000	1,406,994	68,631	7,373
2027	4,480,000	791,631	2,585,000	1,300,853	71,006	4,999
2028-2032	10,625,000	1,957,007	14,480,000	4,813,056	73,464	2,542
2033-2037	4,545,000	412,209	13,580,000	1,973,663	-	-
2038-2042	465,000	47,900	4,880,000	303,275	-	-
Total	<u>\$ 42,596,857</u>	<u>\$ 8,729,012</u>	<u>\$ 44,870,000</u>	<u>\$ 14,608,621</u>	<u>\$ 405,528</u>	<u>\$ 50,501</u>

Business-Type Activities						
Year Ending September 30,	General Obligation	GO Interest	Certificate of Obligation	CO Interest	Water and Wastewater Revenue Bonds	Water and Wastewater Interest
2023	\$ 3,009,857	\$ 367,942	\$ 1,925,000	\$ 1,503,142	\$ 210,000	\$ 90,100
2024	3,093,572	276,776	2,005,000	1,431,725	220,000	83,650
2025	2,759,714	183,855	2,085,000	1,343,219	225,000	76,975
2026	1,940,000	105,618	2,180,000	1,251,794	235,000	68,900
2027	1,450,000	53,289	2,275,000	1,158,397	240,000	59,400
2028-2032	2,080,000	42,017	12,835,000	4,306,469	1,365,000	141,100
2033-2037	-	-	12,490,000	1,702,431	-	-
2038-2042	-	-	3,935,000	251,975	-	-
Total	<u>\$ 14,333,143</u>	<u>\$ 1,029,497</u>	<u>\$ 39,730,000</u>	<u>\$ 12,949,152</u>	<u>\$ 2,495,000</u>	<u>\$ 520,125</u>

The ordinances authorizing the issuance of Water and Sewer serial bonds created the revenue bond debt service and retirement funds. The gross revenues of the waterworks system, after deduction of reasonable expenses of operation and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the revenue bond and emergency funds. At September 30, 2022, the minimum amount required by the ordinances for the revenue bond debt service and retirement funds had been accumulated.

The revenue bond ordinances also require that the City charge for services sufficient to produce net revenues, as defined, in an amount not less than 1.25 times the average annual principal and interest requirement. At September 30, 2022, this requirement had been met.

The ordinance authorizing the issuance of General Obligation Bonds created the Debt Service Fund. All taxes levied and collected for an on account of said bonds are pledged to the Debt Service Fund in amounts authorized by the City Council, but never less than annual maturing interest and principal requirements with the provision that the principal portion will never be less than 2% of the outstanding principal amount. At September 30, 2022, this requirement had been met.

Compensated absences are typically liquidated by the fund to which they relate.

## Note 8. Water and Sewer Contract

On July 19, 2010, the City entered into a contract with the City of Fort Worth, Texas, for the purchase of treated water to be effective January 1, 2011, and to expire on September 30, 2031. This contract requires the City to pay varying amounts based on annual consumption rates established under the terms of the contract. During fiscal year 2022, the City purchased \$5,134,033 of treated water under the terms of this contract.

In 1987, the City entered a contract with the City of Fort Worth, Texas, for the transportation, treatment, and disposal of sanitary sewage. Under the terms of the contract, the City is required to make payments for sewage actually discharged based on rates and charges determined on an annual basis under the terms of the contract. During fiscal year 2022, the City paid \$2,938,206 for the treatment and disposal of sanitary sewage under the terms of this contract.



## Note 9. Employees' Retirement System

### Texas Municipal Retirement System

**Plan Description.** The City participates as one of 901 plans in the defined benefit cash balance 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at [www.tmrs.com](http://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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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

Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

**Employees Covered by Benefit Terms.** At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	180
Inactive employees entitled to but not yet receiving benefits	188
Active employees	<u>369</u>
Total	<u>737</u>

**Contributions.** The contribution rates for employees in TMRS are either 5%, 6%, or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.16% and 16.64% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$4,955,929.

**Net Pension Liability.** The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Within the governmental activities, the General Fund generally liquidates the net pension liability. In the business-type activities, the net pension liability is liquidated by the Utility Fund.

**Actuarial Assumptions.** The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%

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 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 are 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, 2109 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.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate if Return (Arithmetic)
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

**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 Member 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 Members. 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 12/31/2020	\$ 121,662,695	\$ 103,522,046	\$ 18,140,649
Changes for the year:			
Service cost	5,012,736	-	5,012,736
Interest	8,224,864	-	8,224,864
Difference between expected and actual experience	2,834,678	-	2,834,678
Changes of assumptions	-	-	-
Contributions - employer	-	4,434,554	(4,434,554)
Contributions - employee	-	1,936,487	(1,936,487)
Net investment income	-	13,511,620	(13,511,620)
Benefit payments, including refunds of employee contributions	(4,638,440)	(4,638,440)	-
Administrative expense	-	(62,444)	62,444
Other changes	-	428	(428)
Net changes	11,433,838	15,182,205	(3,748,367)
Balance at 12/31/2021	<u>\$ 133,096,533</u>	<u>\$ 118,704,251</u>	<u>\$ 14,392,282</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%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Decrease in Discount Rate (7.75%)
City's net pension liability	\$ 35,424,800	\$ 14,392,282	\$ (2,637,497)

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [www.tmr.com](http://www.tmr.com).

**Pension Expense and Deferred Outflows and Inflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended September 30, 2022, the City recognized pension expense of \$3,250,252. At September 30, 2022, the City reported deferred outflows and 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	\$ 3,447,479	\$ -
Changes in actuarial assumptions	138,729	-
Difference between projected and actual Investment earnings	-	6,921,769
Contributions subsequent to the measurement date	3,685,937	-
Total	<u>\$ 7,272,145</u>	<u>\$ 6,921,769</u>

\$3,685,937 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (i.e. recognized in the City's financial statements for the year ended September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending September 30,	Amount
2023	\$ (182,609)
2024	(1,788,886)
2025	(573,568)
2026	(790,498)
2027	-
Thereafter	-

## Note 10. Other Post-Employment Benefit Plans

### A. TMRS Supplemental Death Benefits Fund

**Plan Description.** The City participates in a single employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

**Benefits Provided.** 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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

**Employees Covered by Benefit Terms.** At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	130
Inactive employees entitled to but not yet receiving benefits	58
Active employees	<u>369</u>
Total	<u><u>557</u></u>

**Total OPEB Liability.** The City's total OPEB liability of \$1,223,599 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions.** The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50% per annum
Discount rate	1.84%
Actuarial cost method	Entry Age Normal Method
Projected salary increase	3.50% to 11.50% 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 2019 Municipal Retirees of Texas mortality tables and due to the size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the 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% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Mortality rates for pre-retirement were based on the PUB(10) mortality tables, with the Public Safety table used for males and General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 1.84%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

**Discount Rate Sensitivity Analysis.** The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	<u>1% Decrease in Discount Rate (0.84%)</u>	<u>Discount Rate (1.84%)</u>	<u>1% Decrease in Discount Rate (2.84%)</u>
Total OPEB Liability	\$ 1,540,462	\$ 1,223,599	\$ 984,964

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** For the year ended September 30, 2022, the City recognized OPEB expense of \$143,032. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Within the governmental activities, the General Fund generally liquidates the total OPEB liability. In the business-type activities, the total OPEB liability is liquidated by the Utility Fund.

*Changes in the Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at 12/31/2020	\$ 1,121,124
Changes for the year:	
Service cost	71,927
Interest	23,003
Difference between expected and actual experience	(21,562)
Changes of assumptions	42,939
Benefit payments	(13,832)
Net changes	<u>102,475</u>
Balance at 12/31/2021	<u>\$ 1,223,599</u>

At September 30, 2022, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 36,754
Changes in actuarial assumptions	254,247	22,977
Contributions subsequent to the measurement date	11,169	-
Total	<u>\$ 265,416</u>	<u>\$ 59,731</u>

\$11,169 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 Total OPEB Liability for the measurement year ending December 31, 2022 (i.e. recognized in the City's financial statements for the year ended September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	Amount
2023	\$ 48,102
2024	45,210
2025	42,130
2026	38,448
2027	18,946
Thereafter	1,680

## B. Post-Retirement Healthcare Benefits

**Plan Description.** The City offers its retired employees health insurance benefits through a single-employer defined benefit OPEB plan, under City policy. This plan is administered by the City and it has the authority to establish and amend the benefit terms and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Benefits Provided.** To be eligible for this employer-provided subsidy, a participant must be at least age fifty-eight (58) and have at least twenty (20) or more years of service with the City. Eligible retirees may elect coverage that will include the same healthcare options offered to regular full-time employees at the same cost that the City pays for active employees. Retirees pay the same rate for coverage as employees pay if they are electing dependent coverage. Benefits commence at the first of the month following the day of retirement if the employee elects retiree or dependent coverage (at retiree's cost).

If an active employee passes away, the spouse and dependents will become eligible for retiree coverage if (1) the employee was eligible for retirement as defined by TMRS; and (2) the employee had dependent coverage at the time of death. The surviving spouse will continue to receive the benefits of the retiree health insurance program, at the rate charged for retiree only. If dependent children are already on the plan at the time of the retiree's death, the spouse may continue to cover the children (at retiree's spouse's cost).

Retirees are eligible for medical and prescription insurance until they become Medicare eligible. Since retirees pay the full premium for all other OPEB benefits (dental and vision), no liability is included in this valuation as no implicit subsidy exists for these benefits.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	<u>370</u>
Total	<u>379</u>

**Actuarial Assumptions.** The Total OPEB Liability in the October 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50% per annum
Salary increases	2.50% per annum
Discount rate	4.77%
Actuarial cost method	Entry Age Normal Method
Healthcare cost trend rates	7.10% initial medical trend rate for pre-65 retirees decreasing to an ultimate rate of 4.14% in the year 2041

Mortality rates were updated and are based upon the sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2021. Per capita costs for Pre-65 retirees were derived based upon the fully insured rates on a retiree-only experience basis. Medicare eligible retirees are assumed to rescind the City's plan and take Medicare coverage. Any Medicare Part D subsidy was not reflected in the estimate. The participation rate for future retirees is based upon years of service at retirement. Any participant that retires prior to age 50 is assumed to waive the City's healthcare plan. For any future retiree assumed to elect retiree healthcare, their spouse is assumed to waive coverage. 40% of retirees are assumed to drop coverage at the time the employer subsidy ends. The per capita claims costs include a 7% load for administrative expenses and a 10% load for stop loss premiums where both are assumed to escalate with the healthcare trend rates each year.

**Discount Rate.** The discount rate of 4.77% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study. The per capita claims costs and how these costs are expected to escalate in the future were set by IPS Advisors who develop the funding rates.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.77%) in measuring the Total OPEB Liability.

	<u>1% Decrease in Discount Rate (3.77%)</u>	<u>Discount Rate (4.77%)</u>	<u>1% Decrease in Discount Rate (5.77%)</u>
Total OPEB Liability	\$ 4,882,085	\$ 4,491,311	\$ 4,139,039

**Healthcare Cost Trend Rate Sensitivity Analysis.** The following schedule shows the impact of the Total OPEB Liability if the healthcare cost trend rate used was 1% less than and 1% greater than the rate that was used (7.10%) in measuring the Total OPEB Liability.

	<u>1% Decrease in Rate</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase in Rate</u>
Total OPEB Liability	\$ 4,017,550	\$ 4,491,311	\$ 5,052,734

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs.** At September 30, 2022, the City reported a liability of \$4,491,311 for its Total OPEB Liability for this plan. The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2021. For the year ended September 30, 2022, the City recognized OPEB expense of \$414,978. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Within the governmental activities, the General Fund generally liquidates the total OPEB liability. In the business-type activities, the total OPEB liability is liquidated by the Utility Fund.

*Changes in the Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at 9/30/2021	\$ 4,746,097
Changes for the year:	
Service cost	221,336
Interest	107,463
Difference between expected and actual experience	(552,588)
Changes of assumptions	(45,996)
Benefit payments	<u>14,999</u>
Net changes	<u>(254,786)</u>
Balance at 9/30/2022	<u>\$ 4,491,311</u>

At September 30, 2022, the City reported deferred outflows and inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 221,706	\$ 483,514
Changes in actuarial assumptions	<u>405,138</u>	<u>112,659</u>
Total	<u>\$ 626,844</u>	<u>\$ 596,173</u>

Amounts reported as deferred outflows and inflows of resources related to this OPEB plan will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	<u>Amount</u>
2023	\$ 86,180
2024	86,180
2025	49,542
2026	1,265
2027	(76,122)
Thereafter	(116,374)

**Note 11. Deferred Compensation Plan**

The City participates in a deferred compensation plan which falls under Internal Revenue Code Section 457. Virtually all employees are eligible to participate in the plan. The deferred compensation plan allows the deferral of individual federal income taxes until funds are withdrawn. Funds may be withdrawn at termination, retirement, death or unforeseeable emergency. During the fiscal year 2022, employers or employees through salary reductions may contribute up to the limit of \$20,500 compensation on behalf of the participant under this plan. Employees age 50 or older may contribute up to an additional \$6,500, for a total of \$27,000. Employees taking advantage of the special pre-retirement catch-up may be eligible to contribute up to double the normal limit, for a total of \$41,000. In accordance with GASB 97, the plan is not recorded in the City's financial statements.



## Note 12. Commitments and Contingencies

### A. Contingencies

The City is a defendant in certain pending litigation. In the opinion of management, the potential claims against the City not covered by insurance would not materially affect the financial statements of the City.

The City has participated in a number of state and federally assisted grant programs. These programs were subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits it not believed to be material.

### B. Construction Commitments

The City has active construction projects as of September 30, 2022. At year-end the City has \$8,052,862 of outstanding construction commitments.

### C. Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 961,803
Bond-Funded capital projects	4,486,851
COVID relief grants	2,094,067
Nonmajor governmental	9,098,273
Water & wastewater	3,117,104
Nonmajor enterprise	568,416
Internal service funds	<u>1,739,283</u>
Total	<u>\$ 22,065,797</u>

## Note 13. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has purchased commercial insurance to cover these general liabilities from the Texas Municipal League, a non-public entity risk pool. As an insured, the City is not obligated to reimburse the pool for losses. The TML risk pool is self-sustaining through annual member premiums and stop loss reinsurance coverage through various commercial insurers for excess claims. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years. Any losses reported, but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements.

The City offers health coverage to its employees and retirees in a managed care plan administered by United Health Care and funded by the City with both employee and City contributions. The City retains risk for up to \$125,000 per covered enrollee per year and up to \$1,369,818 per period benefit, and transfers risk in excess of these amounts to a reinsurer. The City's operating funds are charged with premiums for coverage provided by the Human Resources department based on approved annual budgets with adjustments based on estimates of the amounts needed to pay prior and current year claims. These interfund premiums are used to reduce the amount of actual expenditures.

## Note 14. Tax Abatements

The City enters into economic development agreements subject to the Burleson Economic Development Incentives Program adopted in 1993. Abatement incentives are provided in accordance with Chapter 312 of the Texas Tax Code.

- For the fiscal year ended September 30, 2022, the property tax abatement agreement with Jam Real Property provides a 75% tax abatement for 7 years, beginning in 2018 for development of a restaurant distribution facility. In fiscal year 2022, this agreement resulted in abated property taxes of \$5,948.
- For the fiscal year ended September 30, 2022, there was one property tax abatement agreement in place. The agreement with McLane Burleson Properties provides a 80% tax abatement for 10 years, beginning in 2020 for development of a restaurant distribution facility. In fiscal year 2022, this agreement resulted in abated property taxes of \$135,817.
- For the fiscal year ended September 30, 2022, there was one property tax abatement agreement in place. The agreement with Golden State Foods provides a 75% tax abatement for 7 years, beginning in 2020 for development of a restaurant distribution facility. In fiscal year 2022, this agreement resulted in abated property taxes of \$474,207.

Other incentives are provided according to Chapter 380 of the Texas Local Government Code. These consist of incentives tied to a percentage of property taxes paid, a percentage of sales taxes generated, or some other metric such as employment. The agreements are presented here in aggregate.

- Property tax rebate incentives – \$792,231.
- Sales tax rebate incentives – \$84,393.
- Grant payments for meeting other performance targets – \$544,667.

## Note 15. Subsequent Events

On October 2017, City of Burleson approved a cost participation agreement with the City of Fort Worth for a sewer relief line. This cost participation agreement allows the City of Burleson to increase capacity for future growth. Subsequent to September 30, 2022, the City of Burleson paid the City of Fort Worth \$12,681,217 in accordance with the agreement.

THE CITY OF  
**BURLESON**  
TEXAS

## Required Supplementary Information

THE CITY OF  
**BURLESON**  
TEXAS

**City of Burleson, Texas**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2022**

**Exhibit D** Item A.  
(Page 1 of 2)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance -</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 22,568,177	\$ 22,568,177	\$ 22,995,972	\$ 427,795
Sales taxes	12,414,500	12,414,500	14,100,029	1,685,529
Franchise fees	3,400,000	3,400,000	3,743,615	343,615
Licenses and permits	1,918,500	1,918,500	1,421,318	(497,182)
Intergovernmental	775,127	775,127	755,523	(19,604)
Charges for services	3,113,448	3,113,448	3,149,498	36,050
Fines and forfeitures	1,081,500	1,081,500	877,635	(203,865)
Investment income (loss)	300,000	300,000	(120,108)	(420,108)
Miscellaneous	1,120,680	1,120,680	1,052,571	(68,109)
Total revenues	46,691,932	46,691,932	47,976,053	1,284,121
<b>EXPENDITURES</b>				
General government:				
City Council	107,516	107,516	111,978	(4,462)
City Manager's office	840,647	840,647	879,074	(38,427)
Legal	432,962	432,962	516,327	(83,365)
Communications	727,577	728,877	667,656	61,221
City Secretary's office	789,532	804,532	728,919	75,613
Records management	115,449	115,449	102,181	13,268
Judicial	108,853	108,853	120,075	(11,222)
Human resources	951,260	964,953	920,848	44,105
Burleson university	13,693	-	-	-
Finance	1,661,154	1,678,310	1,654,419	23,891
Tax	400,648	383,492	383,492	-
Purchasing	308,875	307,575	305,618	1,957
Non-Departmental	227,378	68,578	653,797	(585,219)
Total general government	6,685,544	6,541,744	7,044,385	(502,641)
Public safety:				
Police	14,556,137	14,682,839	15,091,248	(408,409)
Fire	9,161,400	9,220,433	8,526,523	693,910
Fire prevention	800,800	800,800	874,331	(73,531)
Emergency services	236,792	236,792	203,700	33,092
Municipal court	370,045	370,045	376,477	(6,432)
Dispatch services	2,075,368	2,075,368	2,091,990	(16,622)
Marshals service	368,059	368,059	363,332	4,727
Total public safety	27,568,601	27,754,336	27,527,601	226,735
Public works:				
Public works administration	960,718	964,527	1,034,737	(70,210)
Street drainage maintenance	555,463	555,463	577,022	(21,559)
Streets pavement maintenance	3,337,708	3,289,108	2,770,241	518,867
Traffic control maintenance	635,385	635,385	527,867	107,518
Engineering/capital	244,354	255,832	183,860	71,972
Engineering/development	1,281,359	1,351,442	1,188,523	162,919
Facilities maintenance	894,000	894,000	835,517	58,483
Total public works	7,908,987	7,945,757	7,117,767	827,990

**City of Burleson, Texas**  
**General Fund**  
**Budgetary Comparison Schedule - Continued**  
**For the Year Ended September 30, 2022**

**Exhibit D** Item A.  
 (Page 2 of 2)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance -</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>Positive (Negative)</b>
Neighborhood services:				
Neighborhood services	\$ 285,695	\$ 285,695	\$ 236,128	\$ 49,567
Environmental services	360,960	355,360	320,898	34,462
Animal services	578,395	601,795	585,105	16,690
Code enforcement	391,968	374,143	373,865	278
Total neighborhood services	1,617,018	1,616,993	1,515,995	100,998
Community development:				
Building inspections	1,012,456	1,012,456	921,549	90,907
Economic development	800,000	800,000	876,654	(76,654)
Community development	475,958	541,194	467,096	74,098
Development services	323,406	347,906	344,790	3,116
Total community development	2,611,820	2,701,556	2,610,089	91,467
Parks and recreation:				
Parks	1,482,160	1,487,760	1,599,041	(111,281)
Parks and recreation administration	258,861	258,861	251,952	6,909
Recreation	79,379	79,379	67,652	11,727
Total parks and recreation	1,820,400	1,826,000	1,918,645	(92,645)
Library:				
Senior citizens center	203,697	203,697	186,126	17,571
Library	1,157,987	1,168,543	1,154,830	13,713
Total Library	1,361,684	1,372,240	1,340,956	31,284
Total expenditures	49,574,054	49,758,626	49,075,438	775,833
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,882,122)</b>	<b>(3,066,694)</b>	<b>(1,099,385)</b>	<b>2,059,954</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	913,010	3,913,010	5,380,223	(1,467,213)
Transfers out	(463,602)	(513,202)	(695,982)	182,780
Total other financing sources (uses)	449,408	3,399,808	4,684,241	(1,284,433)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,432,714)</b>	<b>333,114</b>	<b>3,584,856</b>	<b>775,521</b>
<b>FUND BALANCES - BEGINNING</b>	<b>18,339,309</b>	<b>18,339,309</b>	<b>18,339,309</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 15,906,595</b>	<b>\$ 18,672,423</b>	<b>\$ 21,924,165</b>	<b>\$ 775,521</b>

## City of Burleson, Texas

### Notes to Required Supplementary Information

#### Budgetary Schedule

For the Year Ended September 30, 2022

**BUDGETARY INFORMATION** - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following October 1st. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to October 1st, the budget is legally adopted through passage of an ordinance. This budget is reported as the Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized as follows:
  - a. Items requiring City Council action – appropriation of fund balance commitments; transfers of appropriations between funds; transfers between departments within funds; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.
  - b. Items delegated to the City Manager – transfers within departments.
5. Annual budget is legally adopted and amended as required for the General Fund, the following special revenue funds: the BCSDC Special Revenue Fund, the 4A Corp Special Revenue Fund, the Parks Performance Fund, the Hotel/Motel Fund, the TIF 2&3 Fund, and the Municipal Court Fund. Project-length budgets are adopted for the capital project funds. All budgets are prepared on a budgetary basis, and budgetary comparisons for the general and major special revenue funds are presented on this basis in the required supplementary information. A debt service payment schedule for the debt service funds is also approved as part of the budget process. The budget is based on the modified accrual basis of accounting with the exception of certain non-cash expenditure accruals, which are not budgeted.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures should not exceed budgeted appropriations at the fund level. Encumbrance accounting, under which purchase orders, contracts, and the other commitments are recorded to reserve the applicable appropriations, is employed in governmental funds. The City does, however, honor the contracts represented by year-end encumbrances and the subsequent year's appropriations provide authority to complete these transactions.



**City of Burleson, Texas**  
**Schedule of Changes in Net Pension Liability and**  
**Related Ratios - Texas Municipal Retirement System**  
**For the Year Ended September 30, 2022**

<b>Plan Year</b>	<b>2014</b>	<b>2015</b>
<b>A. Total Pension Liability</b>		
Service Cost	\$ 2,909,890	\$ 3,299,052
Interest (on the Total Pension Liability)	4,907,692	5,311,694
Difference between expected and actual experience	(42,330)	96,222
Change of assumptions	-	(200,754)
Benefit payments, including refunds of employee contributions	<u>(2,232,107)</u>	<u>(2,164,637)</u>
Net change in total pension liability	5,543,145	6,341,577
Total pension liability - beginning	<u>69,770,993</u>	<u>75,314,138</u>
Total pension liability - ending (a)	<u>75,314,138</u>	<u>81,655,715</u>
<b>B. Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 2,850,708	\$ 2,973,435
Contributions - employee	1,288,039	1,364,856
Net investment income	3,172,873	89,281
Benefit payments, including refunds of employee contributions	(2,232,107)	(2,164,637)
Administrative expenses	(33,119)	(54,372)
Other	<u>(2,723)</u>	<u>(2,684)</u>
Net change in plan fiduciary net position	5,043,671	2,205,879
Plan fiduciary net position - beginning	<u>55,452,334</u>	<u>60,496,005</u>
Plan fiduciary net position - ending (b)	<u>60,496,005</u>	<u>62,701,884</u>
<b>C. Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 14,818,133</u>	<u>\$ 18,953,831</u>
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	80.32%	76.79%
<b>E. Covered Payroll</b>	\$ 18,400,559	\$ 19,497,945
<b>F. Net Pension Liability as a Percentage of Covered Payroll</b>	80.53%	97.21%

**Notes to Schedule:**

10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

2016	2017	2018	2019	2020	2021
\$ 3,628,862	\$ 3,745,062	\$ 3,887,921	\$ 4,309,779	\$ 4,785,763	\$ 5,012,736
5,536,081	5,991,443	6,464,469	6,966,885	7,567,698	8,224,864
324,293	34,315	37,485	658,640	1,555,110	2,834,678
-	-	-	364,920	-	-
(2,908,249)	(2,694,216)	(2,974,711)	(3,340,504)	(3,934,066)	(4,638,440)
6,580,987	7,076,604	7,415,164	8,959,720	9,974,505	11,433,838
81,655,715	88,236,702	95,313,306	102,728,470	111,688,190	121,662,695
88,236,702	95,313,306	102,728,470	111,688,190	121,662,695	133,096,533
\$ 3,195,301	\$ 3,326,528	\$ 3,446,107	\$ 3,812,900	\$ 4,144,156	\$ 4,434,554
1,459,887	1,510,106	1,565,006	1,732,309	1,875,187	1,936,487
4,240,199	9,518,399	(2,405,770)	12,355,867	7,166,812	13,511,620
(2,908,249)	(2,694,216)	(2,974,711)	(3,340,504)	(3,934,066)	(4,638,440)
(47,857)	(49,301)	(46,457)	(69,735)	(46,326)	(62,444)
(2,578)	(2,499)	(2,430)	(2,096)	(1,807)	428
5,936,703	11,609,017	(418,255)	14,488,741	9,203,956	15,182,205
62,701,884	68,638,587	80,247,604	79,829,349	94,318,090	103,522,046
68,638,587	80,247,604	79,829,349	94,318,090	103,522,046	118,704,251
\$ 19,598,115	\$ 15,065,702	\$ 22,899,121	\$ 17,370,100	\$ 18,140,649	\$ 14,392,282
77.79%	84.19%	77.71%	84.45%	85.09%	89.19%
\$ 20,855,530	\$ 21,572,943	\$ 22,357,225	\$ 24,697,874	\$ 26,780,992	\$ 27,664,104
93.97%	69.84%	102.42%	70.33%	67.74%	52.03%

**City of Burleson, Texas**  
**Schedule of Pension Contributions**  
**Texas Municipal Retirement System**  
**For The Year Ended September 30, 2022**

<b>Fiscal Year</b>	<b>2014</b>	<b>2015</b>
Actuarial determined contribution	\$ 2,801,196	\$ 2,929,061
Contributions in relation to the actuarially determined contribution	<u>2,801,196</u>	<u>2,929,061</u>
Contribution deficiency (excess)	-	-
Covered payroll	\$ 18,190,435	\$ 19,127,256
Contributions as a percentage of covered payroll	15.40%	15.31%

**Notes to Schedule:**

**Valuation Date** 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 (longest amortization ladder)
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** There were no benefit changes during the year.  
10 years of information is required to be provided in this schedule, but information prior to 2014 is not available

2016	2017	2018	2019	2020	2021	2022
\$ 3,290,623	\$ 3,270,142	\$ 3,413,058	\$ 3,710,515	\$ 4,023,849	\$ 4,144,156	\$ 4,434,554
3,290,623	3,270,142	3,413,058	3,710,515	4,023,849	4,144,156	4,955,929
-	-	-	-	-	-	(521,375)
\$ 21,503,209	\$ 21,235,212	\$ 21,235,212	\$ 24,033,514	\$ 26,033,943	\$ 26,780,992	\$ 27,664,104
15.30%	15.40%	16.07%	15.44%	15.46%	15.47%	17.91%

# City of Burleson, Texas

## Schedule of Changes In Total OPEB Liability and Related Ratios - Texas Municipal Retirement System – Supplemental Death Benefits Fund For the Year Ended September 30, 2022

Plan Year Ended December 31,	2017	2018	2019	2020	2021
<b>A. Total OPEB Liability</b>					
Service Cost	\$ 32,359	\$ 40,243	\$ 37,047	\$ 53,562	\$ 71,927
Interest (on the Total OPEB Liability)	22,672	23,726	26,040	24,950	23,003
Difference between expected and actual experience	-	(15,410)	(17,286)	(4,333)	(21,562)
Change of assumptions	62,411	(57,141)	156,463	169,132	42,939
Benefit payments, including refunds of employee contributions	(4,315)	(4,471)	(4,940)	(5,356)	(13,832)
Net change in total OPEB liability	113,127	(13,053)	197,324	237,955	102,475
Total OPEB liability - beginning	585,771	698,898	685,845	883,169	1,121,124
Total OPEB liability - ending	698,898	685,845	883,169	1,121,124	1,223,599
<b>B. Covered Payroll</b>					
	\$ 21,572,943	\$ 22,357,225	\$ 24,697,874	\$ 26,780,992	\$ 27,664,104
<b>C. Total OPEB Liability as a Percentage of Covered Payroll</b>					
	3.24%	3.07%	3.58%	4.19%	4.42%

### Notes to Schedule:

This schedule is required to have 10 years of information, but information prior to 2017 is not available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

# City of Burleson, Texas

## Exhibit D

### Schedule of Changes In Total OPEB Liability and Related Ratios - Retiree Health Care Benefit Plan For the Year Ended September 30, 2022

Measurement Date September 30,	2018	2019	2020	2021	2022
<b>A. Total OPEB Liability</b>					
Service Cost	\$ 148,455	\$ 152,883	\$ 152,373	\$ 214,854	\$ 221,335
Interest (on the Total OPEB Liability)	118,786	128,811	139,215	101,983	107,463
Difference between expected and actual experience	326,732	-	141,692	-	(552,588)
Change of assumptions	256,399	52,121	541,708	(102,528)	(45,996)
Benefit payments	(83,018)	(42,529)	-	(37,819)	14,999
Net change in total OPEB liability	767,354	291,286	974,988	176,490	(254,787)
Total OPEB liability - beginning	2,535,980	3,303,334	3,594,620	4,569,608	4,746,098
Total OPEB liability - ending	3,303,334	3,594,620	4,569,608	4,746,098	4,491,311
<b>B. Covered-Employee Payroll</b>					
	\$ 18,416,233	\$ 22,342,123	\$ 22,779,945	\$ 26,486,753	\$ 27,030,000
<b>C. Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>					
	17.94%	16.09%	20.06%	17.92%	16.62%

#### Notes to Schedule:

No assets are accumulated in a trust for the retiree health care plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

This schedule is required to have 10 years of information, but information prior to 2018 is not available.

THE CITY OF  
**BURLESON**  
TEXAS

## Other Supplementary Information



THE CITY OF  
**BURLESON**  
TEXAS

# City of Burleson, Texas

## Combining Financial Statements

### Nonmajor Governmental Funds

#### Special Revenue Funds

**Special Revenue Funds** are used by the City to account for revenues derived from specific taxes, fees, donations, and grants which are designated to finance particular functions or activities of the City. The City has eight nonmajor special revenue funds which include:

The **BCSDC Special Revenue Fund** is used to account for the half cent sales tax collected to fund the activities of Burleson Community Services Development Corporation.

The **4A Corp Special Revenue Fund** is used to account for the half cent sales tax collected to fund the activities of Burleson 4A Economic Development Corporation.

The **Parks Performance Special Revenue Fund** is used to account for the operation of the City's recreational facilities that derive a large portion of their support from user fees. These include the Burleson Recreation Center, Chisenhall Fields and Hidden Creek Softball Complex.

The **Hotel/Motel Tax Fund** – This fund is used to account for the receipts and allocation of the City's 7% room occupancy tax imposed on the rental of hotel/motel rooms located within the corporate city limits and extraterritorial jurisdiction of the City. These funds are used to promote tourism, conventions, and related activities within the City.

The **Grants Fund** – This fund accounts for various miscellaneous grants from federal, state or local governments.

The **Tax Increment Financing District (TIF) 2&3 Fund** – This fund accounts for the activity of the City's TIF. Revenues collected are primarily interlocal property tax increment funding. A TIF is a public financial method used as a subsidy for development and community improvement projects.

The **Municipal Court Fund** – This fund accounts for the Municipal Court fees assessed that are legally restricted to the purchase/maintenance of the Court's technology enhancements, Court security, improving the collections of court fees, and funding a portion of the juvenile case manager position.

The **Other Special Revenue Fund** – This fund accounts for the proceeds of other specific revenue sources that are legally restricted or committed to expenditures for specified purposes. Traffic safety, public safety, public works, culture and recreation, economic incentive funds, PEG fund, and PID funds are included under this heading.

#### Nonmajor Capital Projects Funds

**Capital Projects Funds** are used to account for capital improvements that are financed by designated resources other than City obligation bonds.

The **Mineral Lease-Funded Capital Projects Fund** is used to account for the acquisition and construction of various capital facilities and is funded by various sales tax revenue and general obligation bonds.

The **4A Economic Development Corporation Non-Bond Funded Fund** is a blended component unit of the City. The 4A Corporation administers a ½ cent sales tax. The proceeds of this tax are used to pay debt service on bonds issued for various capital improvements. This special revenue fund accounts for the receipts of the sales tax revenue, and subsequent transfers to the debt service fund. Funds in excess of debt service requirements are utilized on authorized capital projects.

The **Burleson Community Services Development Corporation (4B) Non-Bond Funded Fund** is another component unit of the City. The BCSDC administers ½ cents sales tax. The proceeds of this tax are used to pay debt service on bonds issued for various capital improvements. The special revenue accounts for the receipt of the sales tax revenue, and subsequent transfer of the debt service fund. Funds in excess of debt service requirements are utilized on authorized capital projects and to subsidize the Parks Performance Special Revenue Fund and the Golf Course Fund operations.

**City of Burleson, Texas**  
**Combining Financial Statements - Continued**  
**Nonmajor Governmental Funds**

The **Street Paving Fund** is used to account for funds deposited by developers in lieu of constructing public facilities such as streets and drainage.

The **Miscellaneous Non-Bond Funded Fund** includes the Park Dedication subfund and the miscellaneous non-bond funded capital project subfunds. These subfunds account for the proceeds of other sources of revenue and expenditures for authorized projects.

**Debt Service Funds**

The City's Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on the City's general obligation (property and sales tax supported) debt:

The **General Debt Service Fund** is used to account for the payment of debt supported by ad valorem taxes.

The **4A Economic Development Corporation Debt Service Fund** accounts for receipts of sales tax revenue and payment of debt service.

The **Burleson Community Service Development Corporation (4B) Debt Service Fund** accounts for the receipt of sales tax revenue and payment of debt service.

**City of Burleson, Texas**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**September 30, 2022**

**Exhibit E**  
(Page 1 of 2)

Item A.

	<b>Special Revenue Funds</b>				
	<b>BCSDC</b>	<b>4A Corp</b>	<b>Parks</b>		
	<b>Special Revenue</b>	<b>Special Revenue</b>	<b>Performance</b>	<b>Hotel/Motel</b>	<b>Grants</b>
<b>ASSETS</b>					
Cash and investments	\$ 5,436,667	\$ -	\$ 426,792	\$ 961,880	\$ -
Receivables:					
Taxes, net	-	-	-	157,889	-
Accounts	-	-	14,615	-	-
Leases	-	152,460	-	-	-
Accrued interest	11,540	10,964	969	2,154	-
Due from other governments	1,202,371	1,202,371	-	-	294,117
Prepaid items	-	100,000	-	-	-
Total assets	<u>6,650,578</u>	<u>1,465,795</u>	<u>442,376</u>	<u>1,121,923</u>	<u>294,117</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	69,121	52,831	137,314	2,117	-
Accrued liabilities	6,335	12,133	108,319	-	-
Unearned revenue	-	-	196,743	-	-
Due to other funds	-	103,597	-	-	292,991
Total liabilities	<u>75,456</u>	<u>168,561</u>	<u>442,376</u>	<u>2,117</u>	<u>292,991</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - hotel occupancy taxes	-	-	-	99,847	-
Unavailable revenue - leased assets	-	148,723	-	-	-
Unavailable revenue - grants	-	-	-	-	34,571
Total deferred inflows of resources	<u>-</u>	<u>148,723</u>	<u>-</u>	<u>99,847</u>	<u>34,571</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	-	100,000	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Library	-	-	-	-	-
Economic development	6,575,122	1,048,511	-	-	-
Tourism	-	-	-	1,019,959	-
Other purposes	-	-	-	-	-
Committed for:					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	(33,445)
Total fund balances	<u>6,575,122</u>	<u>1,148,511</u>	<u>-</u>	<u>1,019,959</u>	<u>(33,445)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,650,578</u>	<u>\$ 1,317,072</u>	<u>\$ 442,376</u>	<u>\$ 1,022,076</u>	<u>\$ 294,117</u>

**City of Burleson, Texas**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**September 30, 2022**

	Special Revenue Funds			Capital Projects Funds	
	TIF 2&3	Municipal Court	Other Special Revenue	Mineral Lease Funded Capital Projects	4A EDC Non-bond Funded
<b>ASSETS</b>					
Cash and investments	\$ 1,036,291	\$ 234,836	\$ 260,445	\$ 1,011,276	\$ 6,396,513
Receivables:					
Taxes, net	-	-	-	-	-
Accounts	5,454	-	11,738	-	-
Leases	-	-	-	-	-
Accrued interest	2,522	872	359	2,264	3,127
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>1,044,267</u>	<u>235,708</u>	<u>272,542</u>	<u>1,013,540</u>	<u>6,399,640</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	48,935	217	4,008	28,231	25,616
Accrued liabilities	3,817	-	6,564	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>52,752</u>	<u>217</u>	<u>10,572</u>	<u>28,231</u>	<u>25,616</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - hotel occupancy taxes	-	-	-	-	-
Unavailable revenue - leased assets	-	-	-	-	-
Unavailable revenue - grants	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Public safety	-	235,491	54,230	-	-
Parks and recreation	-	-	23,405	-	-
Library	-	-	12,991	-	-
Economic development	991,515	-	124,563	-	-
Tourism	-	-	-	-	-
Other purposes	-	-	46,781	-	-
Committed for:					
Capital projects	-	-	-	985,309	6,374,024
Unassigned	-	-	-	-	-
Total fund balances	<u>991,515</u>	<u>235,491</u>	<u>261,970</u>	<u>985,309</u>	<u>6,374,024</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,044,267</u>	<u>\$ 235,708</u>	<u>\$ 272,542</u>	<u>\$ 1,013,540</u>	<u>\$ 6,399,640</u>

Capital Projects Funds			Debt Service Funds			Total Other Governmental Funds
BCSDC 4B Non-bond Funded	Street Paving Trust	Miscellaneous Non-bond Funded	General Debt Service	4A EDC Debt Service	BCSDC 4B Debt Service	
\$ 9,808	\$ 3,937,504	\$ 5,441,511	\$ 2,677,601	\$ 14,331	\$ 112,201	\$ 27,957,656
-	-	-	-	-	-	157,889
-	-	-	-	-	-	31,807
-	-	-	-	-	-	152,460
22	11,434	13,030	5,993	32	247	65,529
-	-	-	-	-	-	2,698,859
-	-	-	-	-	-	100,000
<u>9,830</u>	<u>3,948,938</u>	<u>5,454,541</u>	<u>2,683,594</u>	<u>14,363</u>	<u>112,448</u>	<u>31,164,200</u>
-	-	224,121	640	-	-	593,151
-	-	-	-	-	-	137,168
-	-	-	-	-	-	196,743
-	-	-	-	-	-	396,588
<u>-</u>	<u>-</u>	<u>224,121</u>	<u>640</u>	<u>-</u>	<u>-</u>	<u>1,323,650</u>
-	-	-	-	-	-	99,847
-	-	-	-	-	-	148,723
-	-	-	-	-	-	34,571
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,141</u>
-	-	-	-	-	-	100,000
-	-	-	2,682,954	14,363	112,448	2,809,765
-	-	-	-	-	-	289,721
-	-	-	-	-	-	23,405
-	-	-	-	-	-	12,991
-	-	-	-	-	-	8,739,711
-	-	-	-	-	-	1,019,959
-	-	-	-	-	-	46,781
9,830	3,948,938	5,230,420	-	-	-	16,548,521
-	-	-	-	-	-	(33,445)
<u>9,830</u>	<u>3,948,938</u>	<u>5,230,420</u>	<u>2,682,954</u>	<u>14,363</u>	<u>112,448</u>	<u>29,557,409</u>
<u>\$ 9,830</u>	<u>\$ 3,948,938</u>	<u>\$ 5,454,541</u>	<u>\$ 2,683,594</u>	<u>\$ 14,363</u>	<u>\$ 112,448</u>	<u>\$ 31,164,200</u>

THE CITY OF  
**BURLESON**  
TEXAS

# City of Burleson, Texas

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds For the Year Ended September 30, 2022

**Exhibit E** Item A.  
(Page 1 of 2)

	<b>Special Revenue Funds</b>				
	<b>BCSDC Special Revenue</b>	<b>4A Corp Special Revenue</b>	<b>Parks Performance</b>	<b>Hotel/Motel</b>	<b>Grants</b>
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	6,955,613	6,955,613	-	-	-
Hotel occupancy taxes	-	-	-	366,737	-
Franchise fees	-	-	-	-	-
Charges for services	-	-	1,907,846	-	-
Intergovernmental	-	-	-	-	1,019,350
Fines	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Investment income (loss)	(49,740)	(48,351)	(4,034)	(8,449)	-
Mineral lease	-	-	-	-	-
Street assessments	-	-	-	-	-
Miscellaneous	-	193,532	99	18,999	-
<b>Total revenues</b>	<b>6,905,873</b>	<b>7,100,794</b>	<b>1,903,911</b>	<b>377,287</b>	<b>1,019,350</b>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Community development	341,652	1,722,429	-	259,609	-
Public safety	-	-	-	-	445,940
Public works	-	-	-	-	278,317
Library	-	-	-	-	77,689
Parks and recreation	223,132	-	4,612,416	-	46
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal agent charges	-	-	-	-	-
Capital outlay	23,897	343,631	-	-	-
<b>Total expenditures</b>	<b>588,681</b>	<b>2,066,060</b>	<b>4,612,416</b>	<b>259,609</b>	<b>801,992</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,317,192</b>	<b>5,034,734</b>	<b>(2,708,505)</b>	<b>117,678</b>	<b>217,358</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	5,000	-	-	-
Transfers in	-	352,139	2,708,505	-	278,317
Transfers out	(4,683,318)	(6,718,154)	-	-	(338,425)
<b>Total other financing sources (uses)</b>	<b>(4,683,318)</b>	<b>(6,361,015)</b>	<b>2,708,505</b>	<b>-</b>	<b>(60,108)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,633,874</b>	<b>(1,326,281)</b>	<b>-</b>	<b>117,678</b>	<b>157,250</b>
<b>FUND BALANCE, BEGINNING</b>	<b>4,941,248</b>	<b>2,474,792</b>	<b>-</b>	<b>902,281</b>	<b>(190,695)</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 6,575,122</b>	<b>\$ 1,148,511</b>	<b>\$ -</b>	<b>\$ 1,019,959</b>	<b>\$ (33,445)</b>



# City of Burleson, Texas

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds For the Year Ended September 30, 2022

	Special Revenue Funds			Capital Projects Funds	
	TIF 2&3	Municipal Court	Other Special Revenue	Mineral Lease Funded Capital Projects	4A EDC Non-bond Funded
<b>REVENUES</b>					
Property taxes	\$ 1,175,995	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-	-
Hotel occupancy taxes	-	-	-	-	-
Franchise fees	-	-	50,174	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Fines	-	71,066	-	-	-
Contributions and donations	-	-	290,039	-	-
Investment income (loss)	(12,590)	(3,978)	(1,786)	(8,523)	(10,191)
Mineral lease	-	-	-	618,527	-
Street assessments	-	-	69,999	-	-
Miscellaneous	26,938	-	-	-	-
<b>Total revenues</b>	<b>1,190,343</b>	<b>67,088</b>	<b>408,426</b>	<b>610,004</b>	<b>(10,191)</b>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	24,589	-	-
Community development	291,381	-	8,790	-	-
Public safety	14,844	128,076	2,706	-	-
Public works	-	-	31,014	-	-
Library	-	-	17,805	-	-
Parks and recreation	19,501	-	20,438	87,011	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal agent charges	-	-	-	-	-
Capital outlay	-	-	-	747,950	661,052
<b>Total expenditures</b>	<b>325,726</b>	<b>128,076</b>	<b>105,342</b>	<b>834,961</b>	<b>661,052</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>864,617</b>	<b>(60,988)</b>	<b>303,084</b>	<b>(224,957)</b>	<b>(671,243)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	2,344	-	5,000,000
Transfers out	(833,033)	(117,580)	(102,181)	-	(352,139)
<b>Total other financing sources (uses)</b>	<b>(833,033)</b>	<b>(117,580)</b>	<b>(99,837)</b>	<b>-</b>	<b>4,647,861</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>31,584</b>	<b>(178,568)</b>	<b>203,247</b>	<b>(224,957)</b>	<b>3,976,618</b>
<b>FUND BALANCE, BEGINNING</b>	<b>959,931</b>	<b>414,059</b>	<b>58,723</b>	<b>1,210,266</b>	<b>2,397,406</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 991,515</b>	<b>\$ 235,491</b>	<b>\$ 261,970</b>	<b>\$ 985,309</b>	<b>\$ 6,374,024</b>

Capital Projects Funds			Debt Service Funds			Total Other Governmental Funds
BCSDC 4B Non-bond Funded	Street Paving Trust	Miscellaneous Non-bond Funded	General Debt Service	4A EDC Debt Service	BCSDC 4B Debt Service	
\$ -	\$ -	\$ -	\$ 7,315,608	\$ -	\$ -	\$ 8,491,603
-	-	-	-	-	-	13,911,226
-	-	-	-	-	-	366,737
-	-	-	-	-	-	50,174
-	-	-	-	-	-	1,907,846
-	-	-	-	-	-	1,019,350
-	-	-	-	-	-	71,066
-	620,574	85,020	-	-	-	995,633
(37)	(32,325)	(45,306)	(32,634)	(19)	2,732	(255,231)
-	-	-	-	-	-	618,527
-	-	-	-	-	-	69,999
-	-	550,000	-	-	-	789,568
(37)	588,249	589,714	7,282,974	(19)	2,732	28,036,498
-	-	-	-	-	-	24,589
-	-	-	-	-	-	2,623,861
-	-	-	-	-	-	591,566
-	-	-	-	-	-	309,331
-	-	-	-	-	-	95,494
-	-	-	-	-	-	4,962,544
-	-	-	4,689,991	1,572,580	980,000	7,242,571
-	-	-	2,544,701	417,241	414,070	3,376,012
21,500	-	1,143,324	-	-	-	2,941,354
21,500	-	1,143,324	7,234,692	1,989,821	1,394,070	22,167,322
(21,537)	588,249	(553,610)	48,282	(1,989,840)	(1,391,338)	5,869,176
-	-	457,718	-	-	-	462,718
-	-	2,167,686	393,549	1,718,154	1,038,183	13,658,877
-	-	(1,456,042)	-	-	-	(14,600,872)
-	-	1,169,362	393,549	1,718,154	1,038,183	(479,277)
(21,537)	588,249	615,752	441,831	(271,686)	(353,155)	5,389,899
31,367	3,360,689	4,614,668	2,241,123	286,049	465,603	24,167,510
\$ 9,830	\$ 3,948,938	\$ 5,230,420	\$ 2,682,954	\$ 14,363	\$ 112,448	\$ 29,557,409

**City of Burleson, Texas**  
**Debt Service Funds**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2022**

	<b>General Debt Service</b>			<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and assessments	\$ 7,234,969	\$ 7,234,969	\$ 7,315,608	\$ 80,639
Investment income (loss)	-	-	(32,634)	(32,634)
Total revenues	7,234,969	7,234,969	7,282,974	48,005
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	4,689,991	4,689,991	4,689,991	-
Interest and fiscal agent charges	2,547,356	2,547,356	2,544,701	2,655
Total expenditures	7,237,347	7,237,347	7,234,692	2,655
Excess (deficiency) of revenues over (under) expenditures	(2,378)	(2,378)	48,282	50,660
<b>OTHER FINANCING SOURCES</b>				
Transfers in	393,550	393,550	393,549	(1)
Total other financing sources	393,550	393,550	393,549	(1)
<b>NET CHANGE IN FUND BALANCE</b>	391,172	391,172	441,831	50,659
<b>FUND BALANCE, BEGINNING</b>	2,241,123	2,241,123	2,241,123	-
<b>FUND BALANCE, ENDING</b>	\$ 2,632,295	\$ 2,632,295	\$ 2,682,954	\$ 50,659

BCSDC Debt Service				4A EDC Debt Service			
Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,500	8,500	2,732	(5,768)	1,000	1,000	(19)	(1,019)
8,500	8,500	2,732	(5,768)	1,000	1,000	(19)	(1,019)
980,000	980,000	980,000	-	1,572,580	1,572,580	1,572,580	-
414,724	414,724	414,070	654	417,795	417,795	417,241	554
1,394,724	1,394,724	1,394,070	654	1,990,375	1,990,375	1,989,821	554
(1,386,224)	(1,386,224)	(1,391,338)	(5,114)	(1,989,375)	(1,989,375)	(1,989,840)	(465)
1,393,675	1,393,675	1,038,183	(355,492)	1,990,375	1,990,375	1,718,154	(272,221)
1,393,675	1,393,675	1,038,183	(355,492)	1,990,375	1,990,375	1,718,154	(272,221)
7,451	7,451	(353,155)	(360,606)	1,000	1,000	(271,686)	(272,686)
465,603	465,603	465,603	-	286,049	286,049	286,049	-
\$ 473,054	\$ 473,054	\$ 112,448	\$ (360,606)	\$ 287,049	\$ 287,049	\$ 14,363	\$ (272,686)

**City of Burleson, Texas**  
**Hotel/Motel Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2022**

**Exhibit E** Item A.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Hotel occupancy taxes	\$ 244,625	\$ 244,625	\$ 366,737	\$ 122,112
Investment income (loss)	1,415	1,415	(8,449)	(9,864)
Miscellaneous	20,000	20,000	18,999	(1,001)
Total revenues	266,040	266,040	377,287	111,247
<b>EXPENDITURES</b>				
Current:				
Community development	351,795	576,795	259,609	317,186
Total expenditures	351,795	576,795	259,609	317,186
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(85,755)	(310,755)	117,678	428,433
<b>NET CHANGE IN FUND BALANCE</b>	(85,755)	(310,755)	117,678	428,433
<b>FUND BALANCE, BEGINNING</b>	902,281	902,281	902,281	-
<b>FUND BALANCE, ENDING</b>	\$ 816,526	\$ 591,526	\$ 1,019,959	\$ 428,433

**City of Burleson, Texas**  
**BCSDC Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2022**

**Exhibit E** Item A.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Sales tax	\$ 6,128,500	\$ 6,128,500	\$ 6,955,613	\$ 827,113
Investment income (loss)	15,000	15,000	(49,740)	(64,740)
<b>Total revenues</b>	<b>6,143,500</b>	<b>6,143,500</b>	<b>6,905,873</b>	<b>762,373</b>
<b>EXPENDITURES</b>				
Current:				
Community development	818,778	783,775	341,652	442,123
Parks and recreation	263,510	263,510	223,132	40,378
Capital outlay	-	50,000	23,897	26,103
<b>Total expenditures</b>	<b>1,082,288</b>	<b>1,097,285</b>	<b>588,681</b>	<b>508,604</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>5,061,212</b>	<b>5,046,215</b>	<b>6,317,192</b>	<b>1,270,977</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(5,326,811)	(5,326,811)	(4,683,318)	(643,493)
<b>Total other financing uses</b>	<b>(5,326,811)</b>	<b>(5,326,811)</b>	<b>(4,683,318)</b>	<b>(643,493)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(265,599)</b>	<b>(280,596)</b>	<b>1,633,874</b>	<b>1,914,470</b>
<b>FUND BALANCE, BEGINNING</b>	<b>4,941,248</b>	<b>4,941,248</b>	<b>4,941,248</b>	<b>-</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 4,675,649</b>	<b>\$ 4,660,652</b>	<b>\$ 6,575,122</b>	<b>\$ 1,914,470</b>

**City of Burleson, Texas**  
**4A Corp Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2022**

**Exhibit E** Item A.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Sales tax	\$ 6,128,500	\$ 6,128,500	\$ 6,955,613	\$ 827,113
Investment income (loss)	25,750	25,750	(48,351)	(74,101)
Miscellaneous	188,200	188,200	193,532	5,332
Total revenues	<u>6,342,450</u>	<u>6,342,450</u>	<u>7,100,794</u>	<u>758,344</u>
<b>EXPENDITURES</b>				
Current:				
Community development	2,501,207	2,572,749	1,722,429	850,320
Capital outlay	<u>-</u>	<u>5,000,000</u>	<u>343,631</u>	<u>4,656,369</u>
Total expenditures	<u>2,501,207</u>	<u>7,572,749</u>	<u>2,066,060</u>	<u>5,506,689</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,841,243	(1,230,299)	5,034,734	6,265,033
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	5,000	(5,000)
Transfers in	-	-	352,139	(352,139)
Transfers out	<u>(1,990,375)</u>	<u>(1,990,375)</u>	<u>(6,718,154)</u>	<u>4,727,779</u>
Total other financing sources (uses)	<u>(1,990,375)</u>	<u>(1,990,375)</u>	<u>(6,361,015)</u>	<u>4,370,640</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,850,868	(3,220,674)	(1,326,281)	1,894,393
<b>FUND BALANCE, BEGINNING</b>	<u>2,474,792</u>	<u>2,474,792</u>	<u>2,474,792</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 4,325,660</u>	<u>\$ (745,882)</u>	<u>\$ 1,148,511</u>	<u>\$ 1,894,393</u>

**City of Burleson, Texas**  
**Parks Performance Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2022**

**Exhibit E** Item A.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Charges for services	\$ 2,014,006	\$ 2,014,006	\$ 1,907,846	\$ (106,160)
Investment income (loss)	721	721	(4,034)	(4,755)
Miscellaneous	5,000	5,000	99	(4,901)
	<u>2,019,727</u>	<u>2,019,727</u>	<u>1,903,911</u>	<u>(115,816)</u>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation	4,735,145	4,807,399	4,612,416	194,983
	<u>4,735,145</u>	<u>4,807,399</u>	<u>4,612,416</u>	<u>194,983</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,715,418)	(2,787,672)	(2,708,505)	79,167
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,715,416	2,715,416	2,708,505	6,911
	<u>2,715,416</u>	<u>2,715,416</u>	<u>2,708,505</u>	<u>6,911</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2)	(72,256)	-	72,256
<b>FUND BALANCE, BEGINNING</b>	-	-	-	-
<b>FUND BALANCE, ENDING</b>	<u>\$ (2)</u>	<u>\$ (72,256)</u>	<u>\$ -</u>	<u>\$ 72,256</u>



**City of Burleson, Texas**  
**TIF 2&3 Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2022**

**Exhibit E**

Item A.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 1,149,080	\$ 1,149,080	\$ 1,175,995	\$ 26,915
Investment income (loss)	-	-	(12,590)	(12,590)
Miscellaneous	-	-	26,938	26,938
<b>Total revenues</b>	<b>1,149,080</b>	<b>1,149,080</b>	<b>1,190,343</b>	<b>41,263</b>
<b>EXPENDITURES</b>				
Current:				
Community development	321,939	321,939	291,381	30,558
Public safety	230,275	230,275	14,844	215,431
Parks and recreation	-	-	19,501	(19,501)
<b>Total expenditures</b>	<b>552,214</b>	<b>552,214</b>	<b>325,726</b>	<b>226,488</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>596,866</b>	<b>596,866</b>	<b>864,617</b>	<b>267,751</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(393,550)	(393,550)	(833,033)	439,483
<b>Total other financing uses</b>	<b>(393,550)</b>	<b>(393,550)</b>	<b>(833,033)</b>	<b>439,483</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>203,316</b>	<b>203,316</b>	<b>31,584</b>	<b>(171,732)</b>
<b>FUND BALANCE, BEGINNING</b>	<b>959,931</b>	<b>959,931</b>	<b>959,931</b>	<b>-</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 1,163,247</b>	<b>\$ 1,163,247</b>	<b>\$ 991,515</b>	<b>\$ (171,732)</b>

**City of Burleson, Texas**  
Municipal Court Fund  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2022

**Exhibit E**

Item A.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Fines	\$ 106,500	\$ 106,500	\$ 71,066	\$ (35,434)
Investment income (loss)	-	-	(3,978)	(3,978)
Total revenues	106,500	106,500	67,088	(39,412)
<b>EXPENDITURES</b>				
Current:				
Public safety	138,588	186,838	128,076	58,762
Total expenditures	138,588	186,838	128,076	58,762
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(32,088)	(80,338)	(60,988)	19,350
<b>OTHER FINANCING USES</b>				
Transfers out	(117,580)	(117,580)	(117,580)	-
Total other financing uses	(117,580)	(117,580)	(117,580)	-
<b>NET CHANGE IN FUND BALANCE</b>	(149,668)	(197,918)	(178,568)	19,350
<b>FUND BALANCE, BEGINNING</b>	414,059	414,059	414,059	-
<b>FUND BALANCE, ENDING</b>	\$ 264,391	\$ 216,141	\$ 235,491	\$ 19,350

**City of Burleson, Texas**  
Combining Financial Statements  
Nonmajor Enterprise Funds

**Nonmajor Enterprise Funds**

The **Golf Course Fund** accounts for the operations of the City's golf course, Hidden Creek Golf Course.

The **Solid Waste Fund** accounts for the operations of the City's solid waste collection utility.

The **Cemetery Enterprise Fund** accounts for the operations of the City's cemetery.

**City of Burleson, Texas**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Position**  
**September 30, 2022**

**Exhibit F** Item A.

	<b>Hidden Creek Golf Course</b>	<b>Solid Waste</b>	<b>Cemetery</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Deposits and investments	\$ 244,319	\$ 707,541	\$ 1,054,447	\$ 2,006,307
Receivables:				
Accounts	9,123	319,792	4,667	333,582
Accrued interest	1,309	3,462	2,361	7,132
Total current assets	254,751	1,030,795	1,061,475	2,347,021
Noncurrent assets:				
Capital assets, net	2,480,059	5,538	894,902	3,380,499
Total noncurrent assets	2,480,059	5,538	894,902	3,380,499
Total assets	2,734,810	1,036,333	1,956,377	5,727,520
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	6,965	-	-	6,965
Deferred outflows related to pensions	165,805	-	-	165,805
Deferred outflows related to OPEB (RHP & SDBF)	20,343	-	-	20,343
Total deferred outflows of resources	193,113	-	-	193,113
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 66,508	\$ 810,099	\$ 9,247	\$ 885,854
Accrued liabilities	50,632	-	-	50,632
Unearned revenue	579	-	-	579
Accrued interest payable	3,426	-	-	3,426
Bonds and compensated absences	378,674	-	-	378,674
Total current liabilities	499,819	810,099	9,247	1,319,165
Noncurrent liabilities:				
Bonds and compensated absences	815,946	-	-	815,946
Net pension liability	328,144	-	-	328,144
Total OPEB liability (RHP & SDBF)	130,299	-	-	130,299
Total noncurrent liabilities	1,274,389	-	-	1,274,389
Total liabilities	1,774,208	810,099	9,247	2,593,554
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	157,816	-	-	157,816
Deferred inflows related to OPEB (RHP & SDBF)	14,955	-	-	14,955
Total deferred inflows of resources	172,771	-	-	172,771
<b>NET POSITION</b>				
Net investment in capital assets	1,392,229	5,538	888,357	2,286,124
Unrestricted	(411,285)	220,696	1,058,773	868,184
<b>TOTAL NET POSITION</b>	<b>\$ 980,944</b>	<b>\$ 226,234</b>	<b>\$ 1,947,130</b>	<b>\$ 3,154,308</b>

**City of Burleson, Texas**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**For the Year Ended September 30, 2022**

**Exhibit F** Item A.

	<b>Hidden Creek Golf Course</b>	<b>Solid Waste</b>	<b>Cemetery</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for goods and services	\$ 1,925,878	\$ 3,323,598	\$ 49,830	\$ 5,299,306
Miscellaneous	2,522	-	20,609	23,131
Mineral lease	-	-	34,699	34,699
Total operating revenues	1,928,400	3,323,598	105,138	5,357,136
<b>OPERATING EXPENSES</b>				
Cost of golf operations	2,420,931	-	-	2,420,931
Cost of cemetery operations	-	-	2,061	2,061
Cost of solid waste operations	-	3,752,644	-	3,752,644
Materials, supplies, and cemetery lots	-	-	2,807	2,807
Depreciation	64,307	462	10,625	75,394
Total operating expenses	2,485,238	3,753,106	15,493	6,253,837
<b>OPERATING INCOME (LOSS)</b>	(556,838)	(429,508)	89,645	(896,701)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gain on disposition of capital assets	-	167,341	-	167,341
Investment income (loss)	(6,064)	(14,213)	(8,331)	(28,608)
Interest and fiscal agent charges	(51,032)	-	-	(51,032)
Total non-operating revenues (expenses)	(57,096)	153,128	(8,331)	87,701
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	(613,934)	(276,380)	81,314	(809,000)
Transfers in	936,630	-	-	936,630
Transfers out	-	(1,015,448)	-	(1,015,448)
<b>CHANGE IN NET POSITION</b>	322,696	(1,291,828)	81,314	(887,818)
<b>NET POSITION AT BEGINNING OF YEAR</b>	658,248	1,518,062	1,865,816	4,042,126
<b>NET POSITION AT END OF YEAR</b>	\$ 980,944	\$ 226,234	\$ 1,947,130	\$ 3,154,308

**City of Burleson, Texas**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended September 30, 2022**

**Exhibit F** Item A.

	<b>Hidden Creek Golf Course</b>	<b>Solid Waste</b>	<b>Cemetery</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,927,688	\$ 3,459,983	\$ 55,948	\$ 5,443,619
Refunds of customer deposits	-	-	(17,589)	(17,589)
Payments to suppliers and service providers	(1,308,799)	(3,214,882)	711	(4,522,970)
Payments to employees for salaries and benefits	(1,209,237)	-	-	(1,209,237)
Other receipts	3,101	-	55,308	58,409
Net cash provided by (used in) operating activities	(587,247)	245,101	94,378	(247,768)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payments from other funds	936,630	-	-	936,630
Payments to other funds	-	(1,015,448)	-	(1,015,448)
Net cash provided by noncapital financing activities	936,630	(1,015,448)	-	(78,818)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Receipts from sale of capital assets	-	180,392	-	180,392
Principal paid on bonds	(339,357)	-	-	(339,357)
Interest payments on bonds	(32,106)	-	-	(32,106)
Acquisition of capital assets	-	-	(674,436)	(674,436)
Net cash provided by (used in) capital and related financial activities	(371,463)	180,392	(674,436)	(865,507)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	(7,373)	(16,802)	(9,722)	(33,897)
Net cash provided by investing activities	(7,373)	(16,802)	(9,722)	(33,897)
Net increase (decrease) in cash and cash equivalents	(29,453)	(606,757)	(589,780)	(1,225,990)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>273,772</b>	<b>1,314,298</b>	<b>1,644,227</b>	<b>3,232,297</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 244,319</b>	<b>\$ 707,541</b>	<b>\$ 1,054,447</b>	<b>\$ 2,006,307</b>

**City of Burleson, Texas**  
**Combining Financial Statements**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows – Continued**  
**For the Year Ended September 30, 2022**

**Exhibit F** Item A.

	<b>Hidden Creek Golf Course</b>	<b>Solid Waste</b>	<b>Cemetery</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Reconciliation of operating loss</b>				
<b>to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (556,838)	\$ (429,508)	\$ 89,645	\$ (896,701)
Depreciation	64,307	462	10,625	75,394
Change in operating assets and liabilities:				
(Increase) decrease in accounts receivable	2,389	136,385	6,118	144,892
(Increase) decrease in inventories	32,760	-	2,807	35,567
(Increase) decrease in deferred outflows related to pension	(40,335)	-	-	(40,335)
(Increase) decrease in deferred outflows related to OPEB	6,544	-	-	6,544
Increase (decrease) in accounts payable	(20,653)	537,762	2,772	519,881
Increase (decrease) in accrued liabilities	5,946	-	-	5,946
Increase (decrease) in customer deposits	-	-	(17,589)	(17,589)
Increase (decrease) in unearned revenue	579	-	-	579
Increase (decrease) in compensated absences	(48,021)	-	-	(48,021)
Increase (decrease) in net pension liability and total OPEB liability	(136,952)	-	-	(136,952)
Increase (decrease) in deferred inflows related to pension	91,631	-	-	91,631
Increase (decrease) in deferred inflows related to OPEB	11,396	-	-	11,396
Net cash provided by (used in) operating activities	<u>\$ (587,247)</u>	<u>\$ 245,101</u>	<u>\$ 94,378</u>	<u>\$ (247,768)</u>

**City of Burleson, Texas**  
**Combining Financial Statements**  
**Internal Service Funds**

Internal Service Funds are used to account for the financing of goods and/or services provided by one department to another department within the City:

The **Equipment Services Fund** accounts for a full range of services in managing and maintaining the City's fleet of vehicles and equipment. All costs associated with these operations are charged to the using department to offset the adopted budget to this fund.

The **Governmental Vehicle Replacement Fund** provides for the replacement of vehicles and equipment utilized by all governmental City departments. The two equipment replacement funds enable the City to fund major equipment purchases without substantially affecting the stability of the ad valorem tax rate.

The **Business-Type Vehicle Replacement Fund** is used as a funding, management and planning tool that provides a systematic approach to the replacement of City-owned vehicles and equipment used by the Water-Wastewater, Golf and Solid Waste funds.

The **Support Services Fund** is designed to record the activities of support services function (currently only Information Technology) and allow for the costs of these services to be reflected as expenditures of the "customer" departments.

The **Health Insurance Fund** accounts for the City's self-health insurance program.



**City of Burleson, Texas**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**September 30, 2022**

**Exhibit G** Item A.

	Equipment Services	Governmental Vehicle Replacement	Business-type Vehicle Replacement	Support Services	Health Insurance	Total Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ -	\$ 3,685,494	\$ 1,302,319	\$ 1,419,549	\$ 3,821,012	\$ 10,228,374
Receivables:						
Accounts	-	-	-	-	1,594	1,594
Accrued interest	-	8,105	1,533	3,179	8,544	21,361
Inventories	54,943	-	-	-	-	54,943
Total current assets	54,943	3,693,599	1,303,852	1,422,728	3,831,150	10,306,272
Noncurrent assets:						
Capital assets, net	76,986	2,552,390	839,495	1,582,191	-	5,051,062
Total noncurrent assets	76,986	2,552,390	839,495	1,582,191	-	5,051,062
Total assets	131,929	6,245,989	2,143,347	3,004,919	3,831,150	15,357,334
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	61,813	-	-	249,435	-	311,248
Deferred outflows related to OPEB (RHP & SDBF)	7,585	-	-	30,603	-	38,188
Total deferred outflows	69,398	-	-	280,038	-	349,436
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	93,904	-	-	165,726	4,754	264,384
Compensated absences	6,761	-	-	69,375	-	76,136
Due to other funds	155,558	-	-	-	-	155,558
Accrued liabilities	14,627	-	-	48,873	182	63,682
Total current liabilities	270,850	-	-	283,974	4,936	559,760
Noncurrent liabilities:						
Net pension liability	122,335	-	-	493,655	-	615,990
Total OPEB liability (RHP & SDBF)	48,578	-	-	196,022	-	244,600
Compensated absences	-	-	-	31,524	-	31,524
Total noncurrent liabilities	170,913	-	-	721,201	-	892,114
Total liabilities	441,763	-	-	1,005,175	4,936	1,451,874
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions	58,835	-	-	237,417	-	296,252
Deferred inflows related to OPEB (RHP & SDBF)	5,574	-	-	22,498	-	28,072
Total deferred inflows	64,409	-	-	259,915	-	324,324
<b>NET POSITION</b>						
Net investment in capital assets	76,986	2,552,390	839,495	1,582,191	-	5,051,062
Unrestricted	(381,831)	3,693,599	1,303,852	437,676	3,826,214	8,879,510
Total net position	\$ (304,845)	\$ 6,245,989	\$ 2,143,347	\$ 2,019,867	\$ 3,826,214	\$ 13,930,572

**City of Burleson, Texas**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Fund Net Position - Internal Service Funds**  
**September 30, 2022**

**Exhibit G** Item A.

	<b>Equipment Services</b>	<b>Governmental Vehicle Replacement</b>	<b>Business-type Vehicle Replacement</b>	<b>Support Services</b>	<b>Health Insurance</b>	<b>Total Internal Service Funds</b>
<b>OPERATING REVENUES</b>						
Charges for goods and services	\$ 1,314,361	\$ 1,730,182	\$ 520,191	\$ 4,957,431	\$ 5,737,391	\$ 14,259,556
Miscellaneous	-	-	-	138,582	81,159	219,741
Total operating revenues	1,314,361	1,730,182	520,191	5,096,013	5,818,550	14,479,297
<b>OPERATING EXPENSES</b>						
Personnel services	387,332	-	-	1,410,052	426,243	2,223,627
Professional and contracted services	-	-	-	256,714	97,916	354,630
Insurance	-	-	-	-	4,618,144	4,618,144
Repairs and maintenance	538,767	-	-	1,142,223	-	1,680,990
Materials and supplies	680,304	-	-	337,847	-	1,018,151
Depreciation	46,817	876,865	248,014	261,103	-	1,432,799
Total operating expenses	1,653,220	876,865	248,014	3,407,939	5,142,303	11,328,341
Operating income (loss)	(338,859)	853,317	272,177	1,688,074	676,247	3,150,956
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Gain (loss) on sale of capital assets	-	(43,120)	467,220	-	-	424,100
Investment income (loss)	73	(34,317)	(4,611)	(11,536)	(34,228)	(84,619)
Total nonoperating revenues	73	(77,437)	462,609	(11,536)	(34,228)	339,481
Income (loss) before transfers	(338,786)	775,880	734,786	1,676,538	642,019	3,490,437
Transfers out	-	(3,000,000)	(1,000,000)	-	-	(4,000,000)
Change in net position	(338,786)	(2,224,120)	(265,214)	1,676,538	642,019	(509,563)
<b>NET POSITION - BEGINNING OF YEAR</b>	33,941	8,470,109	2,408,561	343,329	3,184,195	14,440,135
<b>NET POSITION - ENDING OF YEAR</b>	<u>\$ (304,845)</u>	<u>\$ 6,245,989</u>	<u>\$ 2,143,347</u>	<u>\$ 2,019,867</u>	<u>\$ 3,826,214</u>	<u>\$ 13,930,572</u>

**City of Burleson, Texas**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**September 30, 2022**

**Exhibit G** Item A.

	Equipment Services	Vehicle Replacement Governmental	Vehicle Replacement Business-Type	Support Services	Health Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts for interfund charges	\$ 1,314,361	\$ 1,777,382	\$ 527,192	\$ 4,990,869	\$ 5,739,742	\$ 14,349,546
Other receipts	-	-	-	138,582	81,159	219,741
Payments to vendors, suppliers and contractors	(1,157,120)	-	-	(1,594,752)	(4,713,876)	(7,465,748)
Payments to employees for services	(385,990)	-	-	(1,473,327)	(426,339)	(2,285,656)
Net cash provided by (used in) operating activities	(228,749)	1,777,382	527,192	2,061,372	680,686	4,817,883
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Payments to other funds	155,558	(3,000,000)	(1,000,000)	-	-	(3,844,442)
Net cash provided by (used in) noncapital financing activities	155,558	(3,000,000)	(1,000,000)	-	-	(3,844,442)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Receipts for sale of capital assets	-	(43,120)	467,220	-	-	424,100
Acquisition and construction of capital assets	-	(909,850)	(159,954)	(1,389,306)	-	(2,459,110)
Net cash used by capital and related financing activities	-	(952,970)	307,266	(1,389,306)	-	(2,035,010)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received (paid)	113	(40,910)	(5,284)	(14,243)	(42,330)	(102,654)
Net cash provided by (used in) investing activities	113	(40,910)	(5,284)	(14,243)	(42,330)	(102,654)
Net increase (decrease) in cash and cash equivalents	(73,078)	(2,216,498)	(170,826)	657,823	638,356	(1,164,223)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	73,078	5,901,992	1,473,145	761,726	3,182,656	11,392,597
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ -	\$ 3,685,494	\$ 1,302,319	\$ 1,419,549	\$ 3,821,012	\$ 10,228,374
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (338,859)	\$ 853,317	\$ 272,177	\$ 1,688,074	\$ 676,247	\$ 3,150,956
Depreciation	46,817	876,865	248,014	261,103	-	1,432,799
Change in operating assets and liabilities:						
Decrease (increase) in accounts receivable	-	47,200	7,001	33,438	2,351	89,990
Decrease (increase) in inventories	(21,671)	-	-	-	-	(21,671)
Decrease (increase) in deferred outflows related to pension	(21,339)	-	-	(91,080)	-	(112,419)
Decrease (increase) in deferred outflows related to OPEB	1,089	-	-	3,329	-	4,418
Increase (decrease) in accounts payable	83,622	-	-	142,032	2,184	227,838
Increase (decrease) in accrued liabilities	2,434	-	-	9,063	(96)	11,401
Increase (decrease) in compensated absences	(1,603)	-	-	(94,707)	-	(96,310)
Increase (decrease) in net pension liability	(21,151)	-	-	(61,770)	-	(82,921)
Increase (decrease) in deferred inflows related to pension	37,485	-	-	153,885	-	191,370
Increase (decrease) in deferred inflows related to OPEB	4,427	-	-	18,005	-	22,432
Net cash provided by (used in) operating activities	\$ (228,749)	\$ 1,777,382	\$ 527,192	\$ 2,061,372	\$ 680,686	\$ 4,817,883

# City of Burleson, Texas

## Statistical Section (Unaudited)

This part of the City of Burleson's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### Contents:

Financial Trends .....	1
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity.....	5
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These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity .....	9
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These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information .....	13
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information.....	15
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports of the relevant year.

**City of Burleson, Texas**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental activities:</b>				
Net investment in capital assets	\$101,280,575	\$102,518,051	\$105,900,578	\$111,368,435
Restricted	10,262,236	11,786,219	13,626,779	11,548,400
Unrestricted	<u>18,176,631</u>	<u>19,052,951</u>	<u>10,915,868</u>	<u>10,908,958</u>
Total governmental activities net position	<u>\$129,719,442</u>	<u>\$133,357,221</u>	<u>\$130,443,225</u>	<u>\$133,825,793</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 53,375,788	\$ 55,348,196	\$ 59,041,199	\$ 56,061,308
Restricted	3,250,923	4,592,463	3,667,415	4,592,463
Unrestricted	<u>6,943,042</u>	<u>7,355,782</u>	<u>7,251,796</u>	<u>12,448,245</u>
Total business-type activities net position	<u>\$ 63,569,753</u>	<u>\$ 67,296,441</u>	<u>\$ 69,960,410</u>	<u>\$ 73,102,016</u>
<b>Primary government:</b>				
Net investment in capital assets	\$154,656,363	\$157,866,247	\$164,941,777	\$167,429,743
Restricted	13,513,159	16,378,682	17,294,194	16,140,863
Unrestricted	<u>25,119,673</u>	<u>26,408,733</u>	<u>18,167,664</u>	<u>23,357,203</u>
Total primary government activities net position	<u>\$193,289,195</u>	<u>\$200,653,662</u>	<u>\$200,403,635</u>	<u>\$206,927,809</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$127,316,098	\$136,812,328	\$148,085,539	\$153,051,846	\$163,721,859	\$174,521,592
12,262,240	13,166,573	13,232,818	17,468,108	12,460,606	12,617,978
8,167,997	4,245,368	4,248,170	6,714,141	14,525,540	23,156,517
<u>\$147,746,335</u>	<u>\$154,224,269</u>	<u>\$165,566,527</u>	<u>\$177,234,095</u>	<u>\$190,708,005</u>	<u>\$210,296,087</u>
\$ 68,346,297	\$ 69,333,764	\$ 75,777,424	\$ 79,752,890	\$ 88,788,759	\$ 86,021,027
1,049,746	1,049,746	5,225,080	7,415,521	7,608,773	305,147
10,499,641	15,642,520	11,580,796	13,778,201	10,389,928	28,366,948
<u>\$ 79,895,684</u>	<u>\$ 86,026,030</u>	<u>\$ 92,583,300</u>	<u>\$100,946,612</u>	<u>\$106,787,460</u>	<u>\$114,693,122</u>
\$195,662,395	\$206,146,122	\$223,862,963	\$232,804,736	\$252,510,618	\$260,542,619
13,311,986	14,216,319	18,457,898	24,883,629	20,069,379	12,923,125
18,667,638	19,887,888	15,828,966	20,492,342	24,915,468	51,523,465
<u>\$227,642,019</u>	<u>\$240,250,329</u>	<u>\$258,149,827</u>	<u>\$278,180,707</u>	<u>\$297,495,465</u>	<u>\$324,989,209</u>

**City of Burleson, Texas**  
**Changes in Net Position**  
**Last Ten Fiscal Years (Unaudited)**  
**(Accrual Basis of Accounting)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Expenses				
Governmental activities:				
General government	\$ 4,779,683	\$ 6,027,808	\$ 5,567,804	\$ 3,406,957
Public safety	14,505,108	14,793,251	15,587,330	18,135,674
Public works	9,476,476	10,025,105	10,344,069	11,100,276
Community Development	1,534,915	2,071,758	2,467,564	4,701,517
Culture and recreation	6,148,475	6,851,657	7,062,534	7,801,924
Parks and recreation	-	-	-	-
Library	-	-	-	-
Interest and other fees	3,256,327	3,319,768	3,218,658	3,237,341
Total governmental activities expenses	<u>39,700,984</u>	<u>43,089,347</u>	<u>44,247,959</u>	<u>48,383,689</u>
Business-type activities:				
Water and wastewater	14,553,979	14,699,969	15,692,100	16,333,488
Hidden Creek Golf Course	2,100,255	1,922,102	1,983,682	2,049,089
Solid Waste	2,595,756	2,742,100	2,779,193	2,846,497
Cemetery	10,994	11,498	11,891	11,152
Total business-type activities expenses	<u>19,260,984</u>	<u>19,375,669</u>	<u>20,466,866</u>	<u>21,240,226</u>
Total primary government expenses	<u>\$ 58,961,968</u>	<u>\$ 62,465,016</u>	<u>\$ 64,714,825</u>	<u>\$ 69,623,915</u>
Program Revenues:				
Governmental activities:				
Charges for services	\$ 8,127,467	\$ 8,036,809	\$ 7,773,637	\$ 7,566,246
Operating grants and contributions	603,962	294,371	829,724	971,500
Capital grants and contributions	3,769,399	3,752,163	2,983,243	2,144,534
Total governmental activities program revenues	<u>12,500,828</u>	<u>12,083,343</u>	<u>11,586,604</u>	<u>10,682,280</u>
Business-type activities				
Charges for services	19,788,547	20,526,744	21,331,913	22,263,652
Operating grants and contributions	561,332	1,004,948	846,581	827,614
Capital grants and contributions	2,976,121	1,938,294	1,766,788	1,067,383
Total business-type activities program revenues	<u>23,326,000</u>	<u>23,469,986</u>	<u>23,945,282</u>	<u>24,158,649</u>
Total primary government program revenues	<u>\$ 35,826,828</u>	<u>\$ 35,553,329</u>	<u>\$ 35,531,886</u>	<u>\$ 34,840,929</u>
Net (expense)/revenue				
Governmental activities	\$(27,200,156)	\$(31,006,004)	\$(32,661,355)	\$(37,701,409)
Business-type activities	4,065,016	4,094,317	3,478,416	2,918,423
Total primary government net expense	<u>\$(23,135,140)</u>	<u>\$(26,911,687)</u>	<u>\$(29,182,939)</u>	<u>\$(34,782,986)</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 7,611,844	\$ 7,801,767	\$ 8,762,392	\$ 9,901,828	\$ 7,678,903	\$ 8,293,081
18,619,648	19,356,978	20,396,702	21,647,212	26,227,399	29,220,408
11,263,930	12,173,830	12,650,861	14,839,605	13,597,575	14,743,553
2,740,816	4,902,487	5,138,466	4,216,584	4,587,759	4,178,055
8,091,904	8,134,817	8,053,419	7,940,337	7,697,763	-
-	-	-	-	-	6,377,399
-	-	-	-	-	1,411,839
<u>3,118,052</u>	<u>2,954,294</u>	<u>3,242,540</u>	<u>3,122,881</u>	<u>2,886,794</u>	<u>2,805,915</u>
<u>51,446,194</u>	<u>55,324,173</u>	<u>58,244,380</u>	<u>61,668,447</u>	<u>62,676,193</u>	<u>67,030,250</u>
16,349,125	17,605,194	18,910,941	18,543,022	18,640,527	20,536,810
2,141,509	2,046,511	2,194,026	2,321,398	1,895,172	2,546,070
2,957,738	3,047,978	3,179,444	3,464,393	3,563,473	3,780,319
<u>11,910</u>	<u>12,528</u>	<u>28,894</u>	<u>33,770</u>	<u>80,828</u>	<u>15,493</u>
<u>21,460,282</u>	<u>22,712,211</u>	<u>24,313,305</u>	<u>24,362,583</u>	<u>24,180,000</u>	<u>26,878,692</u>
<u>\$ 72,906,476</u>	<u>\$ 78,036,384</u>	<u>\$ 82,557,685</u>	<u>\$ 86,031,030</u>	<u>\$ 86,856,193</u>	<u>\$ 93,908,942</u>
\$ 8,782,144	\$ 8,784,594	\$ 8,480,206	\$ 7,845,040	\$ 8,780,004	\$ 9,394,259
1,592,388	1,426,293	738,026	2,998,564	5,981,907	4,270,180
<u>11,440,915</u>	<u>6,353,066</u>	<u>7,595,136</u>	<u>5,699,075</u>	<u>2,253,873</u>	<u>8,786,321</u>
<u>21,815,447</u>	<u>16,563,953</u>	<u>16,813,368</u>	<u>16,542,679</u>	<u>17,015,784</u>	<u>22,450,760</u>
23,108,557	25,809,983	25,405,060	26,532,808	26,713,025	29,937,355
1,108,892	-	16,442	8,549	14,260	34,699
<u>4,020,669</u>	<u>2,272,247</u>	<u>3,512,382</u>	<u>3,818,739</u>	<u>2,980,216</u>	<u>5,036,972</u>
<u>28,238,118</u>	<u>28,082,230</u>	<u>28,933,884</u>	<u>30,360,096</u>	<u>29,707,501</u>	<u>35,009,026</u>
<u>\$ 50,053,565</u>	<u>\$ 44,646,183</u>	<u>\$ 45,747,252</u>	<u>\$ 46,902,775</u>	<u>\$ 46,723,285</u>	<u>\$ 57,459,786</u>
\$(29,630,747)	\$(38,760,220)	\$(41,431,012)	\$(45,125,768)	\$ (45,660,409)	\$(44,579,490)
<u>6,777,836</u>	<u>5,370,019</u>	<u>4,620,579</u>	<u>5,997,513</u>	<u>5,527,501</u>	<u>8,130,334</u>
<u>\$(22,852,911)</u>	<u>\$(33,390,201)</u>	<u>\$(36,810,433)</u>	<u>\$(39,128,255)</u>	<u>\$ (40,132,908)</u>	<u>\$(36,449,156)</u>



**City of Burleson, Texas**  
**Changes in Net Position**  
**Last Ten Fiscal Years (Unaudited)**  
**(Accrual Basis of Accounting)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 15,853,216	\$ 16,377,575	\$ 19,171,938	\$ 20,510,482
Tax Increment Financing	254,600	406,445	423,586	457,438
Sales and use taxes	14,110,028	16,051,878	16,689,391	16,595,528
Hotel/motel taxes	146,986	165,550	192,639	219,250
Franchise fees	2,659,237	2,968,801	3,242,051	3,166,620
Investment income	536,572	80,273	95,192	243,568
Gain on sale of assets	-	-	-	-
Transfers	<u>122,937</u>	<u>(258,909)</u>	<u>(244,589)</u>	<u>(108,909)</u>
Total governmental activities	<u>33,683,576</u>	<u>35,791,613</u>	<u>39,570,208</u>	<u>41,083,977</u>
Business-type activities:				
Investment income	38,714	26,334	29,790	114,274
Gain on sale of assets	-	-	-	-
Transfers	<u>(122,937)</u>	<u>258,909</u>	<u>244,589</u>	<u>108,909</u>
Total business-type revenues	<u>(84,223)</u>	<u>285,243</u>	<u>274,379</u>	<u>223,183</u>
Total primary government	<u>\$ 33,599,353</u>	<u>\$ 36,076,856</u>	<u>\$ 39,844,587</u>	<u>\$ 41,307,160</u>
Change in Net Position				
Governmental activities	\$ 6,483,420	\$ 4,785,609	\$ 6,908,853	\$ 3,382,568
Business-type activities	<u>3,980,793</u>	<u>4,379,560</u>	<u>3,752,795</u>	<u>3,141,606</u>
Total primary government	<u>\$ 10,464,213</u>	<u>\$ 9,165,169</u>	<u>\$ 10,661,648</u>	<u>\$ 6,524,174</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 21,776,804	\$ 21,776,804	\$ 26,785,864	\$ 28,894,199	\$ 29,343,869	\$ 30,311,580
536,812	536,812	683,559	777,021	905,662	1,175,995
17,099,917	17,099,917	19,660,908	21,468,069	24,801,831	28,011,255
222,652	222,652	237,665	190,187	455,115	466,584
3,113,999	3,113,999	3,383,906	3,404,113	3,732,406	3,931,439
471,436	471,436	1,772,832	1,950,288	78,034	(484,929)
-	-	105,767	1,877,727	70,477	13,402
<u>329,669</u>	<u>329,669</u>	<u>(780,753)</u>	<u>(1,768,268)</u>	<u>(253,075)</u>	<u>742,246</u>
<u>43,551,289</u>	<u>43,551,289</u>	<u>51,849,748</u>	<u>56,793,336</u>	<u>59,134,319</u>	<u>64,167,572</u>
311,582	311,582	1,114,808	581,231	44,697	(116,987)
33,919	33,919	41,100	16,300	15,575	634,561
<u>(329,669)</u>	<u>(329,669)</u>	<u>780,753</u>	<u>1,768,268</u>	<u>253,075</u>	<u>(742,246)</u>
<u>15,832</u>	<u>15,832</u>	<u>1,936,661</u>	<u>2,365,799</u>	<u>313,347</u>	<u>(224,672)</u>
<u>\$ 43,567,121</u>	<u>\$ 43,567,121</u>	<u>\$ 53,786,409</u>	<u>\$ 59,159,135</u>	<u>\$ 59,447,666</u>	<u>\$ 63,942,900</u>
\$ 13,920,542	\$ 4,791,069	\$ 10,418,736	\$ 11,667,568	\$ 13,473,910	\$ 19,588,082
<u>6,793,668</u>	<u>5,385,851</u>	<u>6,557,240</u>	<u>8,363,312</u>	<u>5,840,848</u>	<u>7,905,662</u>
<u>\$ 20,714,210</u>	<u>\$ 10,176,920</u>	<u>\$ 16,975,976</u>	<u>\$ 20,030,880</u>	<u>\$ 19,314,758</u>	<u>\$ 27,493,744</u>

**City of Burleson, Texas****Fund Balances****Governmental Funds****Last Ten Fiscal Years (Unaudited)****(Modified Accrual Basis of Accounting)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Fund:				
Nonspendable	\$ 53,769	\$ 24,806	\$ 32,024	\$ 28,174
Committed to:				
Debt service	703,824	610,445	510,802	404,607
Other Purposes	718,732	513,332	809,956	251,257
Assigned to:				
Risk management	874,825	1,047,047	1,047,047	1,047,047
Unassigned	8,841,408	9,945,249	9,023,255	9,273,423
Total general fund	<u>\$ 11,192,558</u>	<u>\$ 12,140,879</u>	<u>\$ 11,423,084</u>	<u>\$ 11,004,508</u>
All Other Governmental Funds:				
Nonspendable	\$ 300	\$ 1,437	\$ 1,389	\$ 2,617
Restricted for:				
Debt service	2,704,260	2,576,315	2,580,870	2,530,494
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Library	-	-	10,000	1,096
Economic development	7,074,668	8,702,328	10,473,189	8,406,131
Tourism	483,308	507,576	572,720	623,803
Capital projects	-	-	18,992,927	16,233,204
Other purposes	-	-	-	-
Committed to:				
Culture and recreation	723,587	530,845	585,144	683,099
Economic development	140,743	272,383	409,834	484,485
Capital projects	19,994,818	27,119,647	8,843,780	8,325,229
Debt service	511,000	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 31,632,684</u>	<u>\$ 39,710,531</u>	<u>\$ 42,469,853</u>	<u>\$ 37,290,158</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 26,769	\$ 40,389	\$ 14,997	\$ 4,080	\$ 49,800	\$ 27,424
291,558	802,860	622,908	523,325	465,429	405,527
299,254	586,007	320,191	220,044	234,175	1,025,116
1,047,047	1,047,047	1,369,818	1,260,078	-	-
8,334,083	7,534,128	9,391,334	14,120,506	17,589,905	20,466,098
<u>\$ 9,998,711</u>	<u>\$ 10,010,431</u>	<u>\$ 11,719,248</u>	<u>\$ 16,128,033</u>	<u>\$ 18,339,309</u>	<u>\$ 21,924,165</u>
\$ 5,190	\$ 1,412	\$ 1,620	\$ -	\$ -	\$ 100,000
2,545,853	2,682,681	2,315,108	3,150,018	2,992,775	2,809,765
-	-	-	1,123	414,059	289,721
-	-	1,402	618	563	23,405
408	409	522	243	815	12,991
9,597,492	10,428,389	10,147,192	13,620,267	8,428,929	8,739,711
647,895	721,237	770,518	697,823	902,281	1,019,959
15,166,607	27,103,803	28,908,327	21,852,694	15,298,057	16,238,510
-	-	-	-	5,203	46,781
889,250	875,940	981,885	-	-	-
395,759	73,618	73,618	73,618	-	-
8,127,991	6,416,935	8,263,131	8,517,847	11,614,396	16,548,521
-	-	-	-	-	-
-	-	-	(1,424,708)	(191,511)	(153,545)
<u>\$ 37,376,445</u>	<u>\$ 48,304,424</u>	<u>\$ 51,463,323</u>	<u>\$ 46,489,543</u>	<u>\$ 39,465,567</u>	<u>\$ 45,675,819</u>

**City of Burleson, Texas**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years (Unaudited)**  
**(Modified Accrual Basis of Accounting)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Revenues:				
Property taxes	\$ 16,247,528	\$ 16,980,934	\$ 19,856,938	\$ 21,228,368
Sales and use taxes	14,257,015	16,216,375	16,880,929	16,798,919
Franchise fees	2,714,231	2,940,465	3,193,511	3,150,851
Licenses and permits	1,147,361	1,446,281	1,415,034	1,335,198
Intergovernmental	212,609	242,262	287,832	599,310
Fines and forfeitures	1,127,906	1,282,599	1,422,084	1,402,152
Donations	391,353	52,110	533,822	251,840
Charges for services	3,267,802	3,555,560	3,727,378	3,840,360
Investment income	81,002	74,873	88,026	223,806
Mineral lease	1,058,233	969,979	521,976	268,183
Street assessments	86,535	70,473	166,226	143,429
Miscellaneous	2,296,743	1,581,916	1,874,647	1,578,783
Total revenues	<u>42,888,318</u>	<u>45,413,827</u>	<u>49,968,403</u>	<u>50,821,199</u>
Expenditures:				
Current:				
General government	5,109,652	4,596,577	5,178,035	5,356,449
Public safety	13,916,985	14,734,093	17,829,372	18,320,238
Public works	5,434,287	5,755,348	5,869,224	6,416,556
Community development	1,790,790	2,401,704	2,834,550	5,057,885
Culture and recreation	5,527,597	6,249,210	6,275,252	6,867,778
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	1,723,052	11,310,554	10,414,349	14,986,952
Debt service:				
Principal	5,106,392	4,627,379	5,230,643	5,741,552
Interest and fiscal agent charges	3,262,591	3,202,770	3,815,653	3,558,020
Debt issuance costs	-	-	-	-
Total expenditures	<u>41,871,346</u>	<u>52,877,635</u>	<u>57,447,078</u>	<u>66,305,430</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,016,972</u>	<u>(7,463,808)</u>	<u>(7,478,675)</u>	<u>(15,484,231)</u>
Other financing sources (uses):				
Transfers in	7,193,956	6,214,654	8,009,497	12,017,189
Transfers out	(7,096,019)	(6,486,563)	(8,288,086)	(12,160,098)
Issuance of leases payable	-	-	-	-
Issuance of bonds	4,620,000	24,243,570	18,715,000	30,051,092
Payment to refunded bonds escrow agent	-	(10,009,448)	(11,047,964)	(23,304,563)
Premium	171,291	2,527,764	2,131,755	3,282,340
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>4,889,228</u>	<u>16,489,977</u>	<u>9,520,202</u>	<u>9,885,960</u>
Net change in fund balances	<u>\$ 5,906,200</u>	<u>\$ 9,026,169</u>	<u>\$ 2,041,527</u>	<u>\$ (5,598,271)</u>
Debt service as a percentage of non-capital expenditures (1)	22.65%	15.47%	19.75%	19.22%

(1) There are some capital expenditures reported in various functional expenditure line items and are included in this calculation.

2017	2018	2019	2020	2021	2022
\$ 22,662,335	\$ 25,189,670	\$ 27,469,423	\$ 29,671,220	\$ 30,249,531	\$ 31,487,575
17,305,748	18,729,392	19,878,538	21,650,326	25,256,946	28,377,992
3,089,998	3,249,704	3,353,554	3,386,680	3,571,813	3,793,789
1,356,969	1,351,498	1,408,566	1,855,309	1,600,238	1,421,318
1,345,592	1,022,835	535,884	1,421,536	4,324,083	3,331,989
1,543,257	1,445,053	1,116,297	600,142	1,557,088	948,701
133,652	227,283	859,829	1,104,396	1,224,829	995,633
4,127,562	4,046,803	4,191,285	4,631,276	3,921,001	5,057,344
428,422	920,364	1,535,153	731,941	62,310	(405,313)
311,715	308,858	274,053	164,269	275,019	618,527
47,481	27,947	686,010	48,425	59,962	69,999
1,831,166	1,787,707	1,635,999	937,024	1,809,495	1,842,139
54,183,897	58,307,114	62,944,591	66,202,544	73,912,315	77,539,693
6,958,826	7,467,748	8,133,737	9,344,073	7,245,026	7,945,627
17,536,369	19,465,973	18,304,389	20,336,457	24,097,823	28,777,056
6,020,703	6,807,958	6,711,307	6,196,124	6,212,409	7,358,473
3,159,634	5,449,827	5,189,610	4,010,870	5,000,187	5,855,292
7,076,266	7,186,446	7,200,075	6,707,818	7,257,408	-
-	-	-	-	-	1,425,891
-	-	-	-	-	6,841,115
9,629,088	5,084,668	9,574,077	12,831,619	14,252,846	11,661,005
6,295,335	663,791	7,270,453	7,727,653	8,182,255	7,302,472
3,901,892	3,536,470	3,946,604	3,816,809	3,709,678	3,392,116
-	173,355	123,526	152,729	-	160,505
60,578,113	55,836,236	66,453,778	71,124,152	75,957,632	80,719,552
(6,394,216)	2,470,878	(3,509,187)	(4,921,608)	(2,045,317)	(3,179,859)
10,673,496	6,990,660	8,750,700	9,658,184	16,309,887	19,039,100
(10,377,827)	(7,289,423)	(9,439,453)	(11,460,452)	(19,077,270)	(15,296,854)
-	631,520	-	-	-	-
4,965,000	13,745,000	7,415,000	8,005,000	-	8,095,000
-	-	-	(5,304,194)	-	-
214,037	278,976	727,114	1,585,693	-	675,003
-	212,088	-	1,872,402	-	462,718
5,474,706	14,568,821	7,453,361	4,356,633	(2,767,383)	12,974,967
\$ (919,510)	\$ 17,039,699	\$ 3,944,174	\$ (564,975)	\$ (4,812,700)	\$ 9,795,108
19.84%	18.71%	20.20%	19.80%	19.22%	15.63%

# City of Burleson, Texas

Assessed and Estimated Actual  
Value of Taxable Property (Unaudited)  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

Table Item A.

Fiscal Year	Residential Property	Industrial/Commercial Property	Mineral Reserves	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2013	\$ 1,949,702,876	\$ 690,001,727	\$ 111,483,802	\$ 341,644,076	\$ 2,409,544,329	0.6900	\$ 2,409,544,329	100.0%
2014	2,039,186,901	723,992,280	84,403,921	358,372,460	2,489,210,642	0.6900	2,488,710,642	100.0%
2015	2,237,761,861	730,854,710	184,302,872	369,333,494	2,783,585,949	0.7400	2,783,585,949	100.0%
2016	2,423,710,740	809,276,528	160,436,595	381,084,153	3,012,339,710	0.7400	3,012,339,710	100.0%
2017	2,770,858,176	865,977,924	42,719,357	435,249,706	3,244,305,751	0.7350	3,244,305,751	100.0%
2018	3,151,831,317	889,341,356	43,348,115	452,988,413	3,631,532,375	0.7350	3,631,532,375	100.0%
2019	3,561,153,075	939,220,256	50,736,216	543,091,182	4,008,018,365	0.7350	4,008,018,365	100.0%
2020	3,818,515,400	1,045,167,320	84,822,524	555,160,175	4,393,345,069	0.7200	4,393,345,069	100.0%
2021	4,106,205,404	1,180,701,936	52,344,989	631,482,062	4,707,770,267	0.7111	4,707,770,267	100.0%
2022	4,480,842,613	1,175,303,208	44,893,534	637,057,424	5,063,981,931	0.6859	5,063,981,931	100.0%

Source: Johnson County Appraisal District

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

# City of Burleson, Texas

## Direct and Overlapping Property Tax Rates (Unaudited) Last Ten Fiscal Years

Table Item A.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>OVERLAPPING RATES</b>										
Tarrant County	0.2640	0.2640	0.2640	0.2640	0.2540	0.2440	0.2340	0.2340	0.2340	0.2290
Tarrant County Hospital District	0.2279	0.2279	0.2279	0.2279	0.2279	0.2244	0.2244	0.2244	0.2244	0.2244
Tarrant County College	0.1495	0.1495	0.1495	0.1495	0.1447	0.1401	0.1361	0.1302	0.1302	0.1302
Tarrant County Regional Water District	0.0200	0.0200	0.0200	0.0200	0.0194	0.0194	0.0194	0.0287	0.0287	0.0287
Johnson County	0.3332	0.3712	0.4054	0.4077	0.4227	0.4417	0.4417	0.3847	0.3847	0.3797
Burleson Independent School District	1.5400	1.5400	1.5400	1.5400	1.5400	1.6700	1.6700	1.5684	1.5383	1.4946
Joshua Independent School District	1.4900	1.4900	1.4200	1.6000	1.6100	1.6000	1.5200	1.4400	1.3960	1.2900
Crowley Independent School District	1.6700	1.6700	1.6500	1.6500	1.6500	1.6700	1.6700	1.5684	1.5398	1.4841
<b>CITY DIRECT RATES</b>										
Operating & Maintenance	0.5278	0.5278	0.5278	0.5278	0.5228	0.5228	0.5228	0.5106	0.5187	0.4974
Interest & Sinking	0.1622	0.1622	0.2122	0.2122	0.2122	0.2122	0.2122	0.2094	0.1924	0.1885
Total Direct Rate	0.6900	0.6900	0.7400	0.7400	0.7350	0.7350	0.7350	0.7200	0.7111	0.6859

Sources: Tarrant Appraisal District, Johnson County Tax Office, City records

Note: All rates per \$100 assessed value

Totals are not provided for columns since they would be meaningless.

Some of the jurisdictions are mutually exclusive



**City of Burleson, Texas**  
Principal Property Taxpayers (Unaudited)  
Current Year and Nine Years Ago

Table Item A.

Taxpayer	2022			2013		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Burleson Gateway Station LP	\$ 38,959,448	1	0.77 %			
Wagner Smith Equipment Co.	26,578,261	2	0.52	\$ 19,988,208	3	0.83 %
ABBY Burleson MF LLC	22,328,637	3	0.44			
Burleson Commons LLC	20,966,323	4	0.41	20,498,927	2	0.85
Golden State Foods Corp	19,187,746	5	0.38			
MA Summercrest at Burleson LLC	18,866,285	6	0.37			
TEP Barnett USA LLC	17,804,101	7	0.35			
Sam's Real Estate Business Tr/Sam's East Inc	17,240,704	8	0.34			
Oncor Electric Delivery Co	16,750,695	9	0.33			
JAHCO Burleson Town Center LLC	15,750,000	10	0.31			
Chesapeake Operating LP	-		-	23,241,473	1	0.96
Encore MF Burleson LP	-		-	14,747,820	4	0.61
Devon Energy Production CO LP	-		-	11,782,434	5	0.49
Target Corporation	-		-	11,306,138	6	0.47
Baker Hughes Oilfield Operations, Inc/	-		-	11,121,637	7	0.46
Dragon Products	-		-	10,929,120	8	0.45
WalMart Stores Inc. #220	-		-	10,474,522	9	0.43
HEB Grocery Company LLP	-		-	10,142,394	10	0.42
Total	<u>\$ 214,432,200</u>		<u>4.22 %</u>	<u>\$144,232,673</u>		<u>5.97 %</u>

**City of Burleson, Texas**  
Property Tax Levies and Collections (Unaudited)  
Last Ten Fiscal Years

Table Item A.

Fiscal Year Ended 9/30	Actual Levy Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2013	2012	\$ 16,055,008	\$ 15,864,234	98.81%	\$ 126,985	\$ 15,991,219	99.60%
2014	2013	16,528,604	16,348,465	98.91%	161,390	16,509,855	99.89%
2015	2014	19,537,616	19,313,610	98.85%	119,028	19,432,638	99.46%
2016	2015	20,896,042	20,713,371	99.13%	74,875	20,788,246	99.48%
2017	2016	22,079,157	21,915,940	99.26%	35,962	21,951,902	99.42%
2018	2017	24,363,253	24,227,984	99.44%	48,184	24,276,168	99.64%
2019	2018	26,776,792	26,583,649	99.28%	86,510	26,670,159	99.60%
2020	2019	28,878,855	28,571,233	98.93%	22,239	28,593,472	99.01%
2021	2020	29,922,991	29,874,354	99.84%	32,536	29,906,890	99.95%
2022	2021	31,353,198	31,152,307	99.36%	25,571	31,177,878	99.44%

Sources: Johnson County Tax Office reports

**City of Burleson, Texas**  
**Ratios of Outstanding Debt by Type**  
**and General Bonded Debt Outstanding (Unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year	GOVERNMENTAL ACTIVITIES					BUSINESS-TYPE ACTIVITIES	
	General Obligation Bonds	Certificates of Obligation (1)	Sales Tax Revenue Bonds	Leases	Unamortized Premium	General Obligation Bonds	Certificates of Obligation
2013	\$ 34,692,000	\$ 37,925,000	\$ 5,765,000	\$ 762,991	\$ 1,191,961	\$ 13,608,000	\$ 21,780,000
2014	49,584,570	33,800,000	5,140,000	621,676	3,149,960	11,770,430	23,220,000
2015	55,518,570	31,685,000	4,490,000	520,372	4,790,377	21,561,430	22,520,000
2016	68,653,213	20,895,000	3,815,000	419,067	8,325,210	24,816,787	24,050,000
2017	73,129,176	23,256,570	3,179,150	297,396	7,418,969	24,159,171	31,672,038
2018	63,172,356	33,695,000	2,380,000	806,613	6,599,717	20,087,644	36,690,000
2019	58,076,855	39,880,000	1,615,000	624,426	6,294,038	17,638,144	39,665,000
2020	52,038,785	41,875,000	825,000	523,326	6,846,544	15,266,215	42,015,000
2021	46,569,428	40,045,000	-	465,429	5,704,181	17,250,572	35,795,000
2022	42,596,857	44,870,000	-	405,528	5,388,903	14,333,143	39,730,000

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Includes certificate of obligation secured by a combination of property and sales tax revenue.

(2) Includes governmental activities and business-type activities debt.

(3) See Table 13 for population and personal income data.

<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Leases</b>	<b>Water Revenue Bonds</b>	<b>Unamortized Premium</b>	<b>Total Primary Government (2)</b>	<b>Percentage of Personal Income (3)</b>	<b>Per Capita (3)</b>
\$ 171,101	\$ 12,740,000	\$ 482,612	\$129,118,665	11.60%	3,310
17,198	12,340,000	1,254,735	140,898,569	12.23%	3,461
14,653	6,520,000	2,860,630	150,481,032	12.80%	3,651
12,108	3,655,000	3,548,319	158,189,704	13.02%	3,717
8,937	3,582,475	3,349,611	170,053,493	13.17%	3,868
5,748	3,285,000	3,028,819	169,750,897	12.30%	3,784
2,326	2,708,028	3,002,559	169,506,376	11.44%	3,716
-	2,900,000	3,267,486	165,557,356	10.63%	3,557
-	2,700,000	2,771,511	151,301,121	8.94%	2,993
-	2,495,000	2,842,740	152,662,171	9.51%	3,040

**City of Burleson, Texas**  
**Net General Bonded Debt Outstanding (Unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES	
	General Obligation Bonds	Certificates of Obligation (3)	Unamortized Premium	Less: Amounts Available in Debt Service Fund	General Obligation Bonds (3)	Certificates of Obligation (3)
2013	\$ 34,692,000	\$ 37,925,000	\$ 1,191,961	\$ 846,752	\$ 13,608,000	\$ 21,780,000
2014	49,584,570	33,800,000	3,149,960	857,274	11,770,430	26,220,000
2015	55,518,570	31,685,000	4,790,377	873,316	21,561,430	22,520,000
2016	68,653,213	20,895,000	8,325,210	815,726	24,816,787	24,050,000
2017	73,129,176	23,256,570	7,418,969	821,623	22,564,073	30,030,000
2018	63,172,356	33,695,000	6,599,717	935,135	20,087,644	36,690,000
2019	58,076,856	39,880,000	6,294,038	526,482	17,638,144	39,665,000
2020	52,038,785	41,875,000	6,846,544	2,398,153	15,266,215	42,015,000
2021	46,569,428	40,045,000	5,704,181	2,241,124	17,250,572	35,795,000
2022	42,596,857	44,870,000	5,388,903	2,682,953	14,333,143	39,730,000

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 5 for taxable value of property data.

(2) See Table 13 for population and personal income data.

(3) Includes debt secured by a combination tax and revenue pledge.

(4) These bonds are serviced completely by revenue streams other than general property taxes.

<b>BUSINESS-TYPE ACTIVITIES</b>			<b>Net</b>		
<b>Unamortized</b>	<b>Total</b>	<b>Less:</b>	<b>General</b>	<b>Percentage</b>	<b>Per</b>
<b>Premium</b>	<b>General</b>	<b>Self-supported</b>	<b>Bonded</b>	<b>of Actual</b>	<b>Capita (2)</b>
	<b>Bonded</b>	<b>Debt (4)</b>	<b>Debt</b>	<b>Property</b>	
	<b>Debt</b>		<b>Outstanding</b>	<b>Value (1)</b>	
\$ 482,612	\$108,832,821	\$ 61,140,001	\$ 47,692,820	1.98%	1,223
1,254,735	124,922,421	66,191,289	58,731,132	2.36%	1,443
2,860,630	138,062,691	73,906,740	64,155,951	2.30%	1,557
3,548,319	149,472,803	70,561,740	78,911,063	2.62%	1,854
3,349,611	158,926,776	72,145,034	86,781,742	2.67%	1,974
3,028,819	162,338,401	83,101,740	79,236,661	2.44%	1,766
3,002,559	164,030,115	90,211,289	73,818,826	1.84%	1,618
3,267,486	158,910,877	73,562,446	85,348,431	1.94%	1,834
2,771,511	145,894,568	68,218,869	77,675,699	1.59%	1,450
2,842,740	147,078,690	85,172,633	61,906,057	1.52%	1,233

THE CITY OF  
**BURLESON**  
TEXAS

**City of Burleson, Texas**  
Direct and Overlapping  
Governmental Activities Debt (Unaudited)  
September 30, 2022

**Table 1** Item A.

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Burleson	\$ 93,261,288	100%	\$ 93,261,288
Johnson County	18,735,000	22.77%	4,265,960
Tarrant County	433,175,000	0.39%	1,689,383
Tarrant County Hospital District	255,995,000	0.39%	998,381
Tarrant County Junior College District	12,825,000	0.39%	50,018
Burleson ISD	309,726,599	62.03%	192,123,409
Joshua ISD	92,755,000	22.50%	<u>20,869,875</u>
<b>Total overlapping debt</b>			<u>\$ 219,997,024</u>
<b>Total direct and overlapping debt</b>			<u>\$ 313,258,312</u>
Per capita direct and overlapping debt			<u>\$ 6,239</u>

(1) Overlapping percentage calculated as follows:

$$\frac{\text{Overlapping portion of the government's tax base}}{\text{Total tax base of the overlapping government}}$$

Population: 50,210

Source: Hilltop Securities



# City of Burleson, Texas

## Pledged – Revenue Bond Water and Sewer Coverage (Unaudited) Last Ten Fiscal Years

### WATER AND SEWER DEBT

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Revenue Bonds	
				Debt Service	
				Principal	Interest
2013	\$ 16,213,617	\$ 10,741,772	\$ 5,471,845	\$ 920,000	\$ 565,957
2014	17,263,299	10,908,767	6,354,532	400,000	492,016
2015	17,792,538	11,053,011	6,739,527	1,070,000	492,014
2016	18,593,177	10,989,736	7,603,441	890,000	365,595
2017	19,789,388	10,568,950	9,220,438	185,000	118,625
2018	22,369,878	11,552,023	10,817,855	185,000	114,925
2019	23,030,483	12,765,375	10,265,108	190,000	111,175
2020	22,316,565	12,719,362	9,597,203	195,000	106,838
2021	21,935,286	12,878,090	9,057,196	200,000	101,900
2022	24,505,013	13,749,990	10,755,023	205,000	96,325

#### Notes:

- (1) Includes operating revenues and interest income from pg. 21
- (2) Direct operating expenses are total operating expenses excluding depreciation expense and net pension obligation expense.

## WATER AND SEWER DEBT

Revenue Bonds		Combination Tax & Revenue Bonds				Total
Debt Service		Debt Service				Water & Sewer
Total	Coverage	Principal	Interest	Total	Coverage	Bond Coverage
\$ 1,485,957	3.68	\$ 935,000	\$ 842,308	\$ 1,777,308	3.08	1.68
892,016	7.12	1,040,000	777,845	1,817,845	3.50	2.34
1,562,014	4.31	1,250,000	871,317	2,121,317	3.18	1.83
1,255,595	6.06	1,450,000	924,667	2,374,667	3.20	2.09
303,625	30.37	1,420,000	941,453	2,361,453	3.90	3.46
299,925	36.07	1,475,000	1,115,842	2,590,842	4.18	3.74
301,175	34.08	1,495,000	1,429,433	2,924,433	3.51	3.18
301,838	31.80	1,740,000	1,517,402	3,257,402	2.95	2.70
301,900	30.00	1,950,000	1,489,023	3,439,023	2.63	2.42
301,325	35.69	1,675,000	1,324,769	2,999,769	3.59	3.26

**City of Burleson, Texas**  
Demographic and Economic Statistics (Unaudited)  
Last Ten Fiscal Years

**Table 1** Item A.

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Income (6)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2013	39,010	\$ 1,112,955	\$ 28,530	32.9	10,457	4.6%
2014	40,714	1,152,369	28,304	33.0	10,618	3.9%
2015	41,213	1,175,807	28,530	33.0	11,363	3.2%
2016	42,560	1,214,833	28,544	32.9	11,376	3.1%
2017	43,960	1,291,589	29,381	32.8	11,748	3.2%
2018	44,860	1,380,162	30,766	33.0	12,054	3.2%
2019	45,620	1,481,783	32,481	33.0	12,440	2.9%
2020	46,540	1,557,461	33,465	33.0	12,775	6.9%
2021	47,730	1,597,284	33,465	35.3	12,474	4.0%
2022	50,210	1,606,017	31,986	35.3	12,532	2.9%

Sources:

- (1) North Central Texas Council of Governments(Census 2000 information average)
- (2) Personal Income is derived by multiplying per capita income by the estimated population
- (3) City of Burleson Economic Development
- (4) Burleson Independent School District
- (5) Texas Workforce Commission
- (6) U.S. Census Bureau

**City of Burleson, Texas**  
Principal Employers (Unaudited)  
Current Year and Nine Years Ago

Table 1 Item A.

Employer	2022				2013			
	Employees	Rank	Percent		Employees	Rank	Percent	
Burleson Independent School District	1,800	1	9.56	%	1,512	1	11.05	%
Wal-Mart	480	2	2.55		520	2	3.80	
City of Burleson	479	3	2.54		374	3	2.73	
H.E.B. Grocery	400	4	2.12		320	4	2.34	
Jellystone RV Ranch/Pirates Cove	400	5	2.12					
Golden State Foods	320	6	1.70					
Champion Buildings Mfg	300	7	1.59		310	5	2.27	
KWS Manufacturing	170	8	0.90		140	8	1.02	
McLane Classic Foods	120	9	0.64					
Lowe's Companies	100	10	0.53		141	7	1.03	
Basden Steel					150	6	1.10	
Home Depot					100	9	0.73	
Thomas Conveyor Mfg					90	10	0.66	
Total	4,569		24.27	%	3,657		26.72	%

Source: City of Burleson Economic Development Department (JobsEQ Report)

**City of Burleson, Texas**  
**Full-Time Equivalent City Government Employees**  
**By Function/Program (Unaudited)**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016
<b><u>Function/Program</u></b>				
General government and Administration				
City manager's office	4.50	4.00	4.00	5.00
City secretary's office	3.00	3.50	4.50	5.00
Support Services	1.00	1.00	1.00	1.00
Records management	1.00	1.00	1.00	1.00
Information technology	7.00	8.00	8.00	8.00
Economic development	2.50	2.00	2.00	2.50
Human resources	4.00	3.00	4.00	4.00
Communications	1.00	1.00	1.00	1.00
Library	10.46	11.50	12.50	11.00
Judicial	1.15	0.50	0.50	1.50
Legal	0.50	1.00	1.00	1.00
Finance	9.00	9.00	9.00	8.00
Purchasing	1.00	1.00	1.00	1.00
Public Safety				
Police	79.00	82.00	78.50	84.00
Dispatch**	-	-	-	-
Fire	34.00	36.00	38.00	40.00
Fire prevention	2.00	2.00	3.00	3.00
Emergency Services	-	-	-	-
Municipal court	8.50	6.50	8.00	3.00
Marshals Service	-	-	-	3.00
Public Works				
Public works administration	5.00	5.00	5.00	6.00
Street maintenance	20.00	18.00	17.00	17.00
Neighborhood services	2.00	2.00	2.00	2.00
Animal services	5.00	5.00	5.00	5.00
Environmental services	3.00	1.00	1.00	1.50
Facility maintenance	2.00	2.00	2.00	3.00
Planning	4.00	4.00	4.00	5.00
Building code enforcement	6.50	6.50	9.00	9.00
Community development	5.00	3.00	2.00	2.50
Engineering	10.00	9.00	9.00	12.00
Parks & Recreation				
Parks & recreation administration	3.25	2.00	3.00	2.00
Recreation	39.10	34.70	42.20	41.90
Park maintenance	12.50	11.00	11.50	12.00
Senior citizens center	1.50	2.00	2.00	2.00
Athletic Fields	8.90	9.10	9.20	8.80
Russell Farm	1.00	1.00	1.00	1.00
Enterprise Operations and Administration				
Water/Wastewater				
Water & sewer services	21.00	19.00	19.00	21.00
Utility billing	8.00	8.00	8.00	8.00
Hidden Creek Golf Course				
Golf course administration	2.00	1.00	1.00	2.00
Golf course club house & pro shop	6.07	6.25	6.25	6.50
Golf course maintenance	8.00	7.00	6.00	8.50
Golf course food & beverage	5.70	4.50	4.50	4.30
Solid Waste	0.78	1.00	2.00	1.00
Internal Service Operations				
Equipment services	5.00	5.00	4.00	3.00
<b>Total</b>	<b>354.91</b>	<b>340.05</b>	<b>352.65</b>	<b>368</b>

\*Source: City of Burleson Adopted Annual Operating Budget (beginning in FY 2019)

\*\*Dispatch separated from Police into separate department beginning in FY2021

2017	2018	2019*	2020*	2021*	2022*
4.00	4.00	4.00	3.00	3.00	3.00
4.00	4.00	4.00	4.00	3.00	3.00
1.00	1.00	1.00	-	-	-
1.00	1.00	1.00	1.00	1.00	1.00
8.00	9.00	10.00	10.00	10.00	11.00
2.50	2.50	2.00	2.00	3.00	3.00
4.00	4.00	4.00	4.00	5.00	6.00
2.00	2.00	2.50	4.00	4.00	4.50
11.00	11.00	12.00	12.00	11.00	11.00
1.00	-	-	-	-	0.50
1.00	1.00	1.00	1.00	1.00	1.00
8.00	8.00	9.00	9.00	10.00	10.00
1.00	1.00	1.00	1.00	1.00	1.00
84.50	85.50	90.76	95.76	86.50	92.50
-	-	-	-	19.26	19.26
48.00	48.00	49.00	49.00	49.00	56.00
3.00	3.00	3.00	4.00	4.00	4.00
-	-	1.00	1.00	1.00	1.00
4.00	4.00	4.00	4.00	4.00	4.00
3.00	3.00	3.00	3.00	3.00	3.00
6.00	6.00	6.00	6.00	6.00	6.00
18.00	17.00	17.00	20.00	22.00	22.00
2.00	2.00	2.00	2.00	2.00	1.00
5.50	5.50	5.00	5.50	5.50	5.50
2.00	2.00	2.00	3.00	3.00	2.00
5.00	5.00	5.00	5.00	5.00	5.00
5.00	5.00	4.00	4.00	3.00	3.00
9.00	10.00	10.00	10.00	10.00	12.00
2.50	2.50	5.00	4.00	2.00	2.00
12.00	12.00	11.50	10.00	10.00	12.00
2.00	2.00	2.00	2.00	1.00	1.00
38.10	38.60	42.26	42.26	43.76	45.76
12.00	12.00	11.91	11.91	11.91	14.91
2.00	3.00	2.84	2.84	2.84	2.84
8.10	7.10	8.83	8.83	7.83	8.83
1.00	1.40	2.28	2.28	2.28	2.28
21.00	21.00	21.00	21.00	21.00	21.00
8.00	8.00	8.00	8.00	8.00	9.00
2.00	2.00	2.00	2.00	1.00	-
6.50	6.50	6.80	6.80	6.80	6.80
9.00	9.00	8.68	8.68	7.68	7.68
4.20	4.20	4.19	4.19	4.19	4.19
1.00	1.00	1.00	-	-	-
3.00	3.00	3.00	3.00	4.00	4.00
375.9	377.8	394.55	401.05	409.55	433.55

THE CITY OF  
**BURLESON**  
TEXAS

**City of Burleson, Texas**  
**Schedule of Insurance Policies in Force (Unaudited)**  
**As of September 30, 2022**

**Table 1** Item A.

	<u>AM Best Rating</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage</u>	<u>Deductibles</u>	<u>Liability Limits</u>
Texas Municipal League Intergovernmental Risk Pool	A++	3511	10/1/2021 9/30/2022	General Liability	-	\$1,000,000
				Real & Personal Property	\$2,500	91,701,089
				Flood and Earthquake	25,000	5,000
				Boiler and Machinery	2,500	100,000
				Mobile Equipment	2,500	100,000
				Auto Liability	-	1,000,000
				Auto Physical Damage	1,000	Per schedule
				Law Enforcement Liability	1,000	2,000,000
				Errors & Omissions	5,000	2,000,000
				Public Employee Dishonesty	250	500,000
				Theft Disappearance and Destr	100	20,000
				Computer Fraud	50,000	100,000
				Workers' Compensation	N/A	500,000

Source: Claims administrators - TML Claims, 18601 LBJ Freeway, Suite 210, Tower East Tower, Mesquite, TX 75150



# City of Burleson, Texas

## Operating Indicators by Function/Program (Unaudited) Last Ten Fiscal Years

	2013	2014	2015	2016	2017
Public safety					
Police					
Total calls	78,426	83,937	82,340	72,900	63,460
Arrests	1,068	1,050	1,077	1,089	1,045
Traffic enforcement	7,929	8,981	6,470	6,312	11,374
Fire					
Number of calls for service	3,622	3,821	4,121	4,338	4,491
Inspections	2,038	2,719	3,957	4,012	2,895
Animal Control					
Animals Adopted	352	426	478	457	564
Animals Impounded	1,900	1,907	1,942	2,041	2,352
Environmental Health					
Permits <sup>1</sup>	-	-	-	-	265
Inspections	-	131	162	182	521
Community Development					
Permits Issued <sup>3</sup>	4,627	4,734	4,826	7,088	4,829
Inspections Made	11,015	13,827	15,071	15,186	14,225
Parks and Recreation					
Recreation					
Special Event Participants	33,725	28,415	38,181	41,300	44,225
Senior Citizen Participants <sup>4</sup>	34,219	35,124	33,535	37,688	36,450
Library					
Books in Collection	64,640	66,435	70,545	70,828	70,210
Materials borrowed <sup>2</sup>	406,379	432,189	413,732	436,033	333,290
Water and Sewer					
Number of water customers	13,251	13,501	13,877	14,224	14,432
Number of sewer connections	13,396	13,495	14,087	14,457	14,513
Gas Well					
Number of Permits	-	7	-	-	-
Number of Pad Site Inspections <sup>5</sup>	6,350	6,032	3,033	2,964	3,380

## Notes:

- (1) All permits collected by Tarrant County Health Department prior to June 2020.
- (2) Beginning 2017, Library discontinued counting in-house circulations.
- (3) Permits issued include building, fire prevention, and garage sales.
- (4) People counters installed in 2019 to track attendance.
- (5) Frequency of Gas Well Pad Site Inspections changed beginning in 2019.

Source: Various City Departments

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
59,062	45,349	44,477	56,916	54,364
1,107	1,210	1,276	1,221	1,314
8,733	6,672	5,162	7,754	6,864
4,274	4,505	4,473	5,174	6,387
1,427	3,281	2,139	2,170	2,132
719	799	674	660	678
1,777	1,860	1,585	1,697	1,704
294	336	334	388	468
507	447	529	670	690
4,844	4,560	4,610	3,864	4,279
13,104	12,276	15,207	13,495	14,090
44,500	45,200	17,585	19,295	37,161
35,247	55,032	Closed - Covid	14,749	38,195
68,980	65,951	65,107	63,559	53,849
338,654	348,100	287,183	278,508	267,053
14,588	15,185	15,437	15,641	15,908
14,849	15,666	16,050	16,304	16,635
-	-	-	-	-
3,276	1,000	1,000	126	126

**City of Burleson, Texas**  
**Miscellaneous Statistics (Unaudited)**  
**Last Ten Fiscal Years**

		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Date of incorporation	May 12, 1912				
Date of charter	April 5, 1989				
Area incorporated	(square miles)	26.17	26.17	26.33	28.06
Form of government	Council/Manager				
Education:					
Attendance centers		15	15	15	16
Number of teachers		665	675	685	706
Number of students		10,457	10,618	10,807	11,376
Miles of streets		185.00	181.00	185.17	192.76
Miles of sewers:					
Sanitary sewers		200.00	199.39	202.39	203.38
Storm sewers		49.00	49.70	49.47	50.68
Culture and recreation:					
Parks - number of acres		454	463.44	463.44	486.19
Number of municipal pools		2	2	2	2
Number of lighted ball diamonds		16	16	16	16
Number of community centers		2	2	2	2
Municipal water system:					
Number of water customers		13,251	13,501	13,877	14,224
Daily average consumption (gallons)		4,227,154	4,344,483	4,129,146	4,196,295
System capacity (gallons per day)		14,550,000	14,550,000	17,500,000	17,500,000
Miles of water mains		189.00	192.09	205.24	204.72
Number of fire hydrants		1,349	1,431	1,463	1,497
Municipal sewer system:					
Number of sewer connections		13,396	13,495	14,087	14,457
System capacity (gallons per day)		11,890,000	11,890,000	11,890,000	11,890,000
Number of street lights		1,421	1,442	1,457	1,539

2017	2018	2019	2020	2021	2022
28.21	28.28	28.33	28.37	28.39	28.46
16	16	17	17	18	18
759	773	780	800	813	828
11,748	12,054	12,340	12,775	12,474	12,532
196.86	201.10	209.05	212.96	215.45	222.03
209.15	213.42	214.99	215.49	217.59	225.08
55.74	60.17	59.97	60.70	62.48	62.76
477.66	542.8	554.49	565.05	562.1	554.65
2	2	2	2	2	2
16	16	18	18	18	18
2	2	2	2	2	2
14,432	14,588	15,185	15,437	15,641	15,908
4,582,278	4,928,277	4,354,776	4,544,416	4,502,115	5,256,882
17,500,000	17,500,000	17,500,000	17,500,000	17,500,000	17,500,000
208.61	211.44	212.49	216.14	220.73	223.32
1,553	1,568	1,587	1,628	1,661	1,692
14,513	14,849	15,666	16,050	16,304	16,635
11,890,000	11,890,000	11,890,000	11,890,000	11,890,000	11,890,000
1,576	1,588	1,638	1,640	1,638	1,628

THE CITY OF  
**BURLESON**  
TEXAS

# City of Burleson, Texas

Single Audit Report  
September 30, 2022

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**Independent Auditor's 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***

To the Honorable Mayor and  
City Council  
City of Burleson, Texas

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, each major fund, and the aggregate remaining fund information of the City of Burleson, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 financial statements. 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*.



The Honorable Mayor and  
City Council  
City of Burleson, Texas

**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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
February 24, 2023

**Independent Auditor's Report on Compliance for  
Each Major Federal Program and Report on Internal Control  
over Compliance in Accordance with the Uniform Guidance**

To the Honorable Mayor and  
City Council  
City of Burleson, Texas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Burleson's (the City's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

The Honorable Mayor and  
City Council  
City of Burleson, Texas

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Honorable Mayor and  
City Council  
City of Burleson, Texas

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burleson as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Burleson's basic financial statements. We issued our report thereon, dated February 24, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
February 24, 2023

# City of Burleson, Texas

## Schedule of Findings and Questioned Costs

### For the Year Ended September 30, 2022

#### I. Summary of the Auditor's Results:

##### Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered a material weakness? \_\_\_\_\_ Yes   X   None Reported
- c. Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

##### Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified that are not Considered a material weakness? \_\_\_\_\_ Yes   X   None Reported
- e. An unmodified opinion was issued on compliance for the major Federal program.
- f. Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No
- g. Identification of major program:

<u>Program/Cluster Name</u>	<u>Assistance Listing Number</u>	<u>Amount</u>
COVID-19 - American Rescue Plan Act	21.027	\$ 1,607,063

- h. The dollar threshold used to distinguish between type A and type B programs. \$750,000
- i. Auditee qualified as a low-risk auditee?   X   Yes \_\_\_\_\_ No

**City of Burleson, Texas**  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2022

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*:**

There were no matters reported

**III. Findings and Questioned Costs for Federal Awards:**

There were no matters reported

**City of Burleson, Texas**  
Summary of Prior Audit Findings  
For the Year Ended September 30, 2021

**IV. Summary of Prior Year Findings**

There were no matters reported

# City of Burleson, Texas

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
<u>U.S. Department of Justice</u>			
Passed through Texas Office of the Governor			
Victims of Crime Act Formula Grant Program	16.575	3780303	\$ 54,410
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4245001	24,183
Total Texas Office of the Governor			78,593
Total U.S. Department of Justice			78,593
<u>U.S. Department of Treasury</u>			
Passed through Texas Department of Emergency Management			
COVID-19 - American Rescue Plan Act	21.027	N/A	1,607,063
Total Texas Department of Emergency Management			1,607,063
Total U.S. Department of Treasury			1,607,063
<u>U.S. Department of Transportation</u>			
Passed through Texas Department of Transportation			
Highway Planning and Construction Cluster			
Extension of Alsbury	20.205	CSJ #0902-50-104	(278,317)
Irene Gardens to Johnson SRTS	20.205	CSJ #0902-50-125	267,005
Total Texas Department of Transportation			(11,312)
Total U.S. Department of Transportation			(11,312)
<u>Institute of Museum and Library Services</u>			
Passed through the Texas State Library and Archives Commission			
Regional ILS Cooperative Grant	45.310	LS-249990-OLS-21	66,234
ILL Lending Reimbursement Program	45.310	LS-249990-OLS-21	3,928
Community Advancement Packages Grant	45.310	LS-250239-OLS-21	7,526
Total Texas State Library and Archives Commission			77,688
Total Institute of Museum and Library Services			77,688
<u>U.S. Department of Homeland Security</u>			
Passed through Texas Department of Emergency Management			
COVID-19 Vaccine Public Assistance Grant	97.036	4485DRTXP0000001	312,471
Total Texas Department of Emergency Management			312,471
Total U.S. Department of Homeland Security			312,471
Total Expenditures of Federal Awards			\$ 2,064,503



# City of Burleson, Texas

## Notes to Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2022

#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting as described in Note 1 to the basic financial statements for the year ended September 30, 2022. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Amounts returned or refunded to a grantor resulting from unallowed or unused funds are presented as negative expenditures on the accompanying Schedule of Expenditures of Federal Awards.

The City elected not to use the de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

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## DEPARTMENT MEMO

**DEPARTMENT:** Finance  
**FROM:** Martin Avila, Finance Director  
**MEETING:** March 13, 2023

**SUBJECT:**

Receive a report, hold a discussion and provide direction regarding the proposed new City Council Policy #41, Debt Management Policy. *(Staff Presenter: Martin Avila, Director of Finance)*

**SUMMARY:**

The purpose of this newly formed policy is to establish parameters and provide guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

A debt management policy:

- Enhances the quality of decisions by providing transparency of the process
- Promotes consistency and continuity in decision making
- Contributes to fiscal sustainability
- Identifies objectives for staff to implement
- Demonstrates a commitment to longer term financial planning objectives
- Improves rating agencies review process

**OPTIONS:**

Recommend approval of proposed City Council Policy #41, Debt Management Policy  
Not recommend approval for proposed City Council Policy #41, Debt Management Policy

**RECOMMENDATION:**

Staff recommends approval

**FISCAL IMPACT:**

Budgeted Y/N: NA

Fund name:

Account number:

Project number:

**PRIOR ACTION/INPUT (Council, Boards, Citizens):****STAFF CONTACT:**

Martin Avila

Finance Director

[mavila@burlesontx.com](mailto:mavila@burlesontx.com)

817-426-9651

# Debt and Financial Policies

---

*Present to Finance and Internal Service Committee on March 13, 2023*

# Debt Policy

---

- Debt is currently discussed in the Financial Policies
- Developing a stand alone debt policy:
  - Provides transparency of process
  - Promotes consistency and continuity in decision making
  - Contributes to fiscal sustainability
  - Identifies objectives for staff to implement
  - Demonstrates a commitment to longer term financial planning objectives
  - Improves rating agencies review process

# Debt Policy Focus

---

- Not issue debt to finance current operation.
- Issue debt for capital projects and capital equipment
- Types of debt financing
  - General Obligations Bonds
  - Certificate of obligation bonds
  - Lease/purchase agreements
  - Other obligations permitted by Texas law
- Review impact of debt service requirements over a period of time
  - Debt capacity
  - 5 year Capital Improvement Plan
- Work closely with City's Financial Advisor and Bond Counsel

# Debt Policy - Measurement

---

- Ensure the flexibility to meet future capital needs
- Maximum Maturity – earlier of
  - Estimate useful life of Capital Improvement/Equipment being financed
  - 20 years except for special purpose debt as determined by City Council which may be finance for periods consistent with the purpose of the debt
  - Refinancing debt, the final maturity of the debt obligations being refinanced.
- Monitor and report debt to City Council at least annually
  - Budget process
- Evaluate debt capacity

# Debt Policy – Measurement (Con't)

---

- Evaluate debt capacity
  - 5 year CIP Plan
  - Growth of the City
  - Reduce levels of debt service payments over life of existing bonds
- Self-supporting debt
  - Bonds backed with general obligation pledge
    - Strong bond rating for lower interest rate than revenue bonds
  - Debt service payments supported by revenues generated from respective fund.
    - 4A Economic Development Corporation
    - 4B Community Service Corporation
    - Water and Waste Water Operations
    - Tax Increment Financing (TIF)



# Debt Policy – Measurement (Con't)

- Net Debt Per Capita
  - Amount of debt outstanding per citizen
  - Tax supported debt
  - Strive to be “at or below \$3,000”
  - Current Net Debt per Capita is \$1,181
    - Low due to overall tax supported debt has been reduced
  - Historically it has been as high as \$1,634

## SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita	% of Total Tax Collections
2018	43,960	\$ 3,631,532,375	\$ 82,610	\$ 71,847,552	1.98%	\$ 1,634	99.64%
2019	45,846	4,008,018,365	87,424	71,437,552	1.78%	1,558	99.60%
2020	45,620 <sup>(6)</sup>	4,393,345,069	96,303	66,976,129	1.52%	1,468	99.01%
2021	46,540	4,707,770,267	101,155	59,462,359	1.26%	1,278	99.95%
2022	47,730	4,778,035,520	100,106	56,357,367 <sup>(4)</sup>	1.18% <sup>(4)</sup>	1,181 <sup>(4)</sup>	94.47% <sup>(5)</sup>

2022 Official Statement

# Debt Policy – Measurement (Con’t)

- Net Debt to Assessed Value Ratio
  - Fiscal capacity of the tax base
  - Strive to be “at or below 3%
  - Current ratio is 1.18%
    - Low due to reduction of debt over the last 4 years
  - Historically, ratio has been as high as 1.98%

SELECTED FINANCIAL INFORMATION							
Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita	% of Total Tax Collections
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2022 Official Statement

# Debt Committee

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- Finance and Internal Service Committee
  - Designated as the Debt Committee
  - Oversee the debt policy
  - Shall meet as needed throughout the fiscal year.

2022 Official Statement

# Financial Policy

# Financial Policy Update

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- Last update was on 6/21/2021
- Updates are focused on:
  - Current processes
  - Frequency of meeting
  - Timeline requirement
  - New Debt Policy

# Financial Policy Update

---

- Statement of Purpose (Page 1)

The more specific purpose is to provide guidelines to ~~the Finance Director Management~~ in planning and directing the City's ~~day-to-day financial affairs~~ and in developing recommendations to ~~the City Manager and~~ City Council.

The scope of the financial policies include the City's investment, debt and continuing disclosure policies covering areas such as ~~se policies generally spans, among other issues,~~ accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, debt management, and planning concepts, in order to:

Focus on providing guidelines to Management

Expansion of Financial Policy to include Investment, Debt and Continuing Disclosure Policies

# Financial Policy Update

- General Implementation and Compliance Guidelines (Pages 1 & 2)

A. FINANCE COMMITTEE. The Finance and Internal Services City Council Committee, the City Manager, and the Finance Director shall be designated as the Finance Committee. The committee may meet ~~annually~~quarterly, or as needed. ~~The committee will report to the City Council within 10-14 days after each meeting.~~ The function of the committee will be:

- 1) Fiscal policy review
- 2) Auditor selection recommendation
- 3) Investment and Debt policy review and guidance
- 4) Long-range planning

Revised meetings from quarterly to at least annually. Removed reporting requirement to report to City Council within 10-14 days after each meeting.

C. IMPLEMENTATION, COMPLIANCE, ACCOUNTABILITY AND REVIEW. The Finance Director will be ~~accountable~~responsible for implementing these policies and will, to the best of his or her knowledge, make the City Manager, Finance Committee and the City Council aware of any variances in practice from these policies or any other deviation from prudent financial practices in accordance with GAAP, the city charter, state laws and/or ethics of the profession. ~~Any variances will be presented at quarterly meetings of the Finance Committee, unless there is a need for a special meeting.~~

Revised wording to “responsible”. Removed last sentence regarding quarterly meeting.

# Financial Policy Update

- Accounting, Auditing, and Financial Reporting (Page 2)

- A. ACCOUNTING. The City is solely responsible for the reporting of its financial affairs, both internally and externally. The City Manager is the City's Chief Fiscal Officer and the head of the administrative branch of the City government. ~~The Director of Finance is appointed by the City Manager to have full charge of the administration of the financial affairs of the City. The City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions~~ as specified in the City's Charter Article VII, Section 68.
- B. AUDITING. An independent certified public accounting (CPA) firm will perform annual financial audits.
  - 3) Timing. The auditor's report on the City's financial statements will be completed within ~~18~~50 days of the City's fiscal year end.
  - 4) Management Letter. The independent CPA firm shall provide a management letter, if one is issued, no later than March 31 following the end of each fiscal year. The auditor will prepare and will jointly review the management letter with the Finance Committee ~~within 20 working days of its receipt by the staff. Within 10 days of this joint review,~~ the Finance Director shall respond in writing to the City Manager and City Council regarding the auditor's management letter, addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor's report upon the resolution of any issues resulting from the joint review.

Revised wording to say City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions.

Revised timeline to complete annual financial report from 150 days to 180 days. Aligned with State requirements.

Removed timeline for communicating management letter.



# Financial Policy Update

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- Section B. Audit – continued (Page 3)

~~7) Auditor Accountability to Staff. The following will be provided to City Staff by the auditor:~~

- ~~a. Hourly time sheets accounting for time spent both by audit phase and level of auditor will be submitted to the City on a monthly basis.~~
- ~~b. Copies of all work papers, either electronically or on paper, will be furnished to the City upon completion of the audit. Originals will be maintained at the auditor's office.~~

Removed section

# Financial Policy Update

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- C. Financial Reporting (Page 3)

- 1) External Reporting.

- a. Scope. The Annual Comprehensive Financial Report shall be prepared in accordance with generally accepted accounting principles (GAAP).
    - b. Timing. The Report shall be presented to the Council within 1850 calendar days of the City's fiscal year end. If City staffing limitations preclude such timely reporting, the Finance Director will inform the City Council of the delay and the reasons thereof.
    - c. Awards. The Report shall be presented annually to the Government Finance Officer's Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. ~~(For a discussion of this award, see XI.C. below).~~

Minor changes. Revised number of days from 150 to 180.

- ~~2)~~ Internal Reporting. The Finance Department will prepare internal financial reports, sufficient to plan, monitor, and control the City's financial affairs. Internal financial reporting objectives are addressed throughout these policies. ~~(See Section IV, Budgeting, C. Reporting, below).~~

# Financial Policy Update

- Operating Budget (Page 4)

- B. BALANCED BUDGET. The operating budget will be balanced with current revenues and other resources greater than or equal to current expenditures/expenses. Use of beginning balances and other reserves to balance operations will be will be discussed with City Council during the budget process.~~disclosed in the document with the underlying rationale.~~

- Revenue Management (Page 5)

- 5) DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to changes~~fluctuations~~ in the economy and variations in weather, a diversified revenue system will be maintained ~~which has a stable source of income to provide stability. This stability is also achieved by a balance between elastic and inelastic sources of revenues.~~
- 6) GRANTS AND RESTRICTED REVENUES. In order to maintain flexibility in the revenue system, grants and restricted revenues~~restricted revenues will be kept to a minimum,~~ ~~and~~ shall be pursued on a cost-benefit basis. All grants and other federal/state, and restricted funds shall be managed and accounted to comply with the laws, regulations, and guidance of the grantor.

Revised wording

# Financial Policy Update

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- Revenue Management (Page 7)

- 7) REVENUE MONITORING. Revenues received will be ~~regularly~~ compared to budgeted revenues through out the fiscal year and significant variances will be investigated. ~~This process will be summarized in the appropriate budget report.~~

Updated to current process

- Expenditure Control (Page 8)

- A. APPROPRIATIONS. The level of budgetary control is at the fund level for all operating funds~~Department level budget in the General and Enterprise Funds, and at the fund level in all other funds. When budget adjustments among Departments and/or funds are necessary, these must be approved by the City Council.~~ Budget appropriations amendments at lower levels of control, which is defined as transfers ~~that increase budgetary fund balances~~, shall be made in accordance with the applicable administrative procedures.

Update to current process

# Financial Policy Update

- Expenditure Control (Page 9)

H. AUTHORIZATION OF PAYMENT. Two signatures are required to conduct business of behalf City of Burleson, Texas. ~~Both~~ OTH the City Manager and the Director of Finance, or their designee(s), are hereby authorized to execute the required Agreement with the Bank Depository. Designee(s) who are authorized to transact business on behalf of the City Manager are a City of Burleson's Deputy City Manager or the City Secretary. The designee who is authorized to transact business on behalf of the Director of Finance is the City of Burleson's Assistant Director of Finance and Controller. ~~Payments may use reproducible authorized signature(s) or ACH (automated clearinghouse)~~

Revise and update to current process

- Capital Budget and Program (page 11)

A. PREPARATION. The City will ~~endeavor to~~ develop a 5 year capital improvement plan (CIP) budget to include all capital projects being considered and all resources for capital funding. The budget will be prepared on a fiscal year ending calendar and reported annually. The 5 year CIP capital budget will be prepared by Department Director and presented to City council during the budget process. ~~the~~ Finance Director will work closely with Department to ensure funding capacity is available. ~~with the involvement of all department staff as needed.~~

# Financial Policy Update

- Fund Classification (Page 13)

- General Fund

- ~~i. 001 General Fund~~
- ~~ii. 002 General Fund — Health Insurance — Assigned~~

- DEBT SERVICE FUNDS RESTRICTED:

- ~~i. 201 Debt Service Fund — General — Restricted~~
- ~~ii. 202 4B Sales Tax Debt Service — Restricted~~
- ~~iii.i. 203 4A Sales Tax Debt Service — Restricted~~

- CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED

- ~~i. 301 Street Paving Trust — Committed~~
- ~~ii. 302 Park Dedication Fund — Committed~~
- ~~iii. 352 Miscellaneous Capital Projects — Committed~~
- ~~iv. 351 4A Sales Tax Capital Project Fund — Committed~~
- ~~v. 350 4B Sales Tax Capital Project Fund — Committed~~
- ~~vi. 353-354 Mineral Lease Funded Capital Projects — Committed~~

- SPECIAL REVENUE FUNDS RESTRICTED/COMMITTED

- ~~i. 101 General Government SRF — Restricted~~
- ~~ii. 102 Public Safety SRF — Restricted~~
- ~~iii. 103 Public Works SRF — Restricted~~
- ~~iv. 104 Culture & Recreation SRF — Restricted~~
- ~~v. 105 Hotel/Motel SRF — Restricted~~
- ~~vi. 106 BCDC 4B Sales Tax SRF — Restricted~~
- ~~vii. 107 Public Safety Grants SRF — Restricted~~
- ~~viii. 109 Culture & Recreation Grant SRF — Restricted~~
- ~~ix. 110 BCDC 4A Sales Tax SRF — Restricted~~
- ~~x. 113 Economic Development Incentive SRF — Restricted~~
- ~~xi. 114 TIF #2 SRF — Restricted~~
- ~~xii. 115 Traffic Safety SRF — Restricted~~
- ~~xiii. 116 Parks Performance SRF — Committed~~
- ~~xiv.i. 117 General Government Grants SRF — Restricted~~

# Financial Policy Update

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- Fund Classification (Page 14)

- 4) CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED

- i. ~~301 Street Paving Trust — Committed~~
    - ii. ~~302 Park Dedication Fund — Committed~~
    - iii. ~~352 Miscellaneous Capital Projects — Committed~~
    - iv. ~~351 4A Sales Tax Capital Project Fund — Committed~~
    - v. ~~350 4B Sales Tax Capital Project Fund — Committed~~
    - vi. ~~353-354 Mineral Lease Funded Capital Projects — Committed~~

- 4) ~~When it is appropriate for fund balance to be assigned, the Council delegates that authority to the Director of Finance.~~

Removed wording. Assigning fund balance should be approved by City Council



# Financial Policy Update

- Debt Management (Page 15-17)

B. ~~TYPES OF DEBTS~~ DEBT MANAGEMENT The City's Debt Management Policy establishes parameters and provides guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

- a. ~~SHORT TERM DEBT.~~ Pursuant to the City Charter, tax anticipation notes ("TAN") will be retired annually and will not exceed 25% of anticipated taxes. Bond anticipation notes ("BAN") will be retired within six months of completion of the project. Any short-term debt outstanding at year-end will not exceed 5% (including TAN but excluding BAN) of net operating revenues.
- b. ~~LONG TERM DEBT.~~ Long-term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.
- c. ~~SELF-SUPPORTING DEBT.~~ When appropriate, self-supporting revenues will pay debt service in lieu of tax revenues.

Update to reference debt policy and remove debt information from this policy



# Financial Policy Update

- Debt Management (Page 15-17)

B. ~~TYPES OF DEBTS~~ DEBT MANAGEMENT The City's Debt Management Policy establishes parameters and provides guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

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- b. ~~LONG TERM DEBT.~~ Long-term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.
- c. ~~SELF-SUPPORTING DEBT.~~ When appropriate, self-supporting revenues will pay debt service in lieu of tax revenues.

Update to reference debt policy and remove debt information from this policy

# Financial Policy Update

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- Awards, Credentials and Recognition (Page 19)

The City will strive to maintain a high level of excellence in its accounting policies and practices as it prepares its Financial Report. The Report will be presented to the Government Finance Officers Association (GFOA) for review of qualifications necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. Additionally, the City will submit its annual budget to GFOA for consideration for Distinguished Budget Award, and submit Investment Policy to obtain the Certificate of Distinction from the Government Treasurers' Organization of Texas.

Add GTOT Distinction

# Financial Policy Update

- Attachment A – Authorized Individuals for Wire Transfers

Any **two** individuals listed below are hereby authorized to:

1. Execute wire transfers for security purchases executed on a delivery vs payment basis and for which custodial safekeeping is maintained at an approved institution.
2. Execute wire transfers to approved investment pools and paying agents.
3. Make a wire transfer for any other purpose. Any revision, addition or deletion involving an approved custodial agent, investment pool, or paying agent. .

~~The City Council shall approve the additions or deletions of any custodial agent, investment pool, or paying agent as shown in attachment "A", "B" and "C".~~ Revisions will be provided to the Finance Committee at their next ~~regularly~~ scheduled meeting.

*Director of Finance*  
*City Manager*  
*Deputy City Manager*  
*Assistant Finance Director*  
*Controller*  
*Chief Accountant*  
*Senior Accountant*  
*Supervisory Accountant*

Changes to Attachment A will be approved as part of the Financial Policy.

# Option

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- Finance and Internal Service Committee:
  - Recommend approval of Debt Policy and Finance Policy Updates.
  - Does not recommend approval of Debt Policy and Finance Policy Updates
- Staff recommends approval

# QUESTIONS/COMMENTS

## **City of Burleson Debt Management Policy**

### **Purpose**

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

A debt management policy:

- Enhances the quality of decisions by providing transparency of the process
- Promotes consistency and continuity in decision making
- Contributes to fiscal sustainability
- Identifies objectives for staff to implement
- Demonstrates a commitment to longer term financial planning objectives
- Improves rating agencies review process

### **Policy Statement**

Under the governance and guidance of Federal and State laws and the City's Charter, ordinances and resolutions may periodically enter into debt obligations to finance the construction or acquisition of infrastructure and other assets; or to refinance existing debt for the purpose of meeting its governmental obligations to its residents. It is the City's objective to ensure that such debt obligations are issued and administered in such fashion as to obtain the best long term financial advantage to the City and its residents, while making every effort to maintain and improve the City's bond ratings.

### **General Debt Governing Policies**

The City establishes the following policies on the issuance and management of debt:

- The City will not issue debt obligations or use debt proceeds to finance current operations or normal maintenance.

- Debt financing includes general obligation bonds, certificates of obligation, revenue bonds, lease/purchase agreements and other obligations permitted to be issued under Texas law.
- The City shall review its outstanding debt annually for the purpose of determining if the financial marketplace will afford the City the opportunity to refund an issue and lessen its debt service cost. As a general rule, the present values savings of a particular refunding should exceed three and one-half percent (3.5%) of the refunded maturities, unless a restructuring or bond covenant revision is necessary in order to facilitate the ability to provide services or issue additional debt in accordance with the established debt policies.
- The City will utilize debt obligations only for acquisition, construction, reconstruction or renovation of capital improvement public infrastructure projects, and capital equipment that cannot be funded from current revenue sources or in such cases where it is more equitable for the project to be financed over its useful life or a period of not to exceed its useful life.
- The City will measure the impact of debt service requirements of outstanding and proposed debt obligations on a single year, five, and twenty year periods. This analysis will consider debt service maturities and payment patterns as well as the City's commitment to cash fund capital projects.
- The City will seek advice and services of a Financial Advisor in performing the bond issuance process. The City will also seek the advice of Bond Counsel as to the legality and tax exempt status of any obligations.
- The bond proceeds will be invested in accordance with the City's investment policy. Interest earning received on the investment of bond proceeds shall be use to assist in paying the cost associated with the capital project or be used toward the repayment of debt. The City is committed to continuing disclosure of financial and pertinent credit information relevant

to the City's outstanding securities and will abide by the provisions of the Securities and Exchange Commission (SEC) or other law, as applicable.

- The City will utilize a reimbursement resolution approved by City Council to begin working on capital projects prior to issuing debt. In general, reimbursements are made no later than 18 months after the later of the date of the original expenditure is made or the date the project is placed in service, but in no event more than 3 years after the original expenditure is paid.

### **Debt Limit**

- The maximum combined tax rate of the City is \$2.50 per \$100 valuation under State law. Administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all tax supported debt service, as calculated at the time of issuance.
- The State of Texas does not prescribe a legal debt limit on the amount of outstanding revenue bonds.
- The City of Burleson's charter does not provide a debt limit lower than the \$2.50 maximum tax rate under State law.

### **Specific Debt Ratios and Measurements**

This section establishes target debt ratios and measurements for the City. As the City periodically addresses its ongoing needs, the City Manager and the City Council must ensure that future elected officials will have the flexibility to meet the capital needs of the City. This policy establishes targets which should provide future flexibility.

**Purpose of Issuance** – The City will issue debt obligations for acquiring, constructing, reconstructing or renovating Capital Improvements or for refinancing existing debt obligations. Projects must be designated as public purpose projects by the City Council prior funding



**Maximum Maturity** – All debt obligations shall have a maximum maturity of the earlier of,

- The estimate useful life of the Capital Improvements being financed;
- Or twenty years except for special purpose debt as determined by the City Council which may be finance for periods consistent with the purpose of the debt;
- Or debt issued to refinance outstanding debt obligations, the final maturity of the debt obligations being refinanced, unless the Financial Advisor recommends a longer term.

**Outstanding Debt** – Finance Director will monitor and report the outstanding debt to the City Council at least annually. The Finance Director is responsible for monitoring the maturities and terms and conditions of all obligations to ensure compliance.

**Future debt** – Debt will be structured by reviewing the 5-year CIP plan, growth of the City, and level or declining debt service payments over the life of existing bonds.

**Self-Supporting Debt** – Bonds backed with the general obligation pledge often have lower interest rates than revenue bonds. The City may use its general obligation pledge with self-supporting debt when the population served by the self-supporting bond projects overlap or significantly are the same as the property tax base of the city. The City Council and management are committed to maintaining rates and fees structures and revenue stream of revenue supported debt at levels that will not require a subsidy from the City's General Fund.

**Net Debt Per Capita** – is the amount of debt outstanding for each citizen of a jurisdiction. Net direct debt is the sum of all general obligation bonds and notes outstanding less the fiscal year-end balance of the debt service fund less any self-supporting obligations excluding overlapping debt, and

revenue debt. The City **shall strive** to maintain the current Net Debt per Capita at or below \$3,000.

**Net Debt to Assessed Value** – Assessed valuation shows the fiscal capacity of the tax base. The City **shall strive** to maintain a ratio of Net Debt to Assessed Value of properties in the City at or below three percent (3%).

**Bond Covenants and Laws** – The City shall comply with all covenants and requirements of its bond ordinances, the State and Federal laws authorizing and governing the issuance and administration of debt obligations.

### **Debt Committee**

The Finance and Internal Service Committee shall function as the City's designated Debt Committee to oversee the implementation of debt strategies. The Committee shall meet as such times as necessary or requested by the City Manager and/or Finance Director.

---

## DEPARTMENT MEMO

**DEPARTMENT:** Finance  
**FROM:** Martin Avila, Finance Director  
**MEETING:** March 13, 2023

**SUBJECT:**

Receive a report, hold a discussion and provide staff direction regarding the proposed amended City Council Policy #32, Financial Policy. *(Staff Presenter: Martin Avila, Director of Finance)*

**SUMMARY:**

The City's financial policies provide a road map on key aspects of the financial operations. Staff will review the financial policy on an annual basis and will recommend updates as needed. Council adopted City Council Policy #32, Financial Policy on July 2, 2018, and the last update approved by Council was on June 21, 2021. A redline version of the financial policies is provided for review. Key updates focus on current processes, frequency of meetings, timeline requirements, and new debt policy

**OPTIONS:**

Recommend approval for the proposed amended City Council #32, Financial Policy  
Not recommend approval for the proposed amended City Council Policy Financial Policy #32

**RECOMMENDATION:**

Staff recommends approval

**FISCAL IMPACT:**

Budgeted Y/N: NA  
Fund name:  
Account number:  
Project number:

**PRIOR ACTION/INPUT (Council, Boards, Citizens):**

**STAFF CONTACT:**

Martin Avila  
Finance Director  
[mavila@burlesontx.com](mailto:mavila@burlesontx.com)  
817-426-9651

# Debt and Financial Policies

---

*Present to Finance and Internal Service Committee on March 13, 2023*

# Debt Policy

---

- Debt is currently discussed in the Financial Policies
- Developing a stand alone debt policy:
  - Provides transparency of process
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  - Contributes to fiscal sustainability
  - Identifies objectives for staff to implement
  - Demonstrates a commitment to longer term financial planning objectives
  - Improves rating agencies review process

# Debt Policy Focus

---

- Not issue debt to finance current operation.
- Issue debt for capital projects and capital equipment
- Types of debt financing
  - General Obligations Bonds
  - Certificate of obligation bonds
  - Lease/purchase agreements
  - Other obligations permitted by Texas law
- Review impact of debt service requirements over a period of time
  - Debt capacity
  - 5 year Capital Improvement Plan
- Work closely with City's Financial Advisor and Bond Counsel

# Debt Policy - Measurement

---

- Ensure the flexibility to meet future capital needs
- Maximum Maturity – earlier of
  - Estimate useful life of Capital Improvement/Equipment being financed
  - 20 years except for special purpose debt as determined by City Council which may be finance for periods consistent with the purpose of the debt
  - Refinancing debt, the final maturity of the debt obligations being refinanced.
- Monitor and report debt to City Council at least annually
  - Budget process
- Evaluate debt capacity



# Debt Policy – Measurement (Con't)

---

- Evaluate debt capacity
  - 5 year CIP Plan
  - Growth of the City
  - Reduce levels of debt service payments over life of existing bonds
- Self-supporting debt
  - Bonds backed with general obligation pledge
    - Strong bond rating for lower interest rate than revenue bonds
  - Debt service payments supported by revenues generated from respective fund.
    - 4A Economic Development Corporation
    - 4B Community Service Corporation
    - Water and Waste Water Operations
    - Tax Increment Financing (TIF)

# Debt Policy – Measurement (Con't)

- Net Debt Per Capita
  - Amount of debt outstanding per citizen
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  - Strive to be “at or below \$3,000”
  - Current Net Debt per Capita is \$1,181
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## SELECTED FINANCIAL INFORMATION

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2018	43,960	\$ 3,631,532,375	\$ 82,610	\$ 71,847,552	1.98%	\$ 1,634	99.64%
2019	45,846	4,008,018,365	87,424	71,437,552	1.78%	1,558	99.60%
2020	45,620 <sup>(6)</sup>	4,393,345,069	96,303	66,976,129	1.52%	1,468	99.01%
2021	46,540	4,707,770,267	101,155	59,462,359	1.26%	1,278	99.95%
2022	47,730	4,778,035,520	100,106	56,357,367 <sup>(4)</sup>	1.18% <sup>(4)</sup>	1,181 <sup>(4)</sup>	94.47% <sup>(5)</sup>

2022 Official Statement

# Debt Policy – Measurement (Con't)

- Net Debt to Assessed Value Ratio
  - Fiscal capacity of the tax base
  - Strive to be “at or below 3%
  - Current ratio is 1.18%
    - Low due to reduction of debt over the last 4 years
  - Historically, ratio has been as high as 1.98%

## SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita	% of Total Tax Collections
2018	43,960	\$ 3,631,532,375	\$ 82,610	\$ 71,847,552	1.98%	\$ 1,634	99.64%
2019	45,846	4,008,018,365	87,424	71,437,552	1.78%	1,558	99.60%
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2022	47,730	4,778,035,520	100,106	56,357,367 <sup>(4)</sup>	1.18% <sup>(4)</sup>	1,181 <sup>(4)</sup>	94.47% <sup>(5)</sup>

2022 Official Statement

# Debt Committee

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- Finance and Internal Service Committee
  - Designated as the Debt Committee
  - Oversee the debt policy
  - Shall meet as needed throughout the fiscal year.

2022 Official Statement

# Financial Policy

# Financial Policy Update

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- Last update was on 6/21/2021
- Updates are focused on:
  - Current processes
  - Frequency of meeting
  - Timeline requirement
  - New Debt Policy

# Financial Policy Update

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- Statement of Purpose (Page 1)

The more specific purpose is to provide guidelines to ~~the Finance Director Management~~ in planning and directing the City's ~~day-to-day financial affairs~~ and in developing recommendations to ~~the City Manager and~~ City Council.

Focus on providing guidelines to Management

The scope of the financial policies include the City's investment, debt and continuing disclosure policies covering areas such as ~~se policies generally spans, among other issues,~~ accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, debt management, and planning concepts, in order to:

Expansion of Financial Policy to include Investment, Debt and Continuing Disclosure Policies

# Financial Policy Update

- General Implementation and Compliance Guidelines (Pages 1 & 2)

A. FINANCE COMMITTEE. The Finance and Internal Services City Council Committee, the City Manager, and the Finance Director shall be designated as the Finance Committee. The committee may meet ~~annually~~quarterly, or as needed. ~~The committee will report to the City Council within 10-14 days after each meeting.~~ The function of the committee will be:

- 1) Fiscal policy review
- 2) Auditor selection recommendation
- 3) Investment and Debt policy review and guidance
- 4) Long-range planning

Revised meetings from quarterly to at least annually. Removed reporting requirement to report to City Council within 10-14 days after each meeting.

C. IMPLEMENTATION, COMPLIANCE, ACCOUNTABILITY AND REVIEW. The Finance Director will be ~~accountable~~responsible for implementing these policies and will, to the best of his or her knowledge, make the City Manager, Finance Committee and the City Council aware of any variances in practice from these policies or any other deviation from prudent financial practices in accordance with GAAP, the city charter, state laws and/or ethics of the profession. ~~Any variances will be presented at quarterly meetings of the Finance Committee, unless there is a need for a special meeting.~~

Revised wording to “responsible”. Removed last sentence regarding quarterly meeting.



# Financial Policy Update

- Accounting, Auditing, and Financial Reporting (Page 2)

- A. ACCOUNTING. The City is solely responsible for the reporting of its financial affairs, both internally and externally. The City Manager is the City's Chief Fiscal Officer and the head of the administrative branch of the City government. ~~The Director of Finance is appointed by the City Manager to have full charge of the administration of the financial affairs of the City. The City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions~~ as specified in the City's Charter Article VII, Section 68.
- B. AUDITING. An independent certified public accounting (CPA) firm will perform annual financial audits.
- 3) Timing. The auditor's report on the City's financial statements will be completed within ~~18~~50 days of the City's fiscal year end.
- 4) Management Letter. The independent CPA firm shall provide a management letter, if one is issued, no later than March 31 following the end of each fiscal year. The auditor will prepare and will jointly review the management letter with the Finance Committee ~~within 20 working days of its receipt by the staff. Within 10 days of this joint review,~~ the Finance Director shall respond in writing to the City Manager and City Council regarding the auditor's management letter, addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor's report upon the resolution of any issues resulting from the joint review.

Revised wording to say City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions.

Revised timeline to complete annual financial report from 150 days to 180 days. Aligned with State requirements.

Removed timeline for communicating management letter.

# Financial Policy Update

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- Section B. Audit – continued (Page 3)

~~7) Auditor Accountability to Staff. The following will be provided to City Staff by the auditor:~~

- ~~a. Hourly time sheets accounting for time spent both by audit phase and level of auditor will be submitted to the City on a monthly basis.~~
- ~~b. Copies of all work papers, either electronically or on paper, will be furnished to the City upon completion of the audit. Originals will be maintained at the auditor's office.~~

Removed section

# Financial Policy Update

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- C. Financial Reporting (Page 3)

- 1) External Reporting.

- a. Scope. The Annual Comprehensive Financial Report shall be prepared in accordance with generally accepted accounting principles (GAAP).
    - b. Timing. The Report shall be presented to the Council within 1850 calendar days of the City's fiscal year end. If City staffing limitations preclude such timely reporting, the Finance Director will inform the City Council of the delay and the reasons thereof.
    - c. Awards. The Report shall be presented annually to the Government Finance Officer's Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. ~~(For a discussion of this award, see XI.C. below).~~

Minor changes. Revised number of days from 150 to 180.

- ~~2)~~ Internal Reporting. The Finance Department will prepare internal financial reports, sufficient to plan, monitor, and control the City's financial affairs. Internal financial reporting objectives are addressed throughout these policies. ~~(See Section IV, Budgeting, C. Reporting, below).~~

# Financial Policy Update

- Operating Budget (Page 4)

- B. BALANCED BUDGET. The operating budget will be balanced with current revenues and other resources greater than or equal to current expenditures/expenses. Use of beginning balances and other reserves to balance operations will be will be discussed with City Council during the budget process.~~disclosed in the document with the underlying rationale.~~

- Revenue Management (Page 5)

- 5) DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to changes~~fluctuations~~ in the economy and variations in weather, a diversified revenue system will be maintained ~~which has a stable source of income to provide stability. This stability is also achieved by a balance between elastic and inelastic sources of revenues.~~
- 6) GRANTS AND RESTRICTED REVENUES. In order to maintain flexibility in the revenue system, grants and restricted revenues~~restricted revenues will be kept to a minimum, and~~ shall be pursued on a cost-benefit basis. All grants and other federal/state, and restricted funds shall be managed and accounted to comply with the laws, regulations, and guidance of the grantor.

Revised wording

# Financial Policy Update

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- Revenue Management (Page 7)

- 7) REVENUE MONITORING. Revenues received will be ~~regularly~~ compared to budgeted revenues through out the fiscal year and significant variances will be investigated. ~~This process will be summarized in the appropriate budget report.~~

Updated to current process

- Expenditure Control (Page 8)

- A. APPROPRIATIONS. The level of budgetary control is at the fund level for all operating funds~~Department level budget in the General and Enterprise Funds, and at the fund level in all other funds. When budget adjustments among Departments and/or funds are necessary, these must be approved by the City Council.~~ Budget appropriations amendments~~at lower levels of control, which is defined as transfers that increase budgetary fund balances,~~ shall be made in accordance with the applicable administrative procedures.

Update to current process

# Financial Policy Update

- Expenditure Control (Page 9)

H. AUTHORIZATION OF PAYMENT. Two signatures are required to conduct business of behalf City of Burleson, Texas. ~~Both~~ OTH the City Manager and the Director of Finance, or their designee(s), are hereby authorized to execute the required Agreement with the Bank Depository. Designee(s) who are authorized to transact business on behalf of the City Manager are a City of Burleson's Deputy City Manager or the City Secretary. The designee who is authorized to transact business on behalf of the Director of Finance is the City of Burleson's Assistant Director of Finance and Controller. ~~Payments may use reproducible authorized signature(s) or ACH (automated clearinghouse)~~

Revise and update to current process

- Capital Budget and Program (page 11)

A. PREPARATION. The City will ~~endeavor to~~ develop a 5 year capital improvement plan (CIP) budget to include all capital projects being considered and all resources for capital funding. The budget will be prepared on a fiscal year ending calendar and reported annually. The 5 year CIP capital budget will be prepared by Department Director and presented to City council during the budget process. ~~the~~ Finance Director will work closely with Department to ensure funding capacity is available. ~~with the involvement of all department staff as needed.~~



# Financial Policy Update

- Fund Classification (Page 13)

- General Fund

- ~~i. 001 General Fund~~
- ~~ii. 002 General Fund — Health Insurance — Assigned~~

- DEBT SERVICE FUNDS RESTRICTED:

- ~~i. 201 Debt Service Fund — General — Restricted~~
- ~~ii. 202 4B Sales Tax Debt Service — Restricted~~
- ~~iii.i. 203 4A Sales Tax Debt Service — Restricted~~

- CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED

- ~~i. 301 Street Paving Trust — Committed~~
- ~~ii. 302 Park Dedication Fund — Committed~~
- ~~iii. 352 Miscellaneous Capital Projects — Committed~~
- ~~iv. 351 4A Sales Tax Capital Project Fund — Committed~~
- ~~v. 350 4B Sales Tax Capital Project Fund — Committed~~
- ~~vi. 353-354 Mineral Lease Funded Capital Projects — Committed~~

- SPECIAL REVENUE FUNDS RESTRICTED/COMMITTED

- ~~i. 101 General Government SRF — Restricted~~
- ~~ii. 102 Public Safety SRF — Restricted~~
- ~~iii. 103 Public Works SRF — Restricted~~
- ~~iv. 104 Culture & Recreation SRF — Restricted~~
- ~~v. 105 Hotel/Motel SRF — Restricted~~
- ~~vi. 106 BCDC 4B Sales Tax SRF — Restricted~~
- ~~vii. 107 Public Safety Grants SRF — Restricted~~
- ~~viii. 109 Culture & Recreation Grant SRF — Restricted~~
- ~~ix. 110 BCDC 4A Sales Tax SRF — Restricted~~
- ~~x. 113 Economic Development Incentive SRF — Restricted~~
- ~~xi. 114 TIF #2 SRF — Restricted~~
- ~~xii. 115 Traffic Safety SRF — Restricted~~
- ~~xiii. 116 Parks Performance SRF — Committed~~
- ~~xiv.i. 117 General Government Grants SRF — Restricted~~

# Financial Policy Update

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- Fund Classification (Page 14)

## 4) CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED

- i. ~~301 Street Paving Trust — Committed~~
- ii. ~~302 Park Dedication Fund — Committed~~
- iii. ~~352 Miscellaneous Capital Projects — Committed~~
- iv. ~~351 4A Sales Tax Capital Project Fund — Committed~~
- v. ~~350 4B Sales Tax Capital Project Fund — Committed~~
- vi. ~~353-354 Mineral Lease Funded Capital Projects — Committed~~

- 4) ~~When it is appropriate for fund balance to be assigned, the Council delegates that authority to the Director of Finance.~~

Removed wording. Assigning fund balance should be approved by City Council



# Financial Policy Update

- Debt Management (Page 15-17)

B. ~~TYPES OF DEBTS~~ DEBT MANAGEMENT The City's Debt Management Policy establishes parameters and provides guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by te City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

- a. ~~SHORT TERM DEBT.~~ Pursuant to the City Charter, tax anticipation notes ("TAN") will be retired annually and will not exceed 25% of anticipated taxes. Bond anticipation notes ("BAN") will be retired within six months of completion of the project. Any short term debt outstanding at year end will not exceed 5% (including TAN but excluding BAN) of net operating revenues.
- b. ~~LONG TERM DEBT.~~ Long term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.
- c. ~~SELF-SUPPORTING DEBT.~~ When appropriate, self-supporting revenues will pay debt service in lieu of tax revenues.

Update to reference debt policy and remove debt information from this policy

# Financial Policy Update

- Debt Management (Page 15-17)

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- b. ~~LONG TERM DEBT.~~ Long-term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.
- c. ~~SELF-SUPPORTING DEBT.~~ When appropriate, self-supporting revenues will pay debt service in lieu of tax revenues.

Update to reference debt policy and remove debt information from this policy

# Financial Policy Update

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- Awards, Credentials and Recognition (Page 19)

The City will strive to maintain a high level of excellence in its accounting policies and practices as it prepares its Financial Report. The Report will be presented to the Government Finance Officers Association (GFOA) for review of qualifications necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. Additionally, the City will submit its annual budget to GFOA for consideration for Distinguished Budget Award, and submit Investment Policy to obtain the Certificate of Distinction from the Government Treasurers' Organization of Texas.

Add GTOT Distinction

# Financial Policy Update

- Attachment A – Authorized Individuals for Wire Transfers

Any **two** individuals listed below are hereby authorized to:

1. Execute wire transfers for security purchases executed on a delivery vs payment basis and for which custodial safekeeping is maintained at an approved institution.
2. Execute wire transfers to approved investment pools and paying agents.
3. Make a wire transfer for any other purpose. Any revision, addition or deletion involving an approved custodial agent, investment pool, or paying agent. .

~~The City Council shall approve the additions or deletions of any custodial agent, investment pool, or paying agent as shown in attachment "A", "B" and "C".~~ Revisions will be provided to the Finance Committee at their next ~~regularly~~ scheduled meeting.

*Director of Finance*  
*City Manager*  
*Deputy City Manager*  
*Assistant Finance Director*  
*Controller*  
*Chief Accountant*  
*Senior Accountant*  
*Supervisory Accountant*

Changes to Attachment A will be approved as part of the Financial Policy.

# Option

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- Finance and Internal Service Committee:
  - Recommend approval of Debt Policy and Finance Policy Updates.
  - Does not recommend approval of Debt Policy and Finance Policy Updates
- Staff recommends approval

# QUESTIONS/COMMENTS

## City of Burleson, Texas

## FINANCIAL POLICY STATEMENTS

Proposed Revisions ~~6/21/2021~~ 3/20/2022

## I. STATEMENT OF PURPOSE

The intent of the ~~following~~ Financial Policy and Financial Management Policy is to enable the City to achieve a long-term stable and positive financial condition. The guiding principles of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The more specific purpose is to provide guidelines to ~~the Finance Director~~ Management in planning and directing the City's ~~day-to-day financial affairs~~ and in developing recommendations to ~~the City Manager and~~ City Council.

The scope of the financial policies include the City's investment, debt and continuing disclosure policies covering areas such as ~~se policies generally spans, among other issues,~~ accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, debt management, and planning concepts, in order to:

- a. present fairly and with full disclosure the financial position and results of financial operations of the City in conformity to generally accepted accounting principles (GAAP) as set forth by the governmental accounting standards board (GASB), and
- b. determine and demonstrate compliance with finance related legal and contractual issues in accordance with provisions of the Texas Local Government Code and other pertinent legal documents and mandates.

## II. GENERAL IMPLEMENTATION AND COMPLIANCE GUIDELINES

- A. FINANCE COMMITTEE. The Finance and Internal Services City Council Committee, the City Manager, and the Finance Director shall be designated as the Finance Committee. The committee may meet annually/quarterly, or as needed. ~~The committee will report to the City Council within 10-14 days after each meeting.~~ The function of the committee will be:
  - 1) Fiscal policy review
  - 2) Auditor selection recommendation
  - 3) Investment and Debt policy review and guidance
  - 4) Long-range planning
- B. ANNUAL REVIEW. Based upon the results and recommendations of the Finance Committee review, the Council will annually approve the fiscal policies.



- C. IMPLEMENTATION, COMPLIANCE, ACCOUNTABILITY AND REVIEW. The Finance Director will be ~~accountable-responsible~~ for implementing these policies and will, to the best of his or her knowledge, make the City Manager, Finance Committee and the City Council aware of any variances in practice from these policies or any other deviation from prudent financial practices in accordance with GAAP, the city charter, state laws and/or ethics of the profession. ~~Any variances will be presented at quarterly meetings of the Finance Committee, unless there is a need for a special meeting.~~

### III. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. ACCOUNTING. The City is solely responsible for the reporting of its financial affairs, both internally and externally. The City Manager is the City's Chief Fiscal Officer and the head of the administrative branch of the City government. ~~The Director of Finance is appointed by the City Manager to have full charge of the administration of the financial affairs of the City. The City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions~~ as specified in the City's Charter Article VII, Section 68.
- B. AUDITING. An independent certified public accounting (CPA) firm will perform annual financial audits.
- 1) Qualifications of the Auditor. In conformance with the City's Charter and according to the provisions of Texas Local Government Code, Title 4, Chapter 103, the City will be audited annually by outside independent accountants. ("auditor").
  - 2) Auditor Repute. The auditor must be a CPA firm of good reputation and must demonstrate that it has the breadth and depth of staff to conduct the City's audit in accordance with generally accepted auditing standards and contractual requirements. The auditor must be registered as a partnership or corporation or certified public accountants, holding a license under Article 41a-1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the City's audit in accordance with generally accepted auditing standards as required by the City Charter and applicable state and federal laws.
  - 3) Timing. The auditor's report on the City's financial statements will be completed within ~~185~~50 days of the City's fiscal year end.
  - 4) Management Letter. The independent CPA firm shall provide a management letter, if one is issued, no later than March 31 following the end of each fiscal year. The auditor will prepare and will jointly review the management letter with the Finance Committee ~~within 20 working days of its receipt by the staff. Within 10 days of this joint review, I~~the Finance Director shall respond in writing to the City Manager and City Council regarding the auditor's management letter, addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor's report upon the resolution of any issues resulting from the joint review.



- 5) Responsibility of Auditor to City Council. The auditor is accountable to the City Council and will have access to direct communication with the City Council if the City Staff is unresponsive to auditor recommendations or if the Auditor considers such communication necessary to fulfill its legal and professional responsibilities.
- 6) Rotation of Auditor. The City will not require an auditor rotation, but will circulate requests for proposal for audit services at least every five years. Should the City Council be dissatisfied with the auditor's performance, it may request new proposals at any time. Year to year authorization to continue shall be done by July 1st of each year.
- ~~7) Auditor Accountability to Staff. The following will be provided to City Staff by the auditor:~~
  - ~~a. Hourly time sheets accounting for time spent both by audit phase and level of auditor will be submitted to the City on a monthly basis.~~
  - ~~b. Copies of all work papers, either electronically or on paper, will be furnished to the City upon completion of the audit. Originals will be maintained at the auditor's office.~~

#### C. FINANCIAL REPORTING.

- 1) External Reporting.
  - a. Scope. The Annual Comprehensive Financial Report shall be prepared in accordance with generally accepted accounting principles (GAAP).
  - b. Timing. The Report shall be presented to the Council within 1850 calendar days of the City's fiscal year end. If City staffing limitations preclude such timely reporting, the Finance Director will inform the City Council of the delay and the reasons thereof.
  - c. Awards. The Report shall be presented annually to the Government Finance Officer's Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. ~~(For a discussion of this award, see XI.C. below).~~
- ~~2) Internal Reporting. The Finance Department will prepare internal financial reports, sufficient to plan, monitor, and control the City's financial affairs. Internal financial reporting objectives are addressed throughout these policies. (See Section IV. Budgeting, C. Reporting, below).~~

#### IV. OPERATING BUDGET.

- A. **PREPARATION.** Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. The City's "operating budget" is the City's annual financial operating plan. The scope of the budget includes all funds for which the City will adopt a formal budget, including Government Funds ~~and~~, Proprietary Funds, ~~and~~ ~~Fiduciary Funds~~.

- 1) Budgetary Process. The budget is prepared by the City Manager or his/her designee with the cooperation of all City Departments. The budget should be presented to the City Council between 60 and 90 days prior to fiscal year end, and should be enacted by the City Council prior to fiscal year end in accordance with the Charter.
- 2) Awards. If feasible, the operating budget will be submitted to the GFOA annually for evaluation and consideration for the Award for Distinguished Budget Presentation.
- 3) Basis of Budgeting. The basis of budgeting will be the same as the basis of accounting; that is, that budgets for the General Fund and the Special Revenue Funds are prepared on the modified accrual basis of accounting, and budgets for the Utility (Proprietary) Funds are prepared on a full accrual basis, except that capital purchases and depreciation are not adjusted until year-end financial reporting.
- 4) Financial Forecast. A five-year financial forecast shall be prepared annually, projecting revenues and expenditures for all operating and capital funds. This forecast shall be used as a planning tool in developing the following year's operating budget.
- 5) Proposed Budget Format. A proposed budget shall be prepared by the Manager with the participation of all of the City's Department Directors, within the provisions of the City Charter. The budget shall include at least four basic segments for review and evaluation. These segments are: (1) personnel costs, (2) operations and maintenance costs, (3) capital and other (non-capital) project costs, and (4) revenues. A four column format should be used such that prior year actual, current year budget and revised, and next year proposed are all clearly shown.
- 6) Council Participation. The budget review process shall include Council participation in the development of each of the four segments of the proposed budget and a Public Hearing to allow for citizen participation in the budget preparation. The budget process shall span sufficient time to address policy and fiscal issues by the Council. The budget process will be coordinated so as to identify major policy issues for City Council consideration prior to the budget approval date so that proper decision analysis can be made.
- 7) Filing and Adoption. Upon the presentation of a proposed budget document acceptable to the Council, the Council shall call and publicize a public hearing and adopt by Ordinance such budget as the City's Official Budget, effective for the fiscal year beginning. A copy of the proposed budget shall be filed with the City Secretary in accordance with the provisions of the City Charter. Should the Council fail to take final

action on or before the last day of the fiscal year, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the City Council.

- 8) Amending the Official Budget. The council may amend the budget for municipal purposes in accordance with state law.
- 9) Encumbrances. Encumbrances outstanding at the end of each fiscal year shall be reflected as reservations of fund balance. Subsequent year's payments on previously encumbered funds will be reflected as expenditures in the current year. For Encumbrances that are brought forward from the previous year, budgets will be adjusted by the encumbered amount in the current year.

B. **BALANCED BUDGET**. The operating budget will be balanced with current revenues and other resources greater than or equal to current expenditures/expenses. Use of beginning balances and other reserves to balance operations will be discussed with City Council during the budget process. ~~disclosed in the document with the underlying rationale.~~

C. **REPORTING**. Monthly financial reports will be prepared to enable the Department Managers to manage their budgets and to enable the Finance Director to monitor and control the budget as authorized by the City Manager. Summary financial reports will be presented to the departments within 107 business days. City Council will receive a quarterly financial summary of key funds within 30 to 45 days after the end of each quarterly period (December, March, June and September).

~~D. **CONTROL**. Operating Expenditure Control is addressed in Section VI.C. of these Policies.~~

F.D. **ACTIVITY INDICATORS AND STATISTICS**. Where appropriate, activity indicators and statistics will be used as guidelines and reviewed for efficiency and effectiveness. This information will be considered in the annual budgeting process and reported to the City Council regularly.

F.E. **OPERATING POSITION**. The guidelines that the City should be following to assure fiscal stability are those outlined in Financial Condition/ Reserves/Stability Ratios (IX.A. through F.).

## V. REVENUE MANAGEMENT.

A. The City will strive for the following optimum characteristics in its revenue system:

- 1) **SIMPLICITY**. The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs and to make it more understandable to the taxpayer or service recipient. The City will avoid nuisance taxes or charges as revenue source.
- 2) **CERTAINTY**. A knowledge and understanding of revenue sources increases the reliability of the revenue system. The City will understand its revenue sources and

enact consistent collection policies to provide assurances that the revenue base will materialize according to budgets and plans.

- 3) EQUITY. The City shall make every effort to maintain, equity in its revenue system structure; i.e., the City shall seek to minimize or eliminate all forms of subsidy between entities, funds, services, utilities, and customers. The City shall require that there be a balance in the revenue system; i.e., the revenue base will have the characteristic of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.
  - 4) ADMINISTRATION. The benefits of a revenue will exceed the cost of collecting and administering the revenue program. The cost of collection will be reviewed annually for cost effectiveness as a part of the indirect cost and cost of services analysis. Where appropriate, the City will use the administrative processes of State or Federal collection agencies in order to reduce administrative costs.
  - 5) DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to ~~changes~~fluctuations in the economy and variations in weather, a diversified revenue system will be maintained ~~which has a stable source of income to provide stability. This stability is also achieved by a balance between elastic and inelastic sources of revenues.~~
  - 6) GRANTS AND RESTRICTED REVENUES. In order to maintain flexibility in the revenue system, ~~grants and restricted revenues~~restricted revenues will be kept to a minimum, ~~and~~ shall be pursued on a cost-benefit basis. All grants and other federal/state, and restricted funds shall be managed and accounted to comply with the laws, regulations, and guidance of the grantor.
- B. The following considerations and issues will guide the City in its revenue policies concerning specific sources of funds:
- 1) COST/BENEFIT OF ABATEMENT. The City will use due caution in the analysis of any tax or fee incentives that are used to encourage development. Ideally, a cost/benefit (fiscal impact) analysis will be performed as a part of such caution.
  - 2) NON-RECURRING REVENUES. One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs.
  - 3) PROPERTY TAX REVENUES. All real and business personal property located within the City shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the City by the Johnson County Appraisal District and Tarrant County Appraisal District. Total taxable valuation will be reappraised and reassessed in accordance with State statute, in order to maintain current market values.

A 98% collection rate shall serve each year as a goal for tax collections. All taxes shall be aggressively pursued each year by the City's appointed tax assessor/collector. Tax accounts delinquent July 1st shall be submitted for collection each year to an attorney selected by the City Council. A penalty shall be assessed on all property taxes delinquent in accordance with State law and shall include all court costs, as well as an amount for compensation of the attorney as permitted by State law and in accordance with the attorney's contract with the City. Annual performance criteria will be developed for the attorney.

- 4) **INTEREST INCOME.** Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the operating and capital budgets which, wherever possible, will be in accordance with the ~~equity-cash~~ balance of the fund from which monies were provided to be invested.
- 5) **USER-BASED FEES AND SERVICE CHARGES.** For services associated with a user fee or charge, the direct and indirect costs of that service will be offset by a fee where possible. There will be an annual review of fees and charges to ensure that fees provide adequate coverage of costs of services. User charges may be classified as "Full Cost Recovery", "Partial Cost Recovery," and "Minimal Cost Recovery," based upon City Council policy.
- 6) **UTILITY RATES.** The City will review and adopt utility rates annually that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital needs. This policy does not preclude drawing down cash balances to finance current operations. However, it is best that any extra cash balance be used instead to finance capital projects. Components of Utility Rates will include transfers to the General Fund as follows:
  - a. General and Administrative Charge. An administrative fee will be charged to the Utility Fund for services of general overhead, such as administration, finance, personnel, data processing, and legal counsel. This fee will be documented through a cost allocation procedure.
  - b. Franchise payment. A rate consistent with those charged to private utilities will be charged to the Utility Fund. This rate may be either raised or lowered so as to be consistent with those of the private utilities.
  - c. Payment in lieu of Property Tax (PILOT). A fee will be charged to the Utility Fund to equate to property taxes lost due to municipal ownership. Net book value will be used as a basis, barring absence of known market value. The existing tax rate will be applied to this base to determine the PILOT charge.

- 7) REVENUE MONITORING. Revenues received will be ~~regularly~~ compared to budgeted revenues throughout the fiscal year and significant variances will be investigated. ~~This process will be summarized in the appropriate budget report.~~

## VI. EXPENDITURE CONTROL

- A. APPROPRIATIONS. The level of budgetary control is at the fund level for all operating funds~~Department level budget in the General and Enterprise Funds, and at the fund level in all other funds. When budget adjustments among Departments and/or funds are necessary, these must be approved by the City Council.~~ Budget appropriations amendments at lower levels of control, which is defined as transfers ~~that increase budgetary fund balances~~, shall be made in accordance with the applicable administrative procedures.
- B. AMENDMENTS TO THE BUDGET. In accordance with the City Charter, all budget amendments shall be approved by the Council.
- C. CENTRAL CONTROL. No recognized or significant salary or capital budgetary savings in any Department shall be spent by the Department Director without the prior authorization of the City Manager. However, Department Directors are authorized to approve budgetary line items transfers in the same fund within their own assigned departments. The City Manager assigns Departments to each Director as areas of their responsibilities, and documents it in the City's Organization Chart.
- D. PURCHASING. All purchases should be in accordance with the City's purchasing policies as defined in the Purchasing Manual. In accordance with Charter provisions, purchases and contracts as per the City's Procurement Policy, will be reviewed and recommended by staff and presented to Council for approval.
- E. PROMPT PAYMENT. All invoices approved for payment by the proper City authorities shall be paid by the Finance Department within thirty (30) calendar days of receipt in accordance of Government Code Title 10. General Government, Subtitle F. State and Local Contracts and Fund Management, Chapter 2251.021 and other related state and local government laws and regulations.
- F. EQUIPMENT FINANCING. Equipment is accounted for at the original acquisition cost, which includes purchase price plus any costs incurred to place the equipment in service. Equipment may be leased or financed when the unit purchase price is \$5,000 or more and the useful life is at least five years. Departments shall contact the Finance Department for transfer or disposal instructions.
- G. RISK MANAGEMENT. The City will aggressively pursue every opportunity to provide for the Public's and City employees' safety and to manage its risks. The goal shall be to minimize the risk of loss of resources through liability claims with an emphasis on safety

programs. All reasonable options will be investigated to finance risks. Such options may include risk transfer, insurance, and risk retention.

- H. AUTHORIZATION OF PAYMENT. Two signatures are required to conduct business on behalf City of Burleson, Texas. ~~Both~~~~OTH~~ the City Manager and the Director of Finance, or their designee(s), are hereby authorized to execute the required Agreement with the Bank Depository. Designee(s) who are authorized to transact business on behalf of the City Manager are ~~the~~ City of Burleson's Deputy City Manager or the City Secretary. The designee who is authorized to transact business on behalf of the Director of Finance is the City of Burleson's Assistant Director of Finance and Controller. ~~Payments may use reproducible authorized signature(s) or ACH (automated clearinghouse)~~
- I. AUTHORIZATION OF WIRE TRANSFERS BY THE CITY.

1. In general, attachments A through D to this Policy are as follows:

- a. Attachment "A" List of authorized individuals who may approve wire transfers.
- b. Attachment "B" Designation of Custodial/Safekeeping Agent.
- c. Attachment "C" List of authorized Investment Pools.
- d. Attachment "D" List of authorized Paying Agents.

Changes to attachments for revisions, additions, or deletions to any of the designations on Attachment "A", "B", "C" and "D" shall require the approval of two individuals listed on Group B as listed on Attachment "A". Copies of additions, deletions, and changes will be provided to the Finance Committee at their next regular scheduled meeting.

2. SECURITY PURCHASES.

- a. Two employees designated on Group A of Attachment "A" must approve wire transfers associated with security purchases.
- b. All security purchases shall be executed "delivery vs. payment."
- c. Any change in the City's custodial relationship must be approved by two individuals designated in Group B of Attachment "A".

3. INVESTMENT POOLS

- a. Two employees designated on Group A of Attachment "A" must approve wire transfers to designated investment pools.
- b. Any revision, addition or deletions to the list of designated investment pools shall require the approval of two individuals designated in Group B of Attachment "A". Copies of additions,

deletions, and changes will be provided to the Finance Committee at their next regularly scheduled meeting.

#### 4. PAYING AGENTS

- a. Two individuals designated on Group A of Attachment "A" must approve wire transfers to designated paying agents.
- b. Any revision, addition or deletion to the list of designated paying agents will require the approval of two individuals designated in Group B of Attachment "A". Such approval shall not be necessary when supplementary information unrelated to the accounts varies. For example, the paying agent may request that the wire include a notation that the transaction is to the attention of a certain individual. So long as the wire is the benefit of an authorized account, such clarifying information is permissible. Copies of additions, deletions, and changes will be provided to the Finance Committee at their regular scheduled meeting.

#### 5. MISCELLANEOUS

- a. Wire transfers to any party not involving a security purchase destined for custodial safekeeping with an approved organization, or to an authorized investment pool, or to an authorized paying agent, shall require the approval of two authorized individuals in Group B of Attachment "A". Copies of such transactions will be provided to the Finance Committee at their next regularly scheduled meeting.

#### 6.

### VII. ASSET MANAGEMENT

- A. **INVESTMENTS.** The Finance Director shall promptly invest all City funds with the Bank Depository in accordance with the provisions of the current Bank Depository Agreement or in any negotiable instrument that the Council has authorized under the provisions of the Texas Public Funds Investment Act and in accordance with the City Council approved Investment Policy.
- B. **CASH MANAGEMENT.** The City's cash flow will be managed to maximize the cash available to invest. Such cash management will entail the centralization of cash collections, where feasible, including property tax payments, utility bills, municipal fines, building and related permits and licenses, and other collection offices as appropriate. Cycle billing will be used where appropriate.



- C. **FIXED ASSETS AND INVENTORY.** These assets will be reasonably safeguarded and properly accounted for, and prudently insured. A fixed asset of the City shall be defined as a purchased or otherwise acquired piece of equipment, vehicle, furniture, fixture, capital improvement, addition to existing capital investments, land, buildings or accessioned Library materials. The cost or value of any such acquisition must be \$5,000 or more within an expected useful life greater than one year. All City departments with inventory are required to conduct a physical inventory under their control on an annual basis.
- D. **DEPOSITORIES** The City Council, having given due consideration to all of its options and taking into consideration what is in the best interest of the municipality, hereby authorizes the consideration of applications of depositories not doing business within the City of Burleson, Texas so long as that bank maintains a business location within a five-mile radius of Burleson City Hall. This authorization encompasses all of the depository uses and requirements of the City.

#### VIII. CAPITAL BUDGET AND PROGRAM

- A. **PREPARATION.** The City will ~~endeavor to~~ develop a 5 year capital improvement plan (CIP) budget to include all capital projects being considered and all resources for capital funding. The budget will be prepared on a fiscal year ending calendar and reported annually. The 5 year CIP capital budget will be prepared by Department Director and presented to City council during the budget process. ~~the~~ Finance Director will work closely with Department to ensure funding capacity is available. ~~with the involvement of all department staff as needed.~~
- B. **CONTROL.** All capital project expenditures must be appropriated in the capital budget at a project level. The Finance Department must certify the availability of such appropriations or the availability of resources needed to be appropriated before a capital project contract is presented to the City Council for approval. Any remaining funds of a completed project not allocated by City Council will be closed into an unallocated account in the same fund. Similar projects are to be grouped together in a fund based on type of project and source of funding, using the similar Capital Projects Fund classifications for reporting purposes in the Annual Financial Report.
- C. **PROGRAM PLANNING.** The capital budget will include capital improvements program plans for future years. The planning time frame should normally be at least five years. The replacement and maintenance for capital items should also be projected for the next 5 years. Future maintenance and operational costs will be considered at the initiation of a project so the costs can be included in the relevant operating budget.
- D. **FINANCING PROGRAMS.** Where applicable, assessments, impact fees, pro-rata charges, or other fees should be used to fund capital projects having a primary benefit to specific, identifiable property owners.

- E. **INFRASTRUCTURE MAINTENANCE.** The City recognizes that deferring maintenance increases future capital costs. Therefore, a portion of the appropriate fund's budget will be set aside each year to maintain the quality of the City's infrastructure. The inclusion of infrastructure maintenance and replacement costs in the current operating budget will place the burden of the costs and repairs on the current users of the systems.
- F. **REPORTING.** Periodic financial reports will be prepared to enable Department Managers to manage their capital budgets and to enable the Finance Department to monitor and control the capital budget as authorized by the City Manager. Summary capital projects status reports should be presented to the City Council quarterly.

#### IX. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

- A. **OPERATIONAL COVERAGE. (NO OPERATING DEFICITS).** The City will maintain an operational coverage factor of 1.00, such that current operating revenues (plus approved fund balance appropriations) will equal or exceed current operating expenditures.

Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated in Paragraph B, following.

#### B. OPERATING RESERVES/FUND BALANCES

- a. Governmental funds of the City of Burleson shall be defined as follows:

- 1) General Fund The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.
- 2) Special Revenue Funds Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, omitted, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.
- 3) Capital Projects Funds Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to

expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

- 4) Debt Service Funds Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, even if it is being accumulated for future years' payments. Debt service funds should be used to report resources if legally mandated.

- 5) ~~Permanent Funds Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Permanent funds do not include private purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments. Currently the City of Burleson does not have any Permanent Funds.~~

- 2) Ending fund balances of the City of Burleson shall be reported according to the following classifications:

- 1) General Fund

~~i. 001 General Fund~~

~~ii. 002 General Fund — Health Insurance — Assigned~~

- 2) DEBT SERVICE FUNDS RESTRICTED:

~~i. 201 Debt Service Fund — General — Restricted~~

~~ii. 202 4B Sales Tax Debt Service — Restricted~~

~~iii.i. 203 4A Sales Tax Debt Service — Restricted~~

- 3) SPECIAL REVENUE FUNDS RESTRICTED/COMMITTED

~~i. 101 General Government SRF — Restricted~~

~~ii. 102 Public Safety SRF — Restricted~~

~~iii. 103 Public Works SRF — Restricted~~

~~iv. 104 Culture & Recreation SRF — Restricted~~

~~v. 105 Hotel/Motel SRF — Restricted~~

~~vi. 106 BCDC 4B Sales Tax SRF — Restricted~~

~~vii. 107 Public Safety Grants SRF — Restricted~~

~~viii. 109 Culture & Recreation Grant SRF — Restricted~~

- ~~ix. 110 BCDC 4A Sales Tax SRF — Restricted~~
- ~~x. 113 Economic Development Incentive SRF — Restricted~~
- ~~xi. 114 TIF #2 SRF — Restricted~~
- ~~xii. 115 Traffic Safety SRF — Restricted~~
- ~~xiii. 116 Parks Performance SRF — Committed~~
- ~~xiv.i. 117 General Government Grants SRF — Restricted~~
- ~~xv. 118 Burleson TIF #3 — Restricted~~
- ~~xvi. 150 PID #1 — Restricted~~

#### 4) CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED

- ~~i. 301 Street Paving Trust — Committed~~
- ~~ii. 302 Park Dedication Fund — Committed~~
- ~~iii. 352 Miscellaneous Capital Projects — Committed~~
- ~~iv. 351 4A Sales Tax Capital Project Fund — Committed~~
- ~~v. 350 4B Sales Tax Capital Project Fund — Committed~~
- ~~vi. 353-354 Mineral Lease Funded Capital Projects — Committed~~

- 3) CAPITAL PROJECT FUNDS BONDED – RESTRICTED Order of expenditure -- When committed, assigned and unassigned resources can be used for the same purpose, funds shall be spent in the sequence of committed resources first, assigned second, and unassigned last.
- 4) ~~When it is appropriate for fund balance to be assigned, the Council delegates that authority to the Director of Finance.~~
- 5) It is the goal of the City that the unassigned fund balance of the General Fund should be at least 20% of the General Fund annual expenditures. This percentage is the equivalent of 73 days' expenditures. In order to adhere to the principles of matching current revenues with current expenditures and minimizing property taxes, the City will strive to maintain the fund balance if the unassigned balance grows beyond 90 days' expenditures.
- 6) The Water and Wastewater Fund working capital should be maintained at least at 20% of total operating expenditures or the equivalent of 73 days.
- 7) It is the goal of the City that the fund balance of the 4A Corp and 4B Corp, should maintain at least a 20% minimum of total operating expenditure or the equivalent of 73 days.

#### C. CAPITAL AND DEBT SERVICE FUNDS

- 1) Items in the Capital Projects Funds will be completed and paid for within 36 months of receipt of proceeds. Balances will be used to generate interest income to offset construction costs.

- 2) General Obligation Debt Service Funds will not have reserves. ~~---~~  
The policy above does not preclude the debt service reserves normally established to market revenue bonds. The City's policy and bond ordinance requirements are to maintain these debt service reserves at the level of the average annual debt service.
- 3) Revenue Obligations will maintain Debt Coverage Ratios as specified by the bond covenants. The City is currently required to have net revenues in excess of average annual debt by 1.25 times. Net revenues must also exceed the maximum outstanding debt by 1.10 times. Both these tests must be met in order to issue additional bonds.
- 4) Obligations of Burleson's economic development corporations will maintain coverage ratios as specified by bond covenants. If the City issues obligations partially secured by a limited pledge of the corporations' sales tax revenues, not subject to the coverage ratios of the revenue bond covenants, coverage shall be maintained at no less than 1.25 times average annual debt service, and 1.15 times the maximum annual debt service. Both of these tests must be met in order to issue additional bonds.

#### X. TREASURY AND DEBT MANAGEMENT

- A. CASH MANAGEMENT. Periodic review of cash flow position will be performed to determine performance of cash management and investment policies. A detailed policy structure will be followed with respect to Cash/Treasury Management. The underlying theme will be that idle cash will be invested with the intent to 1) safeguard assets, (2) maintain liquidity, and 3) maximize return. Where legally permitted, pooling of investments will be done.

The City will adhere to the investments authorized through the Texas' Public Funds Investment Act and the city's established comprehensive Investment Policies and Guidelines. Such policies clarifies acceptable investment securities, brokers, terms, and other pertinent investment information.

- B. ~~TYPES OF DEBTS~~ DEBT MANAGEMENT The City's Debt Management Policy establishes parameters and provides guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.
  - a. ~~SHORT TERM DEBT. Pursuant to the City Charter, tax anticipation notes ("TAN") will be retired annually and will not exceed 25% of anticipated taxes. Bond anticipation notes ("BAN") will be retired within six months of completion of the project. Any short term debt outstanding at year end will not exceed 5% (including TAN but excluding BAN) of net operating revenues.~~

- ~~b. LONG TERM DEBT. Long term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.~~
- ~~c. SELF SUPPORTING DEBT. When appropriate, self supporting revenues will pay debt service in lieu of tax revenues.~~
- ~~C. ANALYSIS OF FINANCING ALTERNATIVES. The City will explore all financing alternatives in addition to long term debt including leasing, grants and other aid, developer contributions, impact fees, and use of reserves of current monies.~~
- ~~D. DISCLOSURE TO RATING AGENCIES. Full disclosure of operations will be made to the bond rating agencies and other users of financial information. The City staff, with the assistance of financial advisors and bond counsel, will prepare the necessary materials for presentation to the rating agencies, will aid in the production of Offering Statements, and will take responsibility for the accuracy of all financial information released.~~
- ~~E. FEDERAL REQUIREMENTS. The City will maintain procedures to comply with arbitrage rebate and other Federal requirements.~~
- ~~F. DEBT STRUCTURING. The City's non-self supporting debt will issue general obligation bonds with an average life of 10.5 years or less, not to exceed the life of the asset acquired. Self supporting debt will also issue general obligation bonds with an average life of 10.5 or less except in cases specifically approved by City Council. In no case will debt life exceed the life of the underlying asset.~~
- ~~The structure should approximate level debt service unless operational matters dictate otherwise or if market conditions indicate a potential savings could result from modifying the level payment stream.~~
- ~~Consideration of market factors, such as the tax exempt qualification, minimum tax alternative, and so forth will be given during the structuring of long term debt instruments.~~
- ~~G. DEBT ISSUANCE.~~
- ~~1) Method of Sale. The City will use a competitive bidding process in the sale of bonds unless the nature of the issue warrants a negotiated bid. In situations where a competitive bidding process is not elected, the City will publicly present the reasons why, and the City will participate with the financial advisor in the selection of the underwriter or direct purchaser.~~
  - ~~2) Bidding Parameters. The notice of sale will be carefully constructed so as to ensure the best possible bid for the City in light of the existing market conditions and other prevailing factors. Parameters to be examined include:~~

- ~~a. Limits between lowest and highest coupons~~
- ~~b. Coupon requirements relative to the yield curve~~
- ~~c. Method of underwriter compensation, discount or premium coupons~~
- ~~d. Use of True Interest Cost (TIC) vs. Net Interest Cost (NIC)~~
- ~~e. Use of bond insurance~~
- ~~f. Original Issue discount bonds/Capital Appreciation Bonds~~
- ~~g. Variable rate bonds~~
- ~~h. Call provisions (25 years by Charter)~~

~~3) Bond Issuance Costs. The City will be involved in the selection of all financial advisors, underwriters, paying agents, and bond counsel. The City shall evaluate the merits of rotating professional advisors and consultants and the kinds of services and fee structures available from independent financial advisors, investment banking firms, and commercial banks. The City will carefully itemize and scrutinize all costs associated with the issuance of bonds.~~

~~4) Financial Advisor. The City will discourage perceived conflicts of interest which arise when a financial advisor is allowed to bid on debt obligations of the City. The financial advisor will be expected to provide planning and analytical services which extend beyond the issuance of debt. The payment to the Financial Advisor should be related to the costs of providing their service to the City.~~

~~a. MISCELLANEOUS~~

~~i. ANNUAL REVIEW. The Disclosure Officer shall conduct an evaluation of the policies set forth in this Policy no less often than annually, and promptly after completing the evaluation, the Disclosure Officer shall prepare an annual report of the Issuer's compliance.~~

~~ii.i. AMENDMENTS TO POLICY. This Policy may be amended from time to time to adapt to changed circumstances that arise from a change in legal requirements or industry disclosure practices or procedures, a change in Rule 15c2-12, or a change in law.~~

## XI. INTERNAL CONTROLS

A. **WRITTEN PROCEDURES.** Written procedures will be established and maintained by the Director of Finance for all functions and financial cycles including cash handling and accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.

- B. DEPARTMENT DIRECTORS AND MANAGERS RESPONSIBILITY. City administrators and manager are charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the City in a manner which provides reasonable assurance that:

- 1) Data and information published either internally or externally is accurate, reliable, complete, and timely.
- 2) The actions of administrators and employees are in compliance with the City's charter, plans, policies and procedures, and all relevant laws and regulations.
- 3) The City's resources including its people, systems, data/information, assets, and citizens are adequately protected.
- 4) Resources are acquired economically and employed effectively.
- 5) The City's internal controls promote the achievement of plans, programs, goals, and objectives.

Each Department Manager is responsible to ensure that good internal controls are followed throughout his or her Department, that all Finance Department directives or internal controls are implemented, and that all independent auditor internal control recommendations are addressed.

## XII. STAFFING AND TRAINING

- A. ADEQUATE STAFFING. Staffing levels will be adequate for the fiscal functions of the City to operate effectively. Overtime shall be used only to address temporary or seasonal demands that require excessive hours. Workload shedding alternatives will be explored before adding staff.
- B. TRAINING. The City will support the continuing education efforts of all financial staff including the investment in time and materials for maintaining a current perspective concerning financial issues. Staff will be held accountable for communicating, teaching, sharing with other staff members all information and training materials acquired from seminars, conferences, and related education efforts.
- C. AWARDS, CREDENTIALS AND RECOGNITION. The City will support efforts and involvements resulting in meeting standards and receiving exemplary recitations on behalf of any of the City's fiscal policies, practices, processes, products, or personnel. Staff certifications may include Certified Public Accountant, Management Accountant, Certified Internal Auditor, and Certified Cash Manager. Further, the Finance Director will try to obtain and maintain the designation of Certified Government Finance Officer as awarded by the GFOA of Texas.

The City will strive to maintain a high level of excellence in its accounting policies



and practices as it prepares its Financial Report. The Report will be presented to the Government Finance Officers Association (GFOA) for review of qualifications necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. Additionally, the City will submit its annual budget to GFOA for consideration for Distinguished Budget Award, and submit Investment Policy to obtain the Certificate of Distinction from the Government Treasurers' Organization of Texas.-

- D. TRANSPARENCY. A reasonable effort will be made to ensure relevant financial information is made available to all citizens in a 'user friendly' format in an easy to understand terminology. In pursuit of this goal, the city will seek recognition through state and national transparency and reporting programs.

## ATTACHMENT A – AUTHORIZED INDIVIDUALS FOR WIRE TRANSFERS

Any **two** individuals listed below are hereby authorized to:

1. Execute wire transfers for security purchases executed on a delivery vs payment basis and for which custodial safekeeping is maintained at an approved institution.
2. Execute wire transfers to approved investment pools and paying agents.
3. Make a wire transfer for any other purpose. Any revision, addition or deletion involving an approved custodial agent, investment pool, or paying agent. .

~~The City Council shall approve the additions or deletions of any custodial agent, investment pool, or paying agent as shown in attachment "A", "B" and "C".~~ Revisions will be provided to the Finance Committee at their next ~~regularly~~ scheduled meeting.

*Director of Finance*

*City Manager*

*Deputy City Manager*

*Assistant Finance Director*

*Controller*

*Chief Accountant*

*Senior Accountant*

*Supervisory Accountant*

ATTACHMENT B – CUSTODIAL (SAFEKEEPING) AGENT

American National Bank of Texas

ABA = 111901519 (routing)

FAO = For Account of – City of Burleson

## ATTACHMENT C – AUTHORIZED INVESTMENT POOLS

## TEXPOOL

State Street Boston

ABA # 011000028

ACCOUNT # 67573774

## BANK OF NEW YORK

ABA # 021000018

ACCOUNT #8900549424

ACCOUNT NAME: LONE STAR INVESTMENT POOL

## TEXSTAR

JP MORGAN CHASE

ABA # 021000021

ACCOUNT # 9102733343

## LOGIC

JP MORGAN CHASE

ABA # 1130000609

ACCOUNT # 08805173794

ATTACHMENT D – AUTHORIZED PAYING AGENTS

U.S. BANK, N.A.  
MILWAUKEE, WI 53202  
ABA # 091000022  
BNF: USBANK CT WIRE CLRG  
ACCOUNT #180121167365  
OBI: ACCOUNT NAME  
REF: ACCOUNT NUMBER

## ATTACHMENT E - SECURITIES LAW COMPLIANCE AND DISCLOSURE POLICY©

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Exhibit A – Lease Agreements Operating as Vehicles to Borrow Money

**ARTICLE I  
PURPOSE AND SCOPE****SECTION 1.01 DEFINITIONS.**

The words and terms used in this Model Securities Law Compliance and Disclosure Policy (this "Policy") have the meanings specified in Article II hereof, unless the context clearly otherwise requires. Except where the context otherwise requires, words importing the singular number shall include the plural number, and *vice versa*.

**SECTION 1.02 PURPOSE OF POLICY.**

- (a) Continuing Disclosure Undertaking Requirement. Under Rule 15c2-12, underwriters of Municipal Securities may not purchase or sell Municipal Securities unless the underwriters have reasonably determined that the issuer of the Municipal Securities or its designated agent has undertaken in a written agreement to provide continuing disclosure of certain financial information and operating data, and to file notices of certain events designated in Rule 15c2-12. The Issuer is required under its Continuing Disclosure Undertakings to provide disclosures of certain financial information and operating data and notice of certain events to the MSRB on EMMA to facilitate informed secondary market trading. This Policy is adopted by the Issuer to assist in its compliance with federal and state securities laws and regulations, including, specifically, Rule 15c2-12. This Policy is established to ensure that the Issuer maintains adequate policies and procedures for gathering, analyzing and disclosing all information that is required to be provided to, or that may be reasonably expected to reach investors or trading markets, which relates to the issuance of the Issuer's Debt Obligations. Such information consists of the content of the Issuer's Offering Documents, continuing disclosure reports, event notices and other statements reasonably expected to reach the public markets.
- (b) Recommendation of Written Procedures. The Issuer recognizes that the SEC recommends adopting disclosure policies and amending existing disclosure policies from time to time to address the process for evaluating the disclosure process including disclosures for certain Event Notices. Written policies and procedures adopted by the Issuer will serve to streamline the process of disclosing required information. The Disclosure Officer, and other officers selected by the Issuer, if any, may establish additional written procedures from time to time to ensure that any Offering Documents (i) fully and accurately present the Issuer's financial condition and operations and (ii) do not omit any Material information regarding the Issuer.

**SECTION 1.03 SCOPE OF POLICY.**

This Policy applies to all Debt Obligations of the Issuer that are currently outstanding and all future bonds, notes, leases or derivative instruments to be executed by the Issuer. If the provisions of this Policy conflict with a respective Continuing Disclosure Undertaking, the terms of such Continuing Disclosure Undertaking will control.

**ARTICLE II  
DEFINITIONS****SECTION 2.01 DEFINED TERMS.**

"Annual Report" means the Issuer's audited financial statements (or unaudited financial statements if permitted by the Continuing Disclosure Undertaking) and certain other financial information and operating data required to be filed annually with the MSRB.

"Business Day" means any day except any Saturday or Sunday, any day which is a federal legal holiday in the United States, or any day on which banking institutions are authorized or required by law to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Compliance Date" means February 27, 2019.

"Continuing Disclosure Undertaking" means a continuing disclosure agreement, continuing disclosure undertaking, continuing disclosure instructions or other written certification and agreements of the Issuer setting out covenants for satisfying the Issuer's requirements for providing information to the MSRB in an electronic format pursuant to and in accordance with Rule 15c2-12.

"Debt Obligation" means each contract of the Issuer that has sufficient characteristics of debt so that it is included in the Issuer's financial statements as a long-term liability of the Issuer, including, but not limited to bonds, notes, leases and similar instruments used by the Issuer for borrowing purposes.

"Disclosure Officer(s)" means the Issuer's Director of Finance, or, if the position of Director of Finance is vacant, the person(s) filling the responsibilities of the City Manager or Assistant City Manager for the Issuer.

"EMMA" means the Electronic Municipal Market Access system, the prescribed electronic format for disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org).

"Event 15" means the event set forth in Section 5.02(a) of this Policy.

"Event 16" means the event set forth in Section 5.03(a) of this Policy.

"Event Notices" means all event notices required by Rule 15c2-12.

"Financial Obligation" means: (i) a Debt Obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned Debt Obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

"GASB" means the Governmental Accounting Standards Board.

"IRS" means the Internal Revenue Service.

"Issuer" means the City of Burleson, Texas.

"Material" has the meaning given in Section 3.02(f) of this Policy.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the SEC in accordance with Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a State or any political subdivision thereof, or any agency or instrumentality of a State or any political subdivision thereof, or any municipal corporate instrumentality of one or more States and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Obligated Person" means any person, including an issuer of Municipal Securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Municipal Securities to be sold in the Offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities); furthermore, for purposes of this Policy, the Issuer is an Obligated Person.

"Offering" means a primary offering of Municipal Securities with an aggregate principal amount of \$1,000,000 or more.

"Offering Document" means any preliminary or final official statement, private placement memorandum or limited offering memorandum, or other similar instrument prepared in connection with the sale, issuance and delivery of an Offering.

"Rule 15c2-12" means SEC Rule 15c2-12, governing the obligations of dealers regarding Municipal Securities under the Securities Exchange Act of 1934, as amended from time to time, which is available at <https://www.gpo.gov/fdsys/pkg/CFR-2013-title17-vol3/pdf/CFR-2013-title17-vol3-sec240-15c2-12.pdf>.

"SEC" means the United States Securities and Exchange Commission.

"SEC Municipal Markets Report" means the Report on the Municipal Securities Market of the SEC, dated July 31, 2012, available at <https://www.sec.gov/news/studies/2012/munireport073112.pdf>.

"Terms Affecting Security Holders" means a Material agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer that affects security holders.

"U.S. Bankruptcy Code" means Title 9 of the United States Code, as amended from time to time, and any successor to or replacement of such Title and any other applicable federal bankruptcy, insolvency or similar law.

### **ARTICLE III**

#### **DISCLOSURE OFFICER; RECORD RETENTION; TRAINING**



**SECTION 3.01 DISCLOSURE OFFICER.**

The Issuer shall appoint a Disclosure Officer who shall be responsible for implementing this Policy. The Disclosure Officer will work with other employees and officials of the Issuer to assist in implementing this Policy. The Disclosure Officer will consult with bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants to the extent necessary to carry out the purpose of this Policy. The Disclosure Officer will report to the Issuer's governing body as provided in Section 6.01 herein, regarding implementation of this Policy and any recommended changes or amendments to this Policy.

**SECTION 3.02 DUTIES OF DISCLOSURE OFFICER.**

- (a) General Duties. The Disclosure Officer shall be primarily responsible for ensuring and determining the Issuer's compliance with this Policy and federal and state securities laws and regulations applicable to the Issuer, including specifically Rule 15c2-12, and including identifying and remedying any non-compliance with this Policy and such laws and regulations.
- (b) Review of Relevant Documents. The Disclosure Officer will review the following documents, obligations, and disclosure and reporting requirements of the Issuer in connection with the issuance of Municipal Securities to comply with Article IV and V of this Policy and in the ordinary course of business of the Issuer:
  - i. Offering Documents;
  - ii. Audited and unaudited financial statements, including notes to such statements;
  - iii. Changes to accounting standards promulgated by GASB and other applicable accounting standards and rules;
  - iv. Adopted annual budgets and amendments thereto;
  - v. Continuing Disclosure Undertakings; and
  - vi. Other relevant documents that reflect the Issuer's financial position and operating data.

The Disclosure Officer shall take reasonable steps to ensure that all Offering Documents are timely provided to the Issuer's governing body to ensure meaningful review and approval thereof. In addition, the Disclosure Officer shall take reasonable steps to ensure that for purposes of securities law compliance the Issuer's governing body is generally aware of the other documents listed above and of the significance of those documents to the Issuer's disclosure obligations.

- (c) Solicitation of Relevant Information. In the performance of its duties under this Policy, the Disclosure Officer shall be responsible for soliciting any relevant information from other employees, officials or departments within the internal organization of the Issuer, including public statements made by officials of the Issuer that the Disclosure Officer reasonably believes will reach investors or trading markets generally. The Disclosure Officer is additionally responsible for obtaining any documentation prepared by an outside source that may be necessary to assist the Disclosure Officer in carrying out this Policy. The Disclosure Officer shall undertake a thorough review of the form and content of each of the Issuer's annual filings, and any Event Notice filings, as required pursuant to Article IV and V hereof.
- (d) Public Statements Regarding Financial Information. Whenever an officer or employee of the Issuer makes statements or releases information relating to its finances and other operations of the Issuer to the public that is reasonably expected to reach investors and the trading markets (including, without limitation, all Event Notices, statements in a comprehensive annual financial report, and other financial reports and statements of the Issuer), the Disclosure Officer shall be responsible for ensuring that such statements and Material information are complete, true, and accurate in all material aspects and available to all investors. The Disclosure Officer will work with other officers of the Issuer to ensure that all public statements and information released by the Issuer are accurate and are not misleading in all Material aspects.

- (e) Issuance of Debt Obligations. Whenever the Issuer prepares or participates in the preparation of an Offering Document, the Disclosure Officer, in addition to any other officers selected by the Issuer, shall be responsible for making all certifications that may be required to the effect that such Offering Document does not contain any untrue statement of Material fact or omit to state any Material fact necessary to make the information contained in such documents, in the light of the circumstances under which it was provided, not misleading.

Such determination by the Disclosure Officer shall only be made after coordination with the Issuer's attorney or other administrative officer having ultimate responsibility with respect to the Issuer's operations, risks and litigation, to ensure that any current, pending or threatened losses, investigations or litigation, and any settlement or court orders that are Material to the Issuer are properly identified.

- (f) Determination of Material Information. The Issuer understands that determining materiality requires a complete review of facts and circumstances (which may include a review of outstanding Debt Obligations) and in some instances may require the Disclosure Officer to discuss matters with other officers or consultants of the Issuer. Furthermore, each determination of materiality made by the Disclosure Officer shall be made on a case-by-case basis. For purposes of this Policy, information is "Material" if there is a substantial likelihood that the disclosure of that information would be viewed by a reasonable investor as having significantly altered the total mix of information made available in making an informed investment decision.<sup>1</sup>

### **SECTION 3.03 RECORD RETENTION.**

The Disclosure Officer will maintain or cause to be maintained all records relating to annual disclosure filings including the financial information and operating data to be included in the Annual Report for a period of three (3) years after retirement of the related Debt Obligations. The Disclosure Officer will additionally maintain or cause to be maintained all records relating to Event Notices required to be filed with the MSRB under the Continuing Disclosure Undertaking. Such records shall be maintained in either paper or electronic format, or in both formats.

### **SECTION 3.04 TRAINING.**

The Disclosure Officer shall have at least a general familiarity with the content of Rule 15c2-12 and the SEC Municipal Markets Report, and in furtherance thereof receive appropriate training regarding the Issuer's disclosure obligations in accordance with federal securities laws, state regulations and Rule 15c2-12. When appropriate, the Disclosure Officer and/or other Issuer employees and officials under the direction of the Disclosure Officer will attend training programs offered by the SEC or other industry professionals regarding disclosure policies and procedures developed in the context of Rule 15c2-12 that are relevant to the Issuer. Each person acting in the capacity of a Disclosure Officer shall receive such training as may be necessary for the person to perform competently the duties and responsibilities of Disclosure Officer to ensure the Issuer's compliance with the provisions of this Policy.

## **ARTICLE IV**

### **ANNUAL DISCLOSURE FILINGS**

#### **SECTION 4.01 ANNUAL DISCLOSURE FILINGS.**

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<sup>1</sup> The general materiality standard used by the United States Supreme Court. See TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438, 449 (1976).

The Disclosure Officer shall annually review each Continuing Disclosure Undertaking to determine: (i) the appropriate financial information and operating data required to be included in the Annual Report; and (ii) the filing deadline for such Annual Report or a part thereof. The Disclosure Officer should review the Issuer's documents, Debt Obligations, and disclosure and reporting requirements described in Sections 3.01 and 3.02 of this Policy in determining the appropriate financial information and operating data to be included in the Annual Report. As indicated in Section 3.02 of this Policy, the Disclosure Officer's review necessarily includes review of other documents relating to the financial and operating status of the Issuer to ensure that all required information is appropriately incorporated into the Annual Report. The Disclosure Officer shall be required to provide only the financial information, operating data, financial statements and notices which the Issuer has expressly agreed to provide pursuant to a respective Continuing Disclosure Undertaking, but, in consultation with appropriate accountants, municipal advisors, financial advisors and other outside consultants of the Issuer, may submit other appropriate information to EMMA that will impact the Issuer's financial condition and/or existing security holders in a manner deemed Material by the Disclosure Officer. Additionally, the Disclosure Officer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with the Continuing Disclosure Undertaking.

## **ARTICLE V**

### **DISCLOSURE FILINGS FOR EVENT NOTICES**

#### **SECTION 5.01 DISCLOSURE FILINGS FOR EVENT NOTICES 1-14.**

The Disclosure Officer shall determine whether an event included below has occurred with respect to the Issuer. If the Disclosure Officer determines that notice of the following events should be provided to the MSRB pursuant to a Continuing Disclosure Undertaking, the Disclosure Officer will cause the appropriate notice to be filed with the MSRB on EMMA, in a timely manner, not in excess of ten (10) Business Days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified as item (12) in this Section 5.01, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The Disclosure Officer may seek the advice of other employees and officials of the Issuer, as well as the advice of the consultants and counsel to the Issuer, as to whether one of the above described events has occurred and whether an Event Notice shall be filed with the MSRB consistent with Rule 15c2-12.

#### **SECTION 5.02 EVENT 15: INCURRENCE OF A MATERIAL FINANCIAL OBLIGATION OR TERMS AFFECTING SECURITY HOLDERS.**

- (a) Event 15. Beginning on the Compliance Date and continuing thereafter, in addition to the fourteen events described in Section 5.01 and Event 16 described in Section 5.03, the Disclosure Officer shall determine whether an Event 15 has occurred with respect to the Issuer. If the Disclosure Officer determines that an Event 15 has occurred, the Disclosure Officer shall file, or cause to be filed, notice of such Event 15 with the MSRB through EMMA in a timely manner, not in excess of ten (10) Business Days after the date of incurrence. Beginning on the Compliance Date, Rule 15c2-12 establishes that an Event 15 is as follows:

- (15) Incurrence of a Financial Obligation of the Obligated Person, if Material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if Material.

The Issuer recognizes that, unlike the events listed in Section 5.01 above, the stated purpose of the SEC in adding Event 15 to Rule 15c2-12 is to provide the secondary market with information regarding all debt, debt-like or debt-related Financial Obligations or Terms Affecting Security Holders incurred by the Issuer. The incurrence of Financial Obligations may occur outside the issuance of Municipal Securities and therefore engagement by the Disclosure Officer with counsel and other consultants experienced in compliance issues related to Rule 15c2-12 may be necessary to determine whether it is necessary to file an Event Notice for Event 15 with the MSRB through EMMA.

- (b) Financial Obligations and Terms Affecting Security Holders Subject to Disclosure. The Disclosure Officer shall first determine whether a contract or obligation incurred by the Issuer is a Financial Obligation or Terms Affecting Security Holders subject to disclosure under Event 15. When assessing whether a particular contract or obligation is a Financial Obligation or Terms Affecting Security Holders subject to disclosure as such terms are used in Event 15, the Disclosure Officer should consider the facts and circumstances surrounding the Issuer's incurrence of each type of contract and obligation, as well as the factors set forth below:
- i. Whether the contract or obligation could affect, or contains provisions or triggers that may impair, the Issuer's liquidity, overall creditworthiness or an existing security holders' rights;
  - ii. Whether the contract or obligation is a private placement of debt with a financial institution, letter of credit, standby line of credit, or a similar "credit agreement" that relates to a Debt Obligation;
  - iii. Whether the contract or obligation is an ordinary financial and operating liability incurred in the Issuer's normal course of business;

- iv. Whether the contract or obligation contains acceleration provisions or restrictive debt service covenants that could affect the rights of existing security holders;
- v. Whether the contract or obligation is a short or long-term Debt Obligation of the Issuer under the terms of an indenture, loan agreement, capital lease, or other similar contract such as a line of credit;
- vi. Whether the contract or obligation is an operating lease, or a capital lease which operates as a vehicle for borrowing money (e.g. a lease-purchase agreement). For purposes of this Disclosure Policy, factors relevant to determining whether a lease is a vehicle for borrowing money (i.e., a Financial Obligation) are included in **Exhibit A** attached hereto;
- vii. Whether the contract or obligation represents competing debt with the Issuer's prior Debt Obligations that may affect the rights of the existing security holders;
- viii. Whether the contract or obligation is a derivative instrument entered into in connection with a pledge as security or source of payment for an existing or planned Debt Obligation, which may include any swap, security-based swap, futures contract, forward contract, option, a combination of the foregoing or any similar instrument;
- ix. Whether the contract or obligation is a derivative instrument designed to mitigate investment risk; or
- x. Whether the contract or obligation is a guarantee provided by the Issuer as a guarantor for the benefit of a third party.

The Disclosure Officer will consult with bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants to the extent necessary in making a determination as to whether a contract or obligation incurred by the Issuer is a Financial Obligation or Terms Affecting Security Holders subject to the disclosure requirements of Event 15.

- (c) Determination of Material Event 15. If the Disclosure Officer determines that the Issuer has incurred a Financial Obligation or Terms Affecting Security Holders subject to Event 15, the Disclosure Officer shall proceed to determine whether such Financial Obligation or Terms Affecting Security Holders are Material. The same practice used by the Issuer for determining whether a particular piece of information is Material in connection with preparing a disclosure document for an Offering set forth in Section 3.02(f) should be used for purposes of Event 15.

The Disclosure Officer shall determine whether a Financial Obligation or Terms Affecting Security Holders are Material upon the incurrence of the Financial Obligation or the Terms Affecting Security Holders, taking into account all relevant facts and circumstances. Relevant facts and circumstances may include, but are not limited to:

- i. The principal amount of the Financial Obligation, including the aggregate par amount of a series of related Financial Obligations, and the method of setting or adjusting the interest rate thereof;
- ii. The Issuer's overall balance sheet and the size of its existing Debt Obligations;
- iii. The source of security pledged for repayment of the Financial Obligation and the rights associated with such pledge;

- iv. The length of time that the Financial Obligation is to remain outstanding; and
- v. Other appropriate terms of a Financial Obligation that will impact the Issuer's financial condition and/or existing security holders in a manner deemed Material by the Disclosure Officer.

The Disclosure Officer, in consultation with the governing body of the Issuer, bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants of the Issuer, to the extent necessary, shall no less often than annually set objective standards of materiality with respect to Debt Obligations incurred by the Issuer, which may include, but are not limited to, a monetary threshold that, in connection with other relevant facts and circumstances, is the basis for the determination of materiality for Financial Obligations or Terms Affecting Security Holders of the Issuer. With respect to lease agreements entered into by the Issuer, the Disclosure Officer shall implement the guidelines set forth in **Exhibit A** when assessing whether such lease agreements are Material Financial Obligations.

- (d) Incurrence. A Financial Obligation and Terms Affecting Security Holders is considered to be incurred by the Issuer on the date that such Financial Obligation or Terms Affecting Security Holders is enforceable against the Issuer. As a filing under Event 15 is required to be made in a timely manner, not in excess of ten (10) Business Days after date of incurrence, the Disclosure Officer shall begin the process of assessing whether a particular Financial Obligation or Terms Affecting Security Holders should be disclosed as far in advance of its incurrence as possible. Additionally, although not required, the Disclosure Officer may file a voluntary filing of all outstanding Material Financial Obligations incurred prior to the Compliance Date.
- (e) Exemption of Municipal Securities as to Which a Final Official Statement Has Been Provided. The Disclosure Officer is not obligated to disclose, as a Financial Obligation or Terms Affecting Security Holders subject to Event 15, Municipal Securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12. The Disclosure Officer recognizes that this exclusion from the definition of "Financial Obligation" does not extend to Debt Obligations, contingent or otherwise, related to such Municipal Securities that may be disclosed or referenced in such final official statements.
- (f) Exemption of Monetary Obligations Resulting From Legal Proceedings. The Disclosure Officer is not required to disclose monetary obligations resulting from a judicial, administrative, or arbitration proceeding as an Event Notice.
- (g) Subjecting Debt Obligations to Annual Appropriation not Determinative. The Disclosure Officer understands that qualifying Debt Obligations or Financial Obligations such that payment is subject to annual appropriation may remove the "debt" designation for state constitutional or statutory purposes; however, this qualification alone will not be determinative as to whether the Issuer or Obligated Person has incurred a Material Financial Obligation; rather, when analyzing Debt Obligations and Financial Obligations that are subject to annual appropriation, the Disclosure Officer shall determine whether such Financial Obligation is Material, as described in Section 3.02(f), taking into account all relevant facts and circumstances as described in this Section 5.02.
- (h) Form of Event 15 Event Notice. Upon review of the factors outlined above, if the Disclosure Officer affirmatively determines that a Debt Obligation incurred by the Issuer is a Financial Obligation or Terms Affecting Security Holders that are Material and not exempt under subsection (e) and (f) of this Section 5.02, and therefore subject to Event 15, the Disclosure Officer shall file or cause to be filed with the MSRB through EMMA a notice not in excess of ten (10) Business Days of the date of the incurrence of the Financial Obligations or Terms Affecting Security Holders. The Disclosure Officer shall include a description of the Material terms of the Financial Obligation or Terms Affecting Security Holders within the Event 15 Event Notice. Terms considered Material for Event 15 may include, but are not limited to:

- i. The date of incurrence;

- ii. Principal amount;
- iii. Maturity and amortization;
- iv. Interest rate, if fixed, or method of computation and any default rates, if variable; or
- v. Other appropriate terms deemed material by the Disclosure Officer, the inclusion of which would help further the availability of information to assist investors in making more informed investment decisions in connection with such incurrence of Financial Obligations or Terms Affecting Security Holders.

The Disclosure Officer shall determine, based on the facts and circumstances, whether to submit to the MSRB a description of the Material terms of the Financial Obligation or the Terms Affecting Security Holders, or alternatively or in addition, submit related materials such as transaction documents prepared in connection with the Financial Obligation or the Terms Affecting Security Holders that set forth the material terms of the Financial Obligation or the Terms Affecting Security Holders. The Disclosure Officer shall not include, and shall take actions to redact, confidential information such as account numbers or other personally identifiable information (but not information relating to an interest rate or other pricing data). Should the Disclosure Officer determine that filing one or more of the transaction documents prepared in connection with the Financial Obligation or the Terms Affecting Security Holders is appropriate under this subsection, the Disclosure Officer may redact any confidential or personally identifiable information from the Event 15 Event Notice.

**SECTION 5.03      EVENT 16: EVENTS UNDER THE TERMS OF A FINANCIAL OBLIGATION WHICH REFLECT FINANCIAL DIFFICULTIES.**

- (a) Event 16. Beginning on the Compliance Date and continuing thereafter, in addition to the fourteen events described in Section 5.01, and Event 15 described in Section 5.02, the Disclosure Officer shall determine whether an Event 16 has occurred with respect to the Issuer as follows:

- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

If the Disclosure Officer determines that an Event 16 has occurred with respect to the Issuer, the Disclosure Officer will file or cause to be filed with the MSRB through EMMA a notice of Event 16, whether Material or not, provided the occurrence reflects financial difficulties of the Issuer. The Disclosure Officer shall file an Event 16 Event Notice even where the underlying Financial Obligation was incurred before the Compliance Date.

- (b) Reflection of Financial Difficulty of Obligated Person. The Disclosure Officer shall disclose to the MSRB the occurrence of an event listed in Event 16 only if the Disclosure Officer, in consultation with the governing body of the Issuer, bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants to the Issuer, to the extent necessary, determines that the occurrence of the event reflects financial difficulties of the Issuer.

- (c) Events Subject to Event 16 Filing. Subject to subsection (b) of this Section 5.03, the Disclosure Officer should disclose any occurrence in connection with the terms of a Financial Obligation that reflects financial difficulties of the Issuer. Such occurrences may include, but are not limited to the following types of events:

- i. Monetary defaults or events of non-appropriation where the Issuer has failed to pay principal, interest, or other funds due, or a non-payment related default where the Issuer has failed to comply with specified covenants;
- ii. An event of acceleration exercised by a trustee or counterparty as the result of an event of default or other applicable remedy provision;
- iii. A modification of terms that reflects financial difficulties of the Issuer;

- iv. A written or verbal waiver of an agreement provision that is a departure from what was agreed to under the original terms of such agreement; and
  - v. Other events under the terms of a Financial Obligation that reflect financial difficulties of the Issuer and share similar characteristics with the specific types of events in Event 16.
- (d) Form of Event 16 Event Notice. Upon review of the factors outlined above, if the Disclosure Officer affirmatively determines that, in connection with the terms of a Financial Obligation of the Issuer, the Issuer is experiencing financial difficulties pursuant to Event 16, the Disclosure Officer shall file or cause to be filed with the MSRB through EMMA an Event 16 notice filing within ten (10) Business Days of the date of such determination containing a description of the relevant terms of the Financial Obligation. Terms considered relevant to an Event 16 notice filing may include, but are not limited to:
- i. The provisions within the Financial Obligation giving rise to the occurrence under Event 16;
  - ii. The nexus between the terms of such Financial Obligation giving rise to the occurrence under Event 16 and the existing or potentially forthcoming financial difficulties resulting therefrom;
  - iii. A description of the Issuer's current financial status; and
  - iv. Other appropriate facts deemed material by the Disclosure Officer, the inclusion of which would help further the availability of information to assist investors in making more informed investment decisions in connection with the occurrence of events relating to a Financial Obligation that reflect financial difficulties.

**ARTICLE VI****MISCELLANEOUS****SECTION 6.01 ANNUAL REVIEW.**

The Disclosure Officer shall conduct an evaluation of the policies set forth in this Policy no less often than annually, and promptly after completing the evaluation the Disclosure Officer shall prepare an annual report of the Issuer's compliance.

**SECTION 6.02 AMENDMENTS TO POLICY.**

This Policy may be amended from time to time to adapt to changed circumstances that arise from a change in legal requirements or industry disclosure practices or procedures, a change in Rule 15c2-12, or a change in law.



**EXHIBIT A****LEASE AGREEMENTS OPERATING AS VEHICLES TO BORROW MONEY (FINANCIAL OBLIGATIONS)**

As a result of the amendments to Rule 15c2-12, compliance therewith effective February 27, 2019, Issuers or Obligated Persons that periodically enter into leases should develop policies and procedures to (i) determine whether the lease is a vehicle to borrow money, and is therefore a Financial Obligation, as opposed to an operating lease, (ii) determine if such lease becomes Material once incurred, after considering other relevant factors and all outstanding Financial Obligations (an Issuer or Obligated Person's threshold for outstanding Financial Obligations) and (iii) require that all executed leases are timely communicated to the Disclosure Officer for purposes of determining whether an Event Filing is necessary.

**I. Leases Operating as Vehicles to Borrow Money (Financial Obligations)**

The SEC has determined that a lease should generally be considered a debt obligation and thus a "Financial Obligation" under the Rule when such lease operates as a vehicle to borrow money (i.e., capital leases but not mere operating leases).<sup>1</sup>

Capital leases are generally recorded on the balance sheet of the Issuer or Obligated Person as an asset and a liability by an amount equal to the present value of the minimum lease payments; in contrast, operating leases are handled as off-balance sheet financings of assets and are recorded as operating expenses on the Issuer or Obligated Person's income statement. In determining which types of leases to include under the umbrella of "Financial Obligations," the SEC deemed it appropriate to include only those leases that could represent competing debt of the Issuer or Obligated Person (e.g., capital leases which are essentially vehicles to borrow money).

Because capital leases of the Issuer or Obligated Person are recorded in the same fashion as other competing debt of the Issuer or Obligated Person, each sharing a line item in the balance sheet as a liability or included in a more general line item (i.e., competing debt), capital leases are viewed by the SEC as rising to the level of a Financial Obligation because they operate more like a debt obligation. As such, Issuers and Obligated Persons should have procedures in place that help determine whether leases are capital leases or operating leases, as the incurrence of a capital leases will require a Materiality analysis to determine whether an Event 15 notice filing is required.

To make the determination of whether a lease operates as a vehicle to borrow money, the Disclosure Officer should work with appropriate staff and accountants, municipal advisors, financial advisors and other outside consultants of the Issuer or Obligated Person, to the extent necessary, to determine whether the lease is a vehicle to borrow money (i.e., a capital lease) or an operating lease as operating leases will not rise to the level of a Financial Obligation under Event 15 of Rule 15c2-12.

*Characteristics of Leases Operating as Vehicles to Borrow Money (Capital Leases)*

In making the determination of whether a lease operates as a vehicle to borrow money and is therefore a Financial Obligation for purposes of Event 15, relevant characteristics may include, but are not limited to, the following:

- i. The lease contains a transfer of ownership of the underlying asset at the end of the lease term or shortly thereafter;
- ii. An option to purchase the underlying asset being leased at a discounted price is available, which may be exercised during or at the end of the lease term;
- iii. The term of the lease is greater than 75% of the useful life of the leased asset; or
- iv. The present value of the lease payment is greater than 90% of the leased asset's fair market value.

Although the characteristics above may be helpful in determining whether a lease operates as a vehicle to borrow money, the Disclosure Officer and appropriate staff and consultants should review of the entire lease, in context with the Issuer's financing and/or operating objectives, in considering whether a lease is a Financial Obligation subject to Event 15. Although a capital lease (as such term in commonly understood) will generally be treated as a vehicle to borrow money, the mere labelling of the lease as "capital" or "operating" will not itself be determinative.

**II. Determining Factors for Materiality of Leases that Constitute Financial Obligations**

<sup>1</sup> Although the SEC in Release No. 34-83885, implementing the amendment of Rule 15c2-12 to include Event 15 and 16, has discontinued (following GASB's lead) the use of the term "capital lease" and "operating lease," the distinction remains useful to the extent that "capital leases" are commonly understood to be financed purchases of an underlying asset (and thus generally are vehicles to borrow money) whereas "operating leases" are not.

Issuers and Obligated Persons should apply the Materiality standard in Section 3.02(f) and the relevant facts and circumstances in Section 5.02(c) of this Policy, in conjunction with the factors below for purposes of determining whether a lease that operates a vehicle to borrow money is Material and subject to an Event Filing under Event 15.

Given the difference in size, sophistication, features and number of obligations executed by certain issuers and Obligated Persons, factors used in determining the materiality of a lease that operates as a vehicle to borrow money may vary. The Disclosure Officer may utilize factors relevant to the Issuer or Obligated Person which may include, but are not limited to, one or more the following:

- i. Whether the cost of the lease incurred and the payment obligations thereof exceeds a specified percentage of the Issuer's or Obligated Person's fund balance (for purposes of this and the following considerations, the Issuer must determine, given its circumstances, the appropriate way to measure the impact of a lease, e.g., by the aggregate payments required, by principal amount or by annual payment impact to the Issuer's debt portfolio);
- ii. Whether the incurrence of the lease will increase the outstanding indebtedness of the Issuer or Obligated Person by more than a specified ratio or percentage;
- iii. Whether the incurrence of the lease and the payment obligations thereof exceeds a specified percentage of the Issuer's unrestricted revenues;
- iv. Whether the lease represents multiple counterparts of a single transaction that, if incurred at once, would exceed the limits stated in (i), (ii) or (iii) above;
- v. Whether the incurrence of the lease in conjunction with other outstanding Financial Obligations would in the aggregate exceed the limits stated in (i), (ii) and (iii) above; or
- vi. Whether the lease has acceleration provisions or is considered a security on parity or senior to outstanding Financial Obligations.

When utilizing the above factors, the Disclosure Officer must be aware that although a lease may not be Material when compared to the Issuer's or any Obligated Person's general revenues and fund balance, such lease may be material to Financial Obligations pledged to be paid from the specifically pledged revenues and fund balances. Therefore, the Disclosure Officer must look at both the general revenues and the specifically pledged revenues of the Issuer and any Obligated Person when determining the materiality of a lease that operates as a vehicle to borrow money.

If after using the Materiality standard in Section 3.02(f), the relevant facts and circumstances in Section 5.02(c) of this Policy and the factors described above, the Disclosure Officer determines that the lease operating as a vehicle to borrow money is Material, a filing under Event 15 must be made within ten business days from the incurrence of such lease.

If a determination of Materiality is made under factor (v) above for a lease or any other Financial Obligation, additional Financial Obligations incurred thereafter may likely carry a *de facto* Materiality designation. As such, factor (v) above works as a magnitude test of the Issuer or Obligated Person as it becomes the Issuer or Obligated Person's Materiality threshold for all outstanding Financial Obligations.

### **III. Communication Amongst Departments Once Leases are Incurred**

The Disclosure Officer should become aware of the frequency in which the Issuer or Obligated Person incurs leases, as opposed to other forms Financial Obligations, in the ordinary course of the Issuer or Obligated Person's business. To further communication amongst multiple departments within the Issuer or Obligated Person, the Disclosure Officer should require that any member of the Issuer or Obligated Person's staff authorized to execute leases on behalf of the Issuer or Obligated Person report and provide copies of all leases directly to the Disclosure Officer within two (2) business days prior to their execution. Upon receipt of any lease, the Disclosure Officer shall immediately work with appropriate staff and accountants, municipal advisors, financial advisors and other outside consultants of the Issuer, to the extent necessary, to determine whether the lease operates as a vehicle to borrow

money (i.e., is a Financial Obligation) and whether such lease is Material using the Materiality standard in Section 3.02(f), the relevant facts and circumstances in Section 5.02(c) of this Policy and the factors described above.

## FINANCIAL POLICY STATEMENTS

Proposed Revisions 3/20/2022

### I. STATEMENT OF PURPOSE

The intent of the Financial Policy and Financial Management Policy is to enable the City to achieve a long-term stable and positive financial condition. The guiding principles of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The more specific purpose is to provide guidelines to Management in planning and directing the City's finances and in developing recommendations to City Council.

The scope of the financial policies include the City's investment, debt and continuing disclosure policies covering areas such as accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, debt management, and planning concepts, in order to:

- a. present fairly and with full disclosure the financial position and results of financial operations of the City in conformity to generally accepted accounting principles (GAAP) as set forth by the governmental accounting standards board (GASB), and
- b. determine and demonstrate compliance with finance related legal and contractual issues in accordance with provisions of the Texas Local Government Code and other pertinent legal documents and mandates.

### II. GENERAL IMPLEMENTATION AND COMPLIANCE GUIDELINES

- A. **FINANCE COMMITTEE.** The Finance and Internal Services City Council Committee, the City Manager, and the Finance Director shall be designated as the Finance Committee. The committee may meet annually, or as needed. The function of the committee will be:
  - 1) Fiscal policy review
  - 2) Auditor selection recommendation
  - 3) Investment and Debt policy review and guidance
  - 4) Long-range planning
- B. **ANNUAL REVIEW.** Based upon the results and recommendations of the Finance Committee review, the Council will annually approve the fiscal policies.
- C. **IMPLEMENTATION, COMPLIANCE, ACCOUNTABILITY AND REVIEW.** The Finance Director will be responsible for implementing these policies and will, to the best of his or her knowledge, make the City Manager, Finance Committee and the City Council aware of any variances in practice from these policies or any other deviation from prudent financial practices in accordance with GAAP, the city charter, state laws and/or ethics of the profession.

### III. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **ACCOUNTING.** The City is solely responsible for the reporting of its financial affairs, both internally and externally. The City Manager is the City's Chief Fiscal Officer and the head of the administrative branch of the City government. The City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions as specified in the City's Charter Article VII, Section 68.
- B. **AUDITING.** An independent certified public accounting (CPA) firm will perform annual financial audits.
- 1) Qualifications of the Auditor. In conformance with the City's Charter and according to the provisions of Texas Local Government Code, Title 4, Chapter 103, the City will be audited annually by outside independent accountants. ("auditor").
  - 2) Auditor Repute. The auditor must be a CPA firm of good reputation and must demonstrate that it has the breadth and depth of staff to conduct the City's audit in accordance with generally accepted auditing standards and contractual requirements. The auditor must be registered as a partnership or corporation or certified public accountants, holding a license under Article 41a-1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the City's audit in accordance with generally accepted auditing standards as required by the City Charter and applicable state and federal laws.
  - 3) Timing. The auditor's report on the City's financial statements will be completed within 180 days of the City's fiscal year end.
  - 4) Management Letter. The independent CPA firm shall provide a management letter, if one is issued, no later than March 31 following the end of each fiscal year. The auditor will prepare and will jointly review the management letter with the Finance Committee. The Finance Director shall respond in writing to the City Manager and City Council regarding the auditor's management letter, addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor's report upon the resolution of any issues resulting from the joint review.
  - 5) Responsibility of Auditor to City Council. The auditor is accountable to the City Council and will have access to direct communication with the City Council if the City Staff is unresponsive to auditor recommendations or if the Auditor considers such communication necessary to fulfill its legal and professional responsibilities.
  - 6) Rotation of Auditor. The City will not require an auditor rotation, but will circulate requests for proposal for audit services at least every five years. Should the City Council be dissatisfied with the auditor's performance, it may request new proposals at any time. Year to year authorization to continue shall be done by July 1st of each year.

## C. FINANCIAL REPORTING.

### 1) External Reporting.

- a. Scope. The Annual Comprehensive Financial Report shall be prepared in accordance with generally accepted accounting principles (GAAP).
- b. Timing. The Report shall be presented to the Council within 180 calendar days of the City's fiscal year end. If City staffing limitations preclude such timely reporting, the Finance Director will inform the City Council of the delay and the reasons thereof.
- c. Awards. The Report shall be presented annually to the Government Finance Officer's Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Internal Reporting. The Finance Department will prepare internal financial reports, sufficient to plan, monitor, and control the City's financial affairs. Internal financial reporting objectives are addressed throughout these policies. IV. OPERATING BUDGET.

A. PREPARATION. Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. The City's "operating budget" is the City's annual financial operating plan. The scope of the budget includes all funds for which the City will adopt a formal budget, including Government Funds and Proprietary Funds.

- 1) Budgetary Process. The budget is prepared by the City Manager or his/her designee with the cooperation of all City Departments. The budget should be presented to the City Council between 60 and 90 days prior to fiscal year end, and should be enacted by the City Council prior to fiscal year end in accordance with the Charter.
- 2) Awards. If feasible, the operating budget will be submitted to the GFOA annually for evaluation and consideration for the Award for Distinguished Budget Presentation.
- 3) Basis of Budgeting. The basis of budgeting will be the same as the basis of accounting; that is, that budgets for the General Fund and the Special Revenue Funds are prepared on the modified accrual basis of accounting, and budgets for the Utility (Proprietary) Funds are prepared on a full accrual basis, except that capital purchases and depreciation are not adjusted until year-end financial reporting.
- 4) Financial Forecast. A five-year financial forecast shall be prepared annually, projecting revenues and expenditures for all operating and capital funds. This forecast shall be used as a planning tool in developing the following year's operating budget.
- 5) Proposed Budget Format. A proposed budget shall be prepared by the Manager with the participation of all of the City's Department Directors, within the provisions of the City Charter. The budget shall include at least four basic segments for review and

evaluation. These segments are: (1) personnel costs, (2) operations and maintenance costs, (3) capital and other (non-capital) project costs, and (4) revenues. A four column format should be used such that prior year actual, current year budget and revised, and next year proposed are all clearly shown.

- 6) Council Participation. The budget review process shall include Council participation in the development of each of the four segments of the proposed budget and a Public Hearing to allow for citizen participation in the budget preparation. The budget process shall span sufficient time to address policy and fiscal issues by the Council. The budget process will be coordinated so as to identify major policy issues for City Council consideration prior to the budget approval date so that proper decision analysis can be made.
  - 7) Filing and Adoption. Upon the presentation of a proposed budget document acceptable to the Council, the Council shall call and publicize a public hearing and adopt by Ordinance such budget as the City's Official Budget, effective for the fiscal year beginning. A copy of the proposed budget shall be filed with the City Secretary in accordance with the provisions of the City Charter. Should the Council fail to take final action on or before the last day of the fiscal year, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the City Council.
  - 8) Amending the Official Budget. The council may amend the budget for municipal purposes in accordance with state law.
  - 9) Encumbrances. Encumbrances outstanding at the end of each fiscal year shall be reflected as reservations of fund balance. Subsequent year's payments on previously encumbered funds will be reflected as expenditures in the current year. For Encumbrances that are brought forward from the previous year, budgets will be adjusted by the encumbered amount in the current year.
- B. **BALANCED BUDGET**. The operating budget will be balanced with current revenues and other resources greater than or equal to current expenditures/expenses. Use of beginning balances and other reserves to balance operations will be discussed with City Council during the budget process.
- C. **REPORTING**. Monthly financial reports will be prepared to enable the Department Managers to manage their budgets and to enable the Finance Director to monitor and control the budget as authorized by the City Manager. Summary financial reports will be presented to the departments within 10 business days. City Council will receive a quarterly financial summary of key funds within 30 to 45 days after the end of each quarterly period (December, March, June and September).
- D. **ACTIVITY INDICATORS AND STATISTICS**. Where appropriate, activity indicators and statistics will be used as guidelines and reviewed for efficiency and effectiveness. This

information will be considered in the annual budgeting process and reported to the City Council regularly.

- E. OPERATING POSITION. The guidelines that the City should be following to assure fiscal stability are those outlined in Financial Condition/ Reserves/Stability Ratios (IX.A. through F.).

## V. REVENUE MANAGEMENT.

- A. The City will strive for the following optimum characteristics in its revenue system:

- 1) SIMPLICITY. The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs and to make it more understandable to the taxpayer or service recipient. The City will avoid nuisance taxes or charges as revenue source.
- 2) CERTAINTY. A knowledge and understanding of revenue sources increases the reliability of the revenue system. The City will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will materialize according to budgets and plans.
- 3) EQUITY. The City shall make every effort to maintain, equity in its revenue system structure; i.e., the City shall seek to minimize or eliminate all forms of subsidy between entities, funds, services, utilities, and customers. The City shall require that there be a balance in the revenue system; i.e., the revenue base will have the characteristic of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.
- 4) ADMINISTRATION. The benefits of a revenue will exceed the cost of collecting and administering the revenue program. The cost of collection will be reviewed annually for cost effectiveness as a part of the indirect cost and cost of services analysis. Where appropriate, the City will use the administrative processes of State or Federal collection agencies in order to reduce administrative costs.
- 5) DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to changes in the economy and variations in weather, a diversified revenue system will be maintained to provide stability.
- 6) GRANTS AND RESTRICTED REVENUES. In order to maintain flexibility in the revenue system, grants and restricted revenues shall be pursued on a cost-benefit basis. All grants and other federal/state, and restricted funds shall be managed and accounted to comply with the laws, regulations, and guidance of the grantor.

- B. The following considerations and issues will guide the City in its revenue policies concerning specific sources of funds:



- 1) **COST/BENEFIT OF ABATEMENT.** The City will use due caution in the analysis of any tax or fee incentives that are used to encourage development. Ideally, a cost/benefit (fiscal impact) analysis will be performed as a part of such caution.
- 2) **NON-RECURRING REVENUES.** One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs.
- 3) **PROPERTY TAX REVENUES.** All real and business personal property located within the City shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the City by the Johnson County Appraisal District and Tarrant County Appraisal District. Total taxable valuation will be reappraised and reassessed in accordance with State statute, in order to maintain current market values.

A 98% collection rate shall serve each year as a goal for tax collections. All taxes shall be aggressively pursued each year by the City's appointed tax assessor/collector. Tax accounts delinquent July 1st shall be submitted for collection each year to an attorney selected by the City Council. A penalty shall be assessed on all property taxes delinquent in accordance with State law and shall include all court costs, as well as an amount for compensation of the attorney as permitted by State law and in accordance with the attorney's contract with the City. Annual performance criteria will be developed for the attorney.

- 4) **INTEREST INCOME.** Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the operating and capital budgets which, wherever possible, will be in accordance with the cash balance of the fund from which monies were provided to be invested.
- 5) **USER-BASED FEES AND SERVICE CHARGES.** For services associated with a user fee or charge, the direct and indirect costs of that service will be offset by a fee where possible. There will be an annual review of fees and charges to ensure that fees provide adequate coverage of costs of services. User charges may be classified as "Full Cost Recovery", "Partial Cost Recovery," and "Minimal Cost Recovery," based upon City Council policy.
- 6) **UTILITY RATES.** The City will review and adopt utility rates annually that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital needs. This policy does not preclude drawing down cash balances to finance current operations. However, it is best that any extra cash balance be used instead to finance capital projects. Components of Utility Rates will include transfers to the General Fund as follows:

- a. General and Administrative Charge. An administrative fee will be charged to the Utility Fund for services of general overhead, such as administration, finance, personnel, data processing, and legal counsel. This fee will be documented through a cost allocation procedure.
- b. Franchise payment. A rate consistent with those charged to private utilities will be charged to the Utility Fund. This rate may be either raised or lowered so as to be consistent with those of the private utilities.
- c. Payment in lieu of Property Tax (PILOT). A fee will be charged to the Utility Fund to equate to property taxes lost due to municipal ownership. Net book value will be used as a basis, barring absence of known market value. The existing tax rate will be applied to this base to determine the PILOT charge.

7) REVENUE MONITORING. Revenues received will be compared to budgeted revenues throughout the fiscal year and significant variances will be investigated.

## VI. EXPENDITURE CONTROL

- A. APPROPRIATIONS. The level of budgetary control is at the fund level for all operating funds. Budget appropriations at lower levels of control, which is defined as transfers, shall be made in accordance with the applicable administrative procedures.
- B. AMENDMENTS TO THE BUDGET. In accordance with the City Charter, all budget amendments shall be approved by the Council.
- C. CENTRAL CONTROL. No recognized or significant salary or capital budgetary savings in any Department shall be spent by the Department Director without the prior authorization of the City Manager. However, Department Directors are authorized to approve budgetary line items transfers in the same fund within their own assigned departments. The City Manager assigns Departments to each Director as areas of their responsibilities, and documents it in the City's Organization Chart.
- D. PURCHASING. All purchases should be in accordance with the City's purchasing policies as defined in the Purchasing Manual. In accordance with Charter provisions, purchases and contracts as per the City's Procurement Policy, will be reviewed and recommended by staff and presented to Council for approval.
- E. PROMPT PAYMENT. All invoices approved for payment by the proper City authorities shall be paid by the Finance Department within thirty (30) calendar days of receipt in accordance of Government Code Title 10. General Government, Subtitle F. State and Local Contracts and Fund Management, Chapter 2251.021 and other related state and local government laws and regulations.
- F. EQUIPMENT FINANCING. Equipment is accounted for at the original acquisition cost, which includes purchase price plus any costs incurred to place the equipment in service.

Equipment may be leased or financed when the unit purchase price is \$5,000 or more and the useful life is at least five years. Departments shall contact the Finance Department for transfer or disposal instructions.

- G. **RISK MANAGEMENT.** The City will aggressively pursue every opportunity to provide for the Public's and City employees' safety and to manage its risks. The goal shall be to minimize the risk of loss of resources through liability claims with an emphasis on safety programs. All reasonable options will be investigated to finance risks. Such options may include risk transfer, insurance, and risk retention.
- H. **AUTHORIZATION OF PAYMENT.** Two signatures are required to conduct business of behalf City of Burleson, Texas. Both the City Manager and the Director of Finance, or their designee(s), are hereby authorized to execute the required Agreement with the Bank Depository. Designee(s) who are authorized to transact business on behalf of the City Manager are the City of Burleson's Deputy City Manager or the City Secretary. The designee who is authorized to transact business on behalf of the Director of Finance is the City of Burleson's Assistant Director of Finance and Controller.
- I. **AUTHORIZATION OF WIRE TRANSFERS BY THE CITY.**

- 1. In general, attachments A through D to this Policy are as follows:

- a. Attachment "A" List of authorized individuals who may approve wire transfers.
- b. Attachment "B" Designation of Custodial/Safekeeping Agent.
- c. Attachment "C" List of authorized Investment Pools.
- d. Attachment "D" List of authorized Paying Agents.

Changes to attachments for revisions, additions, or deletions to any of the designations on Attachment "A", "B", "C" and "D" shall require the approval of two individuals listed on Group B as listed on Attachment "A". Copies of additions, deletions, and changes will be provided to the Finance Committee at their next regular scheduled meeting.

- 2. **SECURITY PURCHASES.**

- a. Two employees designated on Group A of Attachment "A" must approve wire transfers associated with security purchases.
- b. All security purchases shall be executed "delivery vs. payment."
- c. Any change in the City's custodial relationship must be approved by two individuals designated in Group B of Attachment "A".

- 3. **INVESTMENT POOLS**

- a. Two employees designated on Group A of Attachment “A” must approve wire transfers to designated investment pools.
- b. Any revision, addition or deletions to the list of designated investment pools shall require the approval of two individuals designated in Group B of Attachment “A”. Copies of additions, deletions, and changes will be provided to the Finance Committee at their next regularly scheduled meeting.

#### 4. PAYING AGENTS

- a. Two individuals designated on Group A of Attachment “A” must approve wire transfers to designated paying agents.
- b. Any revision, addition or deletion to the list of designated paying agents will require the approval of two individuals designated in Group B of Attachment “A”. Such approval shall not be necessary when supplementary information unrelated to the accounts varies. For example, the paying agent may request that the wire include a notation that the transaction is to the attention of a certain individual. So long as the wire is the benefit of an authorized account, such clarifying information is permissible. Copies of additions, deletions, and changes will be provided to the Finance Committee at their regular scheduled meeting.

#### 5. MISCELLANEOUS

- a. Wire transfers to any party not involving a security purchase destined for custodial safekeeping with an approved organization, or to an authorized investment pool, or to an authorized paying agent, shall require the approval of two authorized individuals in Group B of Attachment “A”. Copies of such transactions will be provided to the Finance Committee at their next regularly scheduled meeting.

#### 6.

### VII. ASSET MANAGEMENT

- A. **INVESTMENTS.** The Finance Director shall promptly invest all City funds with the Bank Depository in accordance with the provisions of the current Bank Depository Agreement or in any negotiable instrument that the Council has authorized under the provisions of the Texas Public Funds Investment Act and in accordance with the City Council approved Investment Policy.

- B. CASH MANAGEMENT. The City's cash flow will be managed to maximize the cash available to invest. Such cash management will entail the centralization of cash collections, where feasible, including property tax payments, utility bills, municipal fines, building and related permits and licenses, and other collection offices as appropriate. Cycle billing will be used where appropriate.
- C. FIXED ASSETS AND INVENTORY. These assets will be reasonably safeguarded and properly accounted for, and prudently insured. A fixed asset of the City shall be defined as a purchased or otherwise acquired piece of equipment, vehicle, furniture, fixture, capital improvement, addition to existing capital investments, land, buildings or accessioned Library materials. The cost or value of any such acquisition must be \$5,000 or more within an expected useful life greater than one year. All City departments with inventory are required to conduct a physical inventory under their control on an annual basis.
- D. DEPOSITORIES The City Council, having given due consideration to all of its options and taking into consideration what is in the best interest of the municipality, hereby authorizes the consideration of applications of depositories not doing business within the City of Burleson, Texas so long as that bank maintains a business location within a five-mile radius of Burleson City Hall. This authorization encompasses all of the depository uses and requirements of the City.

#### VIII. CAPITAL BUDGET AND PROGRAM

- A. PREPARATION. The City will develop a 5 year capital improvement plan (CIP) to include all capital projects being considered and all resources for capital funding. The budget will be prepared on a fiscal year ending calendar and reported annually. The 5 year CIP will be prepared by Department Director and presented to City council during the budget process. Finance Director will work closely with Department to ensure funding capacity is available.
- B. CONTROL. All capital project expenditures must be appropriated in the capital budget at a project level. The Finance Department must certify the availability of such appropriations or the availability of resources needed to be appropriated before a capital project contract is presented to the City Council for approval. Any remaining funds of a completed project not allocated by City Council will be closed into an unallocated account in the same fund. Similar projects are to be grouped together in a fund based on type of project and source of funding, using the similar Capital Projects Fund classifications for reporting purposes in the Annual Financial Report.
- C. PROGRAM PLANNING. The capital budget will include capital improvements program plans for future years. The planning time frame should normally be at least five years. The replacement and maintenance for capital items should also be projected for the next 5 years. Future maintenance and operational costs will be considered at the initiation of a project so the costs can be included in the relevant operating budget.

- D. FINANCING PROGRAMS. Where applicable, assessments, impact fees, pro-rata charges, or other fees should be used to fund capital projects having a primary benefit to specific, identifiable property owners.
- E. INFRASTRUCTURE MAINTENANCE. The City recognizes that deferring maintenance increases future capital costs. Therefore, a portion of the appropriate fund's budget will be set aside each year to maintain the quality of the City's infrastructure. The inclusion of infrastructure maintenance and replacement costs in the current operating budget will place the burden of the costs and repairs on the current users of the systems.
- F. REPORTING. Periodic financial reports will be prepared to enable Department Managers to manage their capital budgets and to enable the Finance Department to monitor and control the capital budget as authorized by the City Manager. Summary capital projects status reports should be presented to the City Council quarterly.

#### IX. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

- A. OPERATIONAL COVERAGE. (NO OPERATING DEFICITS). The City will maintain an operational coverage factor of 1.00, such that current operating revenues (plus approved fund balance appropriations) will equal or exceed current operating expenditures.

Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated in Paragraph B, following.

#### B. OPERATING RESERVES/FUND BALANCES

- a. Governmental funds of the City of Burleson shall be defined as follows:

- 1) General Fund The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.
- 2) Special Revenue Funds Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, omitted, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund,

if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

- 3) Capital Projects Funds Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
- 4) Debt Service Funds Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, even if it is being accumulated for future years' payments. Debt service funds should be used to report resources if legally mandated.
- 5)
- 2) Ending fund balances of the City of Burleson shall be reported according to the following classifications:
  - 1) General Fund
  - 2) DEBT SERVICE FUNDS RESTRICTED:
    - i.
  - 3) SPECIAL REVENUE FUNDS RESTRICTED/COMMITTED
    - i.
  - 4) CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED
- 3) CAPITAL PROJECT FUNDS BONDED – RESTRICTED Order of expenditure -- When committed, assigned and unassigned resources can be used for the same purpose, funds shall be spent in the sequence of committed resources first, assigned second, and unassigned last.
- 4)
- 5) It is the goal of the City that the unassigned fund balance of the General Fund should be at least 20% of the General Fund annual expenditures. This percentage is the equivalent of 73 days' expenditures. In order to adhere to the principles of matching current revenues with current expenditures and minimizing property taxes, the City

will strive to maintain the fund balance if the unassigned balance grows beyond 90 days' expenditures.

- 6) The Water and Wastewater Fund working capital should be maintained at least at 20% of total operating expenditures or the equivalent of 73 days.
- 7) It is the goal of the City that the fund balance of the 4A Corp and 4B Corp, should maintain at least a 20% minimum of total operating expenditure or the equivalent of 73 days.

#### C. CAPITAL AND DEBT SERVICE FUNDS

- 1) Items in the Capital Projects Funds will be completed and paid for within 36 months of receipt of proceeds. Balances will be used to generate interest income to offset construction costs.
- 2) General Obligation Debt Service Funds will not have reserves.  
The policy above does not preclude the debt service reserves normally established to market revenue bonds. The City's policy and bond ordinance requirements are to maintain these debt service reserves at the level of the average annual debt service.
- 3) Revenue Obligations will maintain Debt Coverage Ratios as specified by the bond covenants. The City is currently required to have net revenues in excess of average annual debt by 1.25 times. Net revenues must also exceed the maximum outstanding debt by 1.10 times. Both these tests must be met in order to issue additional bonds.
- 4) Obligations of Burleson's economic development corporations will maintain coverage ratios as specified by bond covenants. If the City issues obligations partially secured by a limited pledge of the corporations' sales tax revenues, not subject to the coverage ratios of the revenue bond covenants, coverage shall be maintained at no less than 1.25 times average annual debt service, and 1.15 times the maximum annual debt service. Both of these tests must be met in order to issue additional bonds.

#### X. TREASURY AND DEBT MANAGEMENT

- A. CASH MANAGEMENT. Periodic review of cash flow position will be performed to determine performance of cash management and investment policies. A detailed policy structure will be followed with respect to Cash/Treasury Management. The underlying theme will be that idle cash will be invested with the intent to 1) safeguard assets, (2) maintain liquidity, and 3) maximize return. Where legally permitted, pooling of investments will be done.

The City will adhere to the investments authorized through the Texas' Public Funds Investment Act and the city's established comprehensive Investment Policies and



Guidelines. Such policies clarifies acceptable investment securities, brokers, terms, and other pertinent investment information.

- B. DEBT MANAGEMENT The City's Debt Management Policy establishes parameters and provides guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

## XI. INTERNAL CONTROLS

- A. WRITTEN PROCEDURES. Written procedures will be established and maintained by the Director of Finance for all functions and financial cycles including cash handling and accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.
- B. DEPARTMENT DIRECTORS AND MANAGERS RESPONSIBILITY. City administrators and manager are charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the City in a manner which provides reasonable assurance that:
  - 1) Data and information published either internally or externally is accurate, reliable, complete, and timely.
  - 2) The actions of administrators and employees are in compliance with the City's charter, plans, policies and procedures, and all relevant laws and regulations.
  - 3) The City's resources including its people, systems, data/information, assets, and citizens are adequately protected.
  - 4) Resources are acquired economically and employed effectively.
  - 5) The City's internal controls promote the achievement of plans, programs, goals, and objectives.

Each Department Manager is responsible to ensure that good internal controls are followed throughout his or her Department, that all Finance Department directives or internal controls are implemented, and that all independent auditor internal control recommendations are addressed.

## XII. STAFFING AND TRAINING

- A. ADEQUATE STAFFING. Staffing levels will be adequate for the fiscal functions of the City to operate effectively. Overtime shall be used only to address temporary or seasonal demands that require excessive hours. Workload shedding alternatives will be explored before adding staff.

- B. **TRAINING.** The City will support the continuing education efforts of all financial staff including the investment in time and materials for maintaining a current perspective concerning financial issues. Staff will be held accountable for communicating, teaching, sharing with other staff members all information and training materials acquired from seminars, conferences, and related education efforts.
- C. **AWARDS, CREDENTIALS AND RECOGNITION.** The City will support efforts and involvements resulting in meeting standards and receiving exemplary recitations on behalf of any of the City's fiscal policies, practices, processes, products, or personnel. Staff certifications may include Certified Public Accountant, Management Accountant, Certified Internal Auditor, and Certified Cash Manager. Further, the Finance Director will try to obtain and maintain the designation of Certified Government Finance Officer as awarded by the GFOA of Texas.

The City will strive to maintain a high level of excellence in its accounting policies and practices as it prepares its Financial Report. The Report will be presented to the Government Finance Officers Association (GFOA) for review of qualifications necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. Additionally, the City will submit its annual budget to GFOA for consideration for Distinguished Budget Award, and submit Investment Policy to obtain the Certificate of Distinction from the Government Treasurers' Organization of Texas.

- D. **TRANSPARENCY.** A reasonable effort will be made to ensure relevant financial information is made available to all citizens in a 'user friendly' format in an easy to understand terminology. In pursuit of this goal, the city will seek recognition through state and national transparency and reporting programs.

## ATTACHMENT A – AUTHORIZED INDIVIDUALS FOR WIRE TRANSFERS

Any **two** individuals listed below are hereby authorized to:

1. Execute wire transfers for security purchases executed on a delivery vs payment basis and for which custodial safekeeping is maintained at an approved institution.
2. Execute wire transfers to approved investment pools and paying agents.
3. Make a wire transfer for any other purpose. Any revision, addition or deletion involving an approved custodial agent, investment pool, or paying agent. .

Revisions will be provided to the Finance Committee at the next scheduled meeting.

*Director of Finance*

*City Manager*

*Deputy City Manager*

*Assistant Finance Director*

*Controller*

*Chief Accountant*

*Senior Accountant*

*Supervisory Accountant*

## ATTACHMENT B – CUSTODIAL (SAFEKEEPING) AGENT

American National Bank of Texas  
ABA = 111901519 (routing)  
FAO = For Account of – City of Burleson

## ATTACHMENT C – AUTHORIZED INVESTMENT POOLS

## TEXPOOL

State Street Boston

ABA # 011000028

ACCOUNT # 67573774

## BANK OF NEW YORK

ABA # 021000018

ACCOUNT #8900549424

ACCOUNT NAME: LONE STAR INVESTMENT POOL

## TEXSTAR

JP MORGAN CHASE

ABA # 021000021

ACCOUNT # 9102733343

## LOGIC

JP MORGAN CHASE

ABA # 1130000609

ACCOUNT # 08805173794

ATTACHMENT D – AUTHORIZED PAYING AGENTS

U.S. BANK, N.A.  
MILWAUKEE, WI 53202  
ABA # 091000022  
BNF: USBANK CT WIRE CLRG  
ACCOUNT #180121167365  
OBI: ACCOUNT NAME  
REF: ACCOUNT NUMBER

## ATTACHMENT E - SECURITIES LAW COMPLIANCE AND DISCLOSURE POLICY©

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**ARTICLE I  
PURPOSE AND SCOPE****SECTION 1.01 DEFINITIONS.**

The words and terms used in this Model Securities Law Compliance and Disclosure Policy (this "Policy") have the meanings specified in Article II hereof, unless the context clearly otherwise requires. Except where the context otherwise requires, words importing the singular number shall include the plural number, and *vice versa*.

**SECTION 1.02 PURPOSE OF POLICY.**

- (a) Continuing Disclosure Undertaking Requirement. Under Rule 15c2-12, underwriters of Municipal Securities may not purchase or sell Municipal Securities unless the underwriters have reasonably determined that the issuer of the Municipal Securities or its designated agent has undertaken in a written agreement to provide continuing disclosure of certain financial information and operating data, and to file notices of certain events designated in Rule 15c2-12. The Issuer is required under its Continuing Disclosure Undertakings to provide disclosures of certain financial information and operating data and notice of certain events to the MSRB on EMMA to facilitate informed secondary market trading. This Policy is adopted by the Issuer to assist in its compliance with federal and state securities laws and regulations, including, specifically, Rule 15c2-12. This Policy is established to ensure that the Issuer maintains adequate policies and procedures for gathering, analyzing and disclosing all information that is required to be provided to, or that may be reasonably expected to reach investors or trading markets, which relates to the issuance of the Issuer's Debt Obligations. Such information consists of the content of the Issuer's Offering Documents, continuing disclosure reports, event notices and other statements reasonably expected to reach the public markets.
- (b) Recommendation of Written Procedures. The Issuer recognizes that the SEC recommends adopting disclosure policies and amending existing disclosure policies from time to time to address the process for evaluating the disclosure process including disclosures for certain Event Notices. Written policies and procedures adopted by the Issuer will serve to streamline the process of disclosing required information. The Disclosure Officer, and other officers selected by the Issuer, if any, may establish additional written procedures from time to time to ensure that any Offering Documents (i) fully and accurately present the Issuer's financial condition and operations and (ii) do not omit any Material information regarding the Issuer.

**SECTION 1.03 SCOPE OF POLICY.**

This Policy applies to all Debt Obligations of the Issuer that are currently outstanding and all future bonds, notes, leases or derivative instruments to be executed by the Issuer. If the provisions of this Policy conflict with a respective Continuing Disclosure Undertaking, the terms of such Continuing Disclosure Undertaking will control.

**ARTICLE II  
DEFINITIONS****SECTION 2.01 DEFINED TERMS.**

"Annual Report" means the Issuer's audited financial statements (or unaudited financial statements if permitted by the Continuing Disclosure Undertaking) and certain other financial information and operating data required to be filed annually with the MSRB.

"Business Day" means any day except any Saturday or Sunday, any day which is a federal legal holiday in the United States, or any day on which banking institutions are authorized or required by law to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Compliance Date" means February 27, 2019.

"Continuing Disclosure Undertaking" means a continuing disclosure agreement, continuing disclosure undertaking, continuing disclosure instructions or other written certification and agreements of the Issuer setting out covenants for satisfying the Issuer's requirements for providing information to the MSRB in an electronic format pursuant to and in accordance with Rule 15c2-12.

"Debt Obligation" means each contract of the Issuer that has sufficient characteristics of debt so that it is included in the Issuer's financial statements as a long-term liability of the Issuer, including, but not limited to bonds, notes, leases and similar instruments used by the Issuer for borrowing purposes.



"Disclosure Officer(s)" means the Issuer's Director of Finance, or, if the position of Director of Finance is vacant, the person(s) filling the responsibilities of the City Manager or Assistant City Manager for the Issuer.

"EMMA" means the Electronic Municipal Market Access system, the prescribed electronic format for disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org).

"Event 15" means the event set forth in Section 5.02(a) of this Policy.

"Event 16" means the event set forth in Section 5.03(a) of this Policy.

"Event Notices" means all event notices required by Rule 15c2-12.

"Financial Obligation" means: (i) a Debt Obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned Debt Obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

"GASB" means the Governmental Accounting Standards Board.

"IRS" means the Internal Revenue Service.

"Issuer" means the City of Burleson, Texas.

"Material" has the meaning given in Section 3.02(f) of this Policy.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the SEC in accordance with Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a State or any political subdivision thereof, or any agency or instrumentality of a State or any political subdivision thereof, or any municipal corporate instrumentality of one or more States and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Obligated Person" means any person, including an issuer of Municipal Securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Municipal Securities to be sold in the Offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities); furthermore, for purposes of this Policy, the Issuer is an Obligated Person.

"Offering" means a primary offering of Municipal Securities with an aggregate principal amount of \$1,000,000 or more.

"Offering Document" means any preliminary or final official statement, private placement memorandum or limited offering memorandum, or other similar instrument prepared in connection with the sale, issuance and delivery of an Offering.

"Rule 15c2-12" means SEC Rule 15c2-12, governing the obligations of dealers regarding Municipal Securities under the Securities Exchange Act of 1934, as amended from time to time, which is available at <https://www.gpo.gov/fdsys/pkg/CFR-2013-title17-vol3/pdf/CFR-2013-title17-vol3-sec240-15c2-12.pdf>.

"SEC" means the United States Securities and Exchange Commission.

"SEC Municipal Markets Report" means the Report on the Municipal Securities Market of the SEC, dated July 31, 2012, available at <https://www.sec.gov/news/studies/2012/munireport073112.pdf>.

"Terms Affecting Security Holders" means a Material agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer that affects security holders.

"U.S. Bankruptcy Code" means Title 9 of the United States Code, as amended from time to time, and any successor to or replacement of such Title and any other applicable federal bankruptcy, insolvency or similar law.

### **ARTICLE III**

#### **DISCLOSURE OFFICER; RECORD RETENTION; TRAINING**

**SECTION 3.01 DISCLOSURE OFFICER.**

The Issuer shall appoint a Disclosure Officer who shall be responsible for implementing this Policy. The Disclosure Officer will work with other employees and officials of the Issuer to assist in implementing this Policy. The Disclosure Officer will consult with bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants to the extent necessary to carry out the purpose of this Policy. The Disclosure Officer will report to the Issuer's governing body as provided in Section 6.01 herein, regarding implementation of this Policy and any recommended changes or amendments to this Policy.

**SECTION 3.02 DUTIES OF DISCLOSURE OFFICER.**

- (a) General Duties. The Disclosure Officer shall be primarily responsible for ensuring and determining the Issuer's compliance with this Policy and federal and state securities laws and regulations applicable to the Issuer, including specifically Rule 15c2-12, and including identifying and remedying any non-compliance with this Policy and such laws and regulations.
- (b) Review of Relevant Documents. The Disclosure Officer will review the following documents, obligations, and disclosure and reporting requirements of the Issuer in connection with the issuance of Municipal Securities to comply with Article IV and V of this Policy and in the ordinary course of business of the Issuer:
  - i. Offering Documents;
  - ii. Audited and unaudited financial statements, including notes to such statements;
  - iii. Changes to accounting standards promulgated by GASB and other applicable accounting standards and rules;
  - iv. Adopted annual budgets and amendments thereto;
  - v. Continuing Disclosure Undertakings; and
  - vi. Other relevant documents that reflect the Issuer's financial position and operating data.

The Disclosure Officer shall take reasonable steps to ensure that all Offering Documents are timely provided to the Issuer's governing body to ensure meaningful review and approval thereof. In addition, the Disclosure Officer shall take reasonable steps to ensure that for purposes of securities law compliance the Issuer's governing body is generally aware of the other documents listed above and of the significance of those documents to the Issuer's disclosure obligations.

- (c) Solicitation of Relevant Information. In the performance of its duties under this Policy, the Disclosure Officer shall be responsible for soliciting any relevant information from other employees, officials or departments within the internal organization of the Issuer, including public statements made by officials of the Issuer that the Disclosure Officer reasonably believes will reach investors or trading markets generally. The Disclosure Officer is additionally responsible for obtaining any documentation prepared by an outside source that may be necessary to assist the Disclosure Officer in carrying out this Policy. The Disclosure Officer shall undertake a thorough review of the form and content of each of the Issuer's annual filings, and any Event Notice filings, as required pursuant to Article IV and V hereof.
- (d) Public Statements Regarding Financial Information. Whenever an officer or employee of the Issuer makes statements or releases information relating to its finances and other operations of the Issuer to the public that is reasonably expected to reach investors and the trading markets (including, without limitation, all Event Notices, statements in a comprehensive annual financial report, and other financial reports and statements of the Issuer), the Disclosure Officer shall be responsible for ensuring that such statements and Material information are complete, true, and accurate in all material aspects and available to all investors. The Disclosure Officer will work with other officers of the Issuer to ensure that all public statements and information released by the Issuer are accurate and are not misleading in all Material aspects.

- (e) Issuance of Debt Obligations. Whenever the Issuer prepares or participates in the preparation of an Offering Document, the Disclosure Officer, in addition to any other officers selected by the Issuer, shall be responsible for making all certifications that may be required to the effect that such Offering Document does not contain any untrue statement of Material fact or omit to state any Material fact necessary to make the information contained in such documents, in the light of the circumstances under which it was provided, not misleading.

Such determination by the Disclosure Officer shall only be made after coordination with the Issuer's attorney or other administrative officer having ultimate responsibility with respect to the Issuer's operations, risks and litigation, to ensure that any current, pending or threatened losses, investigations or litigation, and any settlement or court orders that are Material to the Issuer are properly identified.

- (f) Determination of Material Information. The Issuer understands that determining materiality requires a complete review of facts and circumstances (which may include a review of outstanding Debt Obligations) and in some instances may require the Disclosure Officer to discuss matters with other officers or consultants of the Issuer. Furthermore, each determination of materiality made by the Disclosure Officer shall be made on a case-by-case basis. For purposes of this Policy, information is "Material" if there is a substantial likelihood that the disclosure of that information would be viewed by a reasonable investor as having significantly altered the total mix of information made available in making an informed investment decision.<sup>1</sup>

### **SECTION 3.03     RECORD RETENTION.**

The Disclosure Officer will maintain or cause to be maintained all records relating to annual disclosure filings including the financial information and operating data to be included in the Annual Report for a period of three (3) years after retirement of the related Debt Obligations. The Disclosure Officer will additionally maintain or cause to be maintained all records relating to Event Notices required to be filed with the MSRB under the Continuing Disclosure Undertaking. Such records shall be maintained in either paper or electronic format, or in both formats.

### **SECTION 3.04     TRAINING.**

The Disclosure Officer shall have at least a general familiarity with the content of Rule 15c2-12 and the SEC Municipal Markets Report, and in furtherance thereof receive appropriate training regarding the Issuer's disclosure obligations in accordance with federal securities laws, state regulations and Rule 15c2-12. When appropriate, the Disclosure Officer and/or other Issuer employees and officials under the direction of the Disclosure Officer will attend training programs offered by the SEC or other industry professionals regarding disclosure policies and procedures developed in the context of Rule 15c2-12 that are relevant to the Issuer. Each person acting in the capacity of a Disclosure Officer shall receive such training as may be necessary for the person to perform competently the duties and responsibilities of Disclosure Officer to ensure the Issuer's compliance with the provisions of this Policy.

## **ARTICLE IV**

### **ANNUAL DISCLOSURE FILINGS**

#### **SECTION 4.01     ANNUAL DISCLOSURE FILINGS.**

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<sup>1</sup> The general materiality standard used by the United States Supreme Court. See TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438, 449 (1976).

The Disclosure Officer shall annually review each Continuing Disclosure Undertaking to determine: (i) the appropriate financial information and operating data required to be included in the Annual Report; and (ii) the filing deadline for such Annual Report or a part thereof. The Disclosure Officer should review the Issuer's documents, Debt Obligations, and disclosure and reporting requirements described in Sections 3.01 and 3.02 of this Policy in determining the appropriate financial information and operating data to be included in the Annual Report. As indicated in Section 3.02 of this Policy, the Disclosure Officer's review necessarily includes review of other documents relating to the financial and operating status of the Issuer to ensure that all required information is appropriately incorporated into the Annual Report. The Disclosure Officer shall be required to provide only the financial information, operating data, financial statements and notices which the Issuer has expressly agreed to provide pursuant to a respective Continuing Disclosure Undertaking, but, in consultation with appropriate accountants, municipal advisors, financial advisors and other outside consultants of the Issuer, may submit other appropriate information to EMMA that will impact the Issuer's financial condition and/or existing security holders in a manner deemed Material by the Disclosure Officer. Additionally, the Disclosure Officer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with the Continuing Disclosure Undertaking.

## **ARTICLE V**

### **DISCLOSURE FILINGS FOR EVENT NOTICES**

#### **SECTION 5.01 DISCLOSURE FILINGS FOR EVENT NOTICES 1-14.**

The Disclosure Officer shall determine whether an event included below has occurred with respect to the Issuer. If the Disclosure Officer determines that notice of the following events should be provided to the MSRB pursuant to a Continuing Disclosure Undertaking, the Disclosure Officer will cause the appropriate notice to be filed with the MSRB on EMMA, in a timely manner, not in excess of ten (10) Business Days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified as item (12) in this Section 5.01, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The Disclosure Officer may seek the advice of other employees and officials of the Issuer, as well as the advice of the consultants and counsel to the Issuer, as to whether one of the above described events has occurred and whether an Event Notice shall be filed with the MSRB consistent with Rule 15c2-12.

#### **SECTION 5.02 EVENT 15: INCURRENCE OF A MATERIAL FINANCIAL OBLIGATION OR TERMS AFFECTING SECURITY HOLDERS.**

- (a) Event 15. Beginning on the Compliance Date and continuing thereafter, in addition to the fourteen events described in Section 5.01 and Event 16 described in Section 5.03, the Disclosure Officer shall determine whether an Event 15 has occurred with respect to the Issuer. If the Disclosure Officer determines that an Event 15 has occurred, the Disclosure Officer shall file, or cause to be filed, notice of such Event 15 with the MSRB through EMMA in a timely manner, not in excess of ten (10) Business Days after the date of incurrence. Beginning on the Compliance Date, Rule 15c2-12 establishes that an Event 15 is as follows:

- (15) Incurrence of a Financial Obligation of the Obligated Person, if Material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if Material.

The Issuer recognizes that, unlike the events listed in Section 5.01 above, the stated purpose of the SEC in adding Event 15 to Rule 15c2-12 is to provide the secondary market with information regarding all debt, debt-like or debt-related Financial Obligations or Terms Affecting Security Holders incurred by the Issuer. The incurrence of Financial Obligations may occur outside the issuance of Municipal Securities and therefore engagement by the Disclosure Officer with counsel and other consultants experienced in compliance issues related to Rule 15c2-12 may be necessary to determine whether it is necessary to file an Event Notice for Event 15 with the MSRB through EMMA.

- (b) Financial Obligations and Terms Affecting Security Holders Subject to Disclosure. The Disclosure Officer shall first determine whether a contract or obligation incurred by the Issuer is a Financial Obligation or Terms Affecting Security Holders subject to disclosure under Event 15. When assessing whether a particular contract or obligation is a Financial Obligation or Terms Affecting Security Holders subject to disclosure as such terms are used in Event 15, the Disclosure Officer should consider the facts and circumstances surrounding the Issuer's incurrence of each type of contract and obligation, as well as the factors set forth below:
- i. Whether the contract or obligation could affect, or contains provisions or triggers that may impair, the Issuer's liquidity, overall creditworthiness or an existing security holders' rights;
  - ii. Whether the contract or obligation is a private placement of debt with a financial institution, letter of credit, standby line of credit, or a similar "credit agreement" that relates to a Debt Obligation;
  - iii. Whether the contract or obligation is an ordinary financial and operating liability incurred in the Issuer's normal course of business;

- iv. Whether the contract or obligation contains acceleration provisions or restrictive debt service covenants that could affect the rights of existing security holders;
- v. Whether the contract or obligation is a short or long-term Debt Obligation of the Issuer under the terms of an indenture, loan agreement, capital lease, or other similar contract such as a line of credit;
- vi. Whether the contract or obligation is an operating lease, or a capital lease which operates as a vehicle for borrowing money (e.g. a lease-purchase agreement). For purposes of this Disclosure Policy, factors relevant to determining whether a lease is a vehicle for borrowing money (i.e., a Financial Obligation) are included in **Exhibit A** attached hereto;
- vii. Whether the contract or obligation represents competing debt with the Issuer's prior Debt Obligations that may affect the rights of the existing security holders;
- viii. Whether the contract or obligation is a derivative instrument entered into in connection with a pledge as security or source of payment for an existing or planned Debt Obligation, which may include any swap, security-based swap, futures contract, forward contract, option, a combination of the foregoing or any similar instrument;
- ix. Whether the contract or obligation is a derivative instrument designed to mitigate investment risk; or
- x. Whether the contract or obligation is a guarantee provided by the Issuer as a guarantor for the benefit of a third party.

The Disclosure Officer will consult with bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants to the extent necessary in making a determination as to whether a contract or obligation incurred by the Issuer is a Financial Obligation or Terms Affecting Security Holders subject to the disclosure requirements of Event 15.

- (c) Determination of Material Event 15. If the Disclosure Officer determines that the Issuer has incurred a Financial Obligation or Terms Affecting Security Holders subject to Event 15, the Disclosure Officer shall proceed to determine whether such Financial Obligation or Terms Affecting Security Holders are Material. The same practice used by the Issuer for determining whether a particular piece of information is Material in connection with preparing a disclosure document for an Offering set forth in Section 3.02(f) should be used for purposes of Event 15.

The Disclosure Officer shall determine whether a Financial Obligation or Terms Affecting Security Holders are Material upon the incurrence of the Financial Obligation or the Terms Affecting Security Holders, taking into account all relevant facts and circumstances. Relevant facts and circumstances may include, but are not limited to:

- i. The principal amount of the Financial Obligation, including the aggregate par amount of a series of related Financial Obligations, and the method of setting or adjusting the interest rate thereof;
- ii. The Issuer's overall balance sheet and the size of its existing Debt Obligations;
- iii. The source of security pledged for repayment of the Financial Obligation and the rights associated with such pledge;

- iv. The length of time that the Financial Obligation is to remain outstanding; and
- v. Other appropriate terms of a Financial Obligation that will impact the Issuer's financial condition and/or existing security holders in a manner deemed Material by the Disclosure Officer.

The Disclosure Officer, in consultation with the governing body of the Issuer, bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants of the Issuer, to the extent necessary, shall no less often than annually set objective standards of materiality with respect to Debt Obligations incurred by the Issuer, which may include, but are not limited to, a monetary threshold that, in connection with other relevant facts and circumstances, is the basis for the determination of materiality for Financial Obligations or Terms Affecting Security Holders of the Issuer. With respect to lease agreements entered into by the Issuer, the Disclosure Officer shall implement the guidelines set forth in **Exhibit A** when assessing whether such lease agreements are Material Financial Obligations.

- (d) Incurrence. A Financial Obligation and Terms Affecting Security Holders is considered to be incurred by the Issuer on the date that such Financial Obligation or Terms Affecting Security Holders is enforceable against the Issuer. As a filing under Event 15 is required to be made in a timely manner, not in excess of ten (10) Business Days after date of incurrence, the Disclosure Officer shall begin the process of assessing whether a particular Financial Obligation or Terms Affecting Security Holders should be disclosed as far in advance of its incurrence as possible. Additionally, although not required, the Disclosure Officer may file a voluntary filing of all outstanding Material Financial Obligations incurred prior to the Compliance Date.
- (e) Exemption of Municipal Securities as to Which a Final Official Statement Has Been Provided. The Disclosure Officer is not obligated to disclose, as a Financial Obligation or Terms Affecting Security Holders subject to Event 15, Municipal Securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12. The Disclosure Officer recognizes that this exclusion from the definition of "Financial Obligation" does not extend to Debt Obligations, contingent or otherwise, related to such Municipal Securities that may be disclosed or referenced in such final official statements.
- (f) Exemption of Monetary Obligations Resulting From Legal Proceedings. The Disclosure Officer is not required to disclose monetary obligations resulting from a judicial, administrative, or arbitration proceeding as an Event Notice.
- (g) Subjecting Debt Obligations to Annual Appropriation not Determinative. The Disclosure Officer understands that qualifying Debt Obligations or Financial Obligations such that payment is subject to annual appropriation may remove the "debt" designation for state constitutional or statutory purposes; however, this qualification alone will not be determinative as to whether the Issuer or Obligated Person has incurred a Material Financial Obligation; rather, when analyzing Debt Obligations and Financial Obligations that are subject to annual appropriation, the Disclosure Officer shall determine whether such Financial Obligation is Material, as described in Section 3.02(f), taking into account all relevant facts and circumstances as described in this Section 5.02.
- (h) Form of Event 15 Event Notice. Upon review of the factors outlined above, if the Disclosure Officer affirmatively determines that a Debt Obligation incurred by the Issuer is a Financial Obligation or Terms Affecting Security Holders that are Material and not exempt under subsection (e) and (f) of this Section 5.02, and therefore subject to Event 15, the Disclosure Officer shall file or cause to be filed with the MSRB through EMMA a notice not in excess of ten (10) Business Days of the date of the incurrence of the Financial Obligations or Terms Affecting Security Holders. The Disclosure Officer shall include a description of the Material terms of the Financial Obligation or Terms Affecting Security Holders within the Event 15 Event Notice. Terms considered Material for Event 15 may include, but are not limited to:

- i. The date of incurrence;

- ii. Principal amount;
- iii. Maturity and amortization;
- iv. Interest rate, if fixed, or method of computation and any default rates, if variable; or
- v. Other appropriate terms deemed material by the Disclosure Officer, the inclusion of which would help further the availability of information to assist investors in making more informed investment decisions in connection with such incurrence of Financial Obligations or Terms Affecting Security Holders.

The Disclosure Officer shall determine, based on the facts and circumstances, whether to submit to the MSRB a description of the Material terms of the Financial Obligation or the Terms Affecting Security Holders, or alternatively or in addition, submit related materials such as transaction documents prepared in connection with the Financial Obligation or the Terms Affecting Security Holders that set forth the material terms of the Financial Obligation or the Terms Affecting Security Holders. The Disclosure Officer shall not include, and shall take actions to redact, confidential information such as account numbers or other personally identifiable information (but not information relating to an interest rate or other pricing data). Should the Disclosure Officer determine that filing one or more of the transaction documents prepared in connection with the Financial Obligation or the Terms Affecting Security Holders is appropriate under this subsection, the Disclosure Officer may redact any confidential or personally identifiable information from the Event 15 Event Notice.

#### **SECTION 5.03      EVENT 16: EVENTS UNDER THE TERMS OF A FINANCIAL OBLIGATION WHICH REFLECT FINANCIAL DIFFICULTIES.**

- (a) Event 16. Beginning on the Compliance Date and continuing thereafter, in addition to the fourteen events described in Section 5.01, and Event 15 described in Section 5.02, the Disclosure Officer shall determine whether an Event 16 has occurred with respect to the Issuer as follows:

- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

If the Disclosure Officer determines that an Event 16 has occurred with respect to the Issuer, the Disclosure Officer will file or cause to be filed with the MSRB through EMMA a notice of Event 16, whether Material or not, provided the occurrence reflects financial difficulties of the Issuer. The Disclosure Officer shall file an Event 16 Event Notice even where the underlying Financial Obligation was incurred before the Compliance Date.

- (b) Reflection of Financial Difficulty of Obligated Person. The Disclosure Officer shall disclose to the MSRB the occurrence of an event listed in Event 16 only if the Disclosure Officer, in consultation with the governing body of the Issuer, bond counsel, legal counsel to the Issuer (including designated disclosure counsel, if any), accountants, municipal advisors, financial advisors and other outside consultants to the Issuer, to the extent necessary, determines that the occurrence of the event reflects financial difficulties of the Issuer.

- (c) Events Subject to Event 16 Filing. Subject to subsection (b) of this Section 5.03, the Disclosure Officer should disclose any occurrence in connection with the terms of a Financial Obligation that reflects financial difficulties of the Issuer. Such occurrences may include, but are not limited to the following types of events:

- i. Monetary defaults or events of non-appropriation where the Issuer has failed to pay principal, interest, or other funds due, or a non-payment related default where the Issuer has failed to comply with specified covenants;
- ii. An event of acceleration exercised by a trustee or counterparty as the result of an event of default or other applicable remedy provision;
- iii. A modification of terms that reflects financial difficulties of the Issuer;



- iv. A written or verbal waiver of an agreement provision that is a departure from what was agreed to under the original terms of such agreement; and
  - v. Other events under the terms of a Financial Obligation that reflect financial difficulties of the Issuer and share similar characteristics with the specific types of events in Event 16.
- (d) Form of Event 16 Event Notice. Upon review of the factors outlined above, if the Disclosure Officer affirmatively determines that, in connection with the terms of a Financial Obligation of the Issuer, the Issuer is experiencing financial difficulties pursuant to Event 16, the Disclosure Officer shall file or cause to be filed with the MSRB through EMMA an Event 16 notice filing within ten (10) Business Days of the date of such determination containing a description of the relevant terms of the Financial Obligation. Terms considered relevant to an Event 16 notice filing may include, but are not limited to:
- i. The provisions within the Financial Obligation giving rise to the occurrence under Event 16;
  - ii. The nexus between the terms of such Financial Obligation giving rise to the occurrence under Event 16 and the existing or potentially forthcoming financial difficulties resulting therefrom;
  - iii. A description of the Issuer's current financial status; and
  - iv. Other appropriate facts deemed material by the Disclosure Officer, the inclusion of which would help further the availability of information to assist investors in making more informed investment decisions in connection with the occurrence of events relating to a Financial Obligation that reflect financial difficulties.

**ARTICLE VI****MISCELLANEOUS****SECTION 6.01 ANNUAL REVIEW.**

The Disclosure Officer shall conduct an evaluation of the policies set forth in this Policy no less often than annually, and promptly after completing the evaluation the Disclosure Officer shall prepare an annual report of the Issuer's compliance.

**SECTION 6.02 AMENDMENTS TO POLICY.**

This Policy may be amended from time to time to adapt to changed circumstances that arise from a change in legal requirements or industry disclosure practices or procedures, a change in Rule 15c2-12, or a change in law.

**EXHIBIT A****LEASE AGREEMENTS OPERATING AS VEHICLES TO BORROW MONEY (FINANCIAL OBLIGATIONS)**

As a result of the amendments to Rule 15c2-12, compliance therewith effective February 27, 2019, Issuers or Obligated Persons that periodically enter into leases should develop policies and procedures to (i) determine whether the lease is a vehicle to borrow money, and is therefore a Financial Obligation, as opposed to an operating lease, (ii) determine if such lease becomes Material once incurred, after considering other relevant factors and all outstanding Financial Obligations (an Issuer or Obligated Person's threshold for outstanding Financial Obligations) and (iii) require that all executed leases are timely communicated to the Disclosure Officer for purposes of determining whether an Event Filing is necessary.

**I. Leases Operating as Vehicles to Borrow Money (Financial Obligations)**

The SEC has determined that a lease should generally be considered a debt obligation and thus a "Financial Obligation" under the Rule when such lease operates as a vehicle to borrow money (i.e., capital leases but not mere operating leases).<sup>1</sup>

Capital leases are generally recorded on the balance sheet of the Issuer or Obligated Person as an asset and a liability by an amount equal to the present value of the minimum lease payments; in contrast, operating leases are handled as off-balance sheet financings of assets and are recorded as operating expenses on the Issuer or Obligated Person's income statement. In determining which types of leases to include under the umbrella of "Financial Obligations," the SEC deemed it appropriate to include only those leases that could represent competing debt of the Issuer or Obligated Person (e.g., capital leases which are essentially vehicles to borrow money).

Because capital leases of the Issuer or Obligated Person are recorded in the same fashion as other competing debt of the Issuer or Obligated Person, each sharing a line item in the balance sheet as a liability or included in a more general line item (i.e., competing debt), capital leases are viewed by the SEC as rising to the level of a Financial Obligation because they operate more like a debt obligation. As such, Issuers and Obligated Persons should have procedures in place that help determine whether leases are capital leases or operating leases, as the incurrence of a capital lease will require a Materiality analysis to determine whether an Event 15 notice filing is required.

To make the determination of whether a lease operates as a vehicle to borrow money, the Disclosure Officer should work with appropriate staff and accountants, municipal advisors, financial advisors and other outside consultants of the Issuer or Obligated Person, to the extent necessary, to determine whether the lease is a vehicle to borrow money (i.e., a capital lease) or an operating lease as operating leases will not rise to the level of a Financial Obligation under Event 15 of Rule 15c2-12.

*Characteristics of Leases Operating as Vehicles to Borrow Money (Capital Leases)*

In making the determination of whether a lease operates as a vehicle to borrow money and is therefore a Financial Obligation for purposes of Event 15, relevant characteristics may include, but are not limited to, the following:

- i. The lease contains a transfer of ownership of the underlying asset at the end of the lease term or shortly thereafter;
- ii. An option to purchase the underlying asset being leased at a discounted price is available, which may be exercised during or at the end of the lease term;
- iii. The term of the lease is greater than 75% of the useful life of the leased asset; or
- iv. The present value of the lease payment is greater than 90% of the leased asset's fair market value.

Although the characteristics above may be helpful in determining whether a lease operates as a vehicle to borrow money, the Disclosure Officer and appropriate staff and consultants should review of the entire lease, in context with the Issuer's financing and/or operating objectives, in considering whether a lease is a Financial Obligation subject to Event 15. Although a capital lease (as such term in commonly understood) will generally be treated as a vehicle to borrow money, the mere labelling of the lease as "capital" or "operating" will not itself be determinative.

**II. Determining Factors for Materiality of Leases that Constitute Financial Obligations**

<sup>1</sup> Although the SEC in Release No. 34-83885, implementing the amendment of Rule 15c2-12 to include Event 15 and 16, has discontinued (following GASB's lead) the use of the term "capital lease" and "operating lease," the distinction remains useful to the extent that "capital leases" are commonly understood to be financed purchases of an underlying asset (and thus generally are vehicles to borrow money) whereas "operating leases" are not.

Issuers and Obligated Persons should apply the Materiality standard in Section 3.02(f) and the relevant facts and circumstances in Section 5.02(c) of this Policy, in conjunction with the factors below for purposes of determining whether a lease that operates a vehicle to borrow money is Material and subject to an Event Filing under Event 15.

Given the difference in size, sophistication, features and number of obligations executed by certain issuers and Obligated Persons, factors used in determining the materiality of a lease that operates as a vehicle to borrow money may vary. The Disclosure Officer may utilize factors relevant to the Issuer or Obligated Person which may include, but are not limited to, one or more the following:

- i. Whether the cost of the lease incurred and the payment obligations thereof exceeds a specified percentage of the Issuer's or Obligated Person's fund balance (for purposes of this and the following considerations, the Issuer must determine, given its circumstances, the appropriate way to measure the impact of a lease, e.g., by the aggregate payments required, by principal amount or by annual payment impact to the Issuer's debt portfolio);
- ii. Whether the incurrence of the lease will increase the outstanding indebtedness of the Issuer or Obligated Person by more than a specified ratio or percentage;
- iii. Whether the incurrence of the lease and the payment obligations thereof exceeds a specified percentage of the Issuer's unrestricted revenues;
- iv. Whether the lease represents multiple counterparts of a single transaction that, if incurred at once, would exceed the limits stated in (i), (ii) or (iii) above;
- v. Whether the incurrence of the lease in conjunction with other outstanding Financial Obligations would in the aggregate exceed the limits stated in (i), (ii) and (iii) above; or
- vi. Whether the lease has acceleration provisions or is considered a security on parity or senior to outstanding Financial Obligations.

When utilizing the above factors, the Disclosure Officer must be aware that although a lease may not be Material when compared to the Issuer's or any Obligated Person's general revenues and fund balance, such lease may be material to Financial Obligations pledged to be paid from the specifically pledged revenues and fund balances. Therefore, the Disclosure Officer must look at both the general revenues and the specifically pledged revenues of the Issuer and any Obligated Person when determining the materiality of a lease that operates as a vehicle to borrow money.

If after using the Materiality standard in Section 3.02(f), the relevant facts and circumstances in Section 5.02(c) of this Policy and the factors described above, the Disclosure Officer determines that the lease operating as a vehicle to borrow money is Material, a filing under Event 15 must be made within ten business days from the incurrence of such lease.

If a determination of Materiality is made under factor (v) above for a lease or any other Financial Obligation, additional Financial Obligations incurred thereafter may likely carry a *de facto* Materiality designation. As such, factor (v) above works as a magnitude test of the Issuer or Obligated Person as it becomes the Issuer or Obligated Person's Materiality threshold for all outstanding Financial Obligations.

### **III. Communication Amongst Departments Once Leases are Incurred**

The Disclosure Officer should become aware of the frequency in which the Issuer or Obligated Person incurs leases, as opposed to other forms Financial Obligations, in the ordinary course of the Issuer or Obligated Person's business. To further communication amongst multiple departments within the Issuer or Obligated Person, the Disclosure Officer should require that any member of the Issuer or Obligated Person's staff authorized to execute leases on behalf of the Issuer or Obligated Person report and provide copies of all leases directly to the Disclosure Officer within two (2) business days prior to their execution. Upon receipt of any lease, the Disclosure Officer shall immediately work with appropriate staff and accountants, municipal advisors, financial advisors and other outside consultants of the Issuer, to the extent necessary, to determine whether the lease operates as a vehicle to borrow

money (i.e., is a Financial Obligation) and whether such lease is Material using the Materiality standard in Section 3.02(f), the relevant facts and circumstances in Section 5.02(c) of this Policy and the factors described above.