

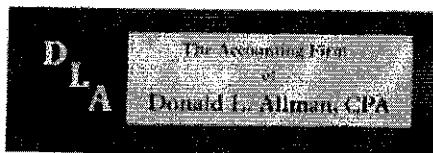
**CITY OF BERTRAM, TEXAS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL SCHEDULES**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

# CITY OF BERTRAM, TEXAS

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CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bertram, Texas as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Bertram, Texas' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bertram, Texas as of September 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 3-9, and pages 36-41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020 on our consideration of the City of Bertram, Texas' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bertram, Texas' internal control over financial reporting and compliance.



Donald L. Allman, CPA, P.C.

Georgetown, TX  
March 4, 2020

## **Management's Discussion and Analysis City of Bertram, Texas**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Bertram's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the independent Auditors' Report on page 1, and the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's government-wide net position increased by \$301,447 as a result of the year's operations.
- The City's business-type activities net position increased by \$221,805 as a result of this year's operations. The City's general fund activities net position increased by \$79,642 as a result of this year's operations.
- Total revenues from all sources were \$2,555,059, an increase of \$405,932 from the prior year. This was primarily due to increases in property tax and grant income.
- During the year, the City's cost of all programs was \$2,253,612 which represents an increase of \$486,816 from the prior year.
- At September 30, 2019, the City's governmental funds reported an ending balance of \$673,976, which represents an increase of \$206,158 from the prior year.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position (on page 9). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

## **Management's Discussion and Analysis City of Bertram, Texas**

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These statements are presented using the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non financial factors as well, such as changes in property tax base and condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

**Governmental activities** – Most of the City's basic services are reported here, including police, and general government. Property taxes, sales taxes, and franchise fees finance most of these activities.

**Business-type activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system activity are reported here.

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

## **Management's Discussion and Analysis City of Bertram, Texas**

**Governmental funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions.

**Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in Statement of Net Position and the Statement of Activities. In fact, The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net position was \$4,374,953 of September 30, 2019. When analyzing the net position and net expenses of governmental and business-type activities separately, the business type activities net position is \$3,262,124. The analysis focuses on net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).



**Management's Discussion and Analysis  
City of Bertram, Texas**

**Table I**

**NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current and other						
assets	\$ 745,831	\$ 545,291	\$ 279,181	\$ 626,199	\$ 1,025,012	\$ 1,171,490
Capital assets, net	506,662	450,073	4,294,103	3,799,323	4,800,765	4,249,396
Restricted assets	<u>262,430</u>	<u>205,603</u>	<u>601,023</u>	<u>491,193</u>	<u>863,453</u>	<u>696,796</u>
Total assets	<u>1,514,923</u>	<u>1,200,967</u>	<u>5,174,307</u>	<u>4,916,715</u>	<u>6,689,230</u>	<u>6,117,682</u>
Deferred Outflows of Resources	52,356	25,409	46,500	26,607	98,856	52,016
Current liabilities	83,625	76,610	254,591	246,670	338,216	323,280
Long-term liabilities	<u>328,632</u>	<u>326,000</u>	<u>1,665,774</u>	<u>1,751,633</u>	<u>1,994,406</u>	<u>2,077,633</u>
Total liabilities	<u>412,257</u>	<u>402,610</u>	<u>1,920,365</u>	<u>1,998,303</u>	<u>2,332,622</u>	<u>2,400,913</u>
Deferred Inflows of Resources	42,193	40,525	38,318	37,085	80,511	77,610
Net Position:						
Net Investment in Capital Assets	180,662	101,073	2,542,470	1,953,740	2,723,132	2,054,813
Restricted for:						
Debt service	30,504	30,504	158,493	130,380	188,997	160,884
Street maintenance	75,148	46,656	-	-	75,148	46,656
Other non-major funds	156,778	113,900	442,530	350,078	599,308	463,978
Unrestricted	<u>669,737</u>	<u>491,108</u>	<u>118,631</u>	<u>473,736</u>	<u>788,368</u>	<u>964,844</u>
Total net position	<u>1,112,829</u>	<u>783,241</u>	<u>3,262,124</u>	<u>2,907,934</u>	<u>4,374,953</u>	<u>3,691,175</u>

**Management's Discussion and Analysis  
City of Bertram, Texas**

**Table II  
CHANGE IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues						
Program Revenues:						
Charges for services	\$ 50,870	\$ 61,654	\$ 1,217,417	\$ 1,175,975	\$ 1,268,287	\$ 1,237,629
General Revenues:						
Property tax	446,498	384,387	-	-	446,498	384,387
Sales tax	273,480	281,859	-	-	273,480	281,859
Franchise Tax	57,789	51,940	-	-	57,789	51,940
Hotel Tax & Alcohol	13,979	6,616	-	-	13,979	6,616
Court fines & fees	96,703	81,925	-	-	96,703	81,925
Grant income	31,000	11,050	282,300	17,700	313,300	28,750
Other income	39,161	53,079	38,522	16,704	77,683	69,783
Investment earnings	3,311	2,542	4,029	3,696	7,340	6,238
Total revenues	<u>1,012,791</u>	<u>935,052</u>	<u>1,542,268</u>	<u>1,214,075</u>	<u>2,555,059</u>	<u>2,149,127</u>
Expenses:						
General government	638,603	578,791	5,829	-	644,432	578,791
Public safety	98,704	81,086	-	-	98,704	81,086
Public works	61,742	28,653	-	-	61,742	28,653
Court expenses	67,847	71,289	-	-	67,847	71,289
Parks and recreation	66,253	32,972	-	-	66,253	32,972
Grant expenses	-	-	-	-	-	-
Water and sewer	-	-	1,314,634	974,005	1,314,634	974,005
Total expenses	<u>933,149</u>	<u>792,791</u>	<u>1,320,463</u>	<u>974,005</u>	<u>2,253,612</u>	<u>1,766,796</u>
Increase in net position						
Before transfer	79,642	142,261	221,805	240,070	301,447	382,331
Transfers	<u>102,135</u>	<u>5,550</u>	<u>(102,135)</u>	<u>(5,550)</u>	<u>-</u>	<u>-</u>
Increase in net position	181,777	147,811	119,670	234,520	301,447	382,331
Net position - beginning	931,052	783,241	3,142,454	2,907,934	4,073,506	3,691,175
Prior Period Adjustment	-	-	-	-	-	-
Net position - ending	<u>1,112,829</u>	<u>931,052</u>	<u>3,262,124</u>	<u>3,142,454</u>	<u>4,374,953</u>	<u>4,073,506</u>

**Management's Discussion and Analysis  
City of Bertram, Texas**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

A large portion of the City's net position (55%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its 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.

An additional portion of the City's net position (18%) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position*, \$788,368 or 18%, may be used to meet the government's ongoing obligations to citizens and suppliers.

For the fiscal year 2019, revenues from governmental activities totaled \$1,012,791. Property taxes and sales taxes are the largest components of revenue 71%.

For fiscal year 2019, expenses for governmental activities totaled \$933,149. The City's two largest funded programs are public safety and general government.

Revenues of the city's business-type activities were \$1,542,268 for the fiscal year ending September 30, 2019. Expenses for the City's business-type activities were \$1,320,463. The City's largest expense is personnel services.

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$673,976, which is more than last year's total of \$467,818.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2019, the city has invested \$4,800,765 in capital assets, including equipment and land. This amount represents a net increase of \$551,369 due to current year additions and depreciation. This year's major additions included:

Water System Improvements \$548,929. Fleet & Equipment additions \$300,734.

More detailed information about the City's capital assets is presented in the Notes to the Financial Statements starting on page 26.

**Debt**

At year-end, the City had \$1,994,406 in long-term debt outstanding, versus \$2,077,633 last year. This decrease is due to principal payments in fiscal year 2019.

More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statements starting on page 27.

**Management's Discussion and Analysis  
City of Bertram, Texas**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials considered population growth and available resources from state revenues and tax revenues when setting the fiscal year budget and tax rate.

For the 2019 as fiscal year, the City adopted a \$1,179,258 budget for the General Fund and a \$1,739,505 budget for the Enterprise Fund. It will be funded through property taxes via a \$0.481 property tax rate and water and sewer revenue.

If the City does not incur any unforeseen expenditures or reductions in revenue, it should accomplish the task of providing services in the City within its available resources and not further reduce the current fund balance.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's business office, at City of Bertram, 110 East Vaughan Street, Bertram, Texas 78605.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF BERTRAM, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2019**

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Unit
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 673,472	\$ 184,874	\$ 858,346	\$ 285,735
Accounts receivable, net of allowance for doubtful accounts	72,359	94,307	166,666	-
Capital assets, net	506,662	4,294,103	4,800,765	-
Net Pension Asset			-	
Restricted assets:				
Cash and investments	262,430	601,023	863,453	-
Total assets	1,514,923	5,174,307	6,689,230	285,735
Deferred Outflows of Resources	52,356	46,500	98,856	
<b><u>Liabilities</u></b>				
Accounts payable	5,026	1,088	6,114	-
Accrued expenses	62,599	26,834	89,433	-
Customer deposits	-	127,056	127,056	-
Noncurrent liabilities				
Due within one year	16,000	99,613	115,613	-
Due in more than one year	310,000	1,652,020	1,962,020	-
Net Pension Liability	18,632	13,754	32,386	-
Total liabilities	412,257	1,920,365	2,332,622	-
Deferred Inflows of Resources	42,193	38,318	80,511	
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	180,662	2,542,470	2,723,132	-
Restricted for:				
Debt service	30,504	158,493	188,997	-
Street maintenance	75,148	-	75,148	-
Court technology	5,833	-	5,833	-
Court building fund	3,044	-	3,044	-
Hotel/Motel tax account	28,720	-	28,720	-
LEOSE Training account	2,429	-	2,429	-
Municipal Development district	116,752	-	116,752	-
Asset replacement, repairs, reserve		442,530	442,530	-
Economic development	-	-	-	285,735
Unrestricted net position	669,737	118,631	788,368	-
Total Net Position	\$ 1,112,829	\$ 3,262,124	\$ 4,374,953	\$ 285,735

The accompanying notes are an integral part of the financial statements.

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**CITY OF BERTRAM, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues		Primary Government		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Component Unit
Primary Government:					
Governmental activities:					
General government	\$ 630,707	\$ 50,870	\$ (579,837)	\$ -	\$ (579,837)
Public safety	98,704	-	(67,704)	-	-
Municipal Court	67,847	31,000	28,856	-	28,856
Public works	61,742	-	(61,742)	-	(61,742)
Pension Expense	13,725	-	(7,896)	(5,829)	(13,725)
Parks and recreation	66,253	-	(66,253)	-	(66,253)
Total governmental activities	938,978	31,000	(754,576)	(5,829)	(760,405)
Business-type activities					
Water and Sewer	1,308,805	282,300	-	190,912	190,912
Total business-type activities	1,308,805	282,300	(754,576)	185,083	(569,493)
Total primary government	2,247,783	313,300	-	-	-
Component unit:					
Economic development	21,463	-	-	-	(21,463)
General revenues:					
Property taxes			446,498	-	446,498
Sales taxes			273,480	-	273,480
Franchise taxes			57,789	-	57,789
Hotel & alcoholic beverage tax			13,979	-	13,979
Other income			39,161	38,522	77,683
Investment & other earnings			3,311	4,029	7,340
Total general revenues			834,218	42,551	876,769
Changes in net position			79,642	221,805	301,447
Transfers			102,135	(102,135)	-
Net position - beginning of year			931,052	3,142,454	4,073,506
Prior Period Adjustment			-	-	-
Net position - end of year			\$ 1,112,829	\$ 3,262,124	\$ 4,374,953
The accompanying					\$ 285,735

notes are an integral part of the financial statements 11



**CITY OF BERTRAM, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2019**

	<u>General</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>		
Cash and investments	\$ 673,472	\$ 673,472
Accounts receivable (net)	72,359	72,359
Total Assets	<u>\$ 745,831</u>	<u>\$ 745,831</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Accounts payable	\$ 5,026	\$ 5,026
Accrued liabilities	25,463	25,463
Unearned revenue	<u>41,366</u>	<u>41,366</u>
Total Liabilities	71,855	71,855
Fund Balances:		
Nonspendable	-	-
Restricted	-	-
Committed	231,926	231,926
Assigned	-	-
Unassigned	<u>442,050</u>	<u>442,050</u>
Total Fund Balances	<u>673,976</u>	<u>673,976</u>
Total Liabilities and Fund Balances	<u>\$ 745,831</u>	<u>\$ 745,831</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BERTRAM, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2019**

Total fund balance (deficit) - governmental funds	\$ 673,976
Net Pension Liability is not included in governmental funds	(18,632)
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred Outflows of Resources are not included in Govt. Funds	52,356
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	\$ 19,415
Buildings & Improvements	458,182
Machinery & Equipment	391,649
Parks and Recreation	33,332
Software	12,283
Accumulated Depreciation	<u>(408,199)</u>
Total Capital Assets	506,662
Various accounting differences between govt. wide and gov. funds	16,915
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund cash reserved	262,430
Deferred Inflows of Resources are not included in Governmental funds	(42,193)
Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Compensated absences	(12,685)
Long-term debt	<u>(326,000)</u>
Total Long-Term Liabilities	<u>(338,685)</u>
Net Position of governmental activities	<u>\$ 1,112,829</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BERTRAM, TEXAS  
STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2019

	<u>General</u>
<b>REVENUE</b>	
General property taxes	\$ 447,143
Sales taxes	273,480
Franchise and other taxes	71,768
Fines	96,703
Fees and permits	50,870
Other charges and service income	-
Interest	3,311
Other income	39,161
Grant Income	31,000
Total Revenue	<u>\$ 1,013,436</u>
<b>EXPENDITURES</b>	
General government	\$ 624,123
Public safety	85,083
Public works	42,168
Parks and recreation	64,749
Court expenses	67,847
Pension expense	7,896
Debt service:	
Principal	23,000
Capital outlay	97,871
Total Expenditures	<u>\$ 1,012,737</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>\$ 699</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	102,135
Transfers from Restricted Assets	103,324
Total Other Financing Sources (Uses)	<u>\$ 205,459</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 206,158</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>467,818</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>673,976</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BERTRAM, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

Change in net position of governmental funds	\$ 79,642
Amounts reported for governmental activities in the statement of activities (page 14) are different because:	
Net change in fund balances - total governmental funds	
Difference in property tax revenues for govt. funds	(4,818)
Total Pension Expense not included in Govt. Funds	(7,896)
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 depreciation (41,282) was less than capital outlays (97,871) in the current	
	(56,589)
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats the incurrence of debt as a liability. Governmental funds report repayment of debt as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt payments.	
	23,000
Increase in accrued absences	-
Decrease in Restricted Investment Funds not recognized as a revenue source	172,819
Change in net position of governmental activities (page 11)	<u>\$ 206,158</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BERTRAM, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2019**

	<u>Business-type Activities Enterprise Fund</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 184,874
Due from General Fund	-
Accounts receivable, net	<u>94,307</u>
Total current assets	279,181
Noncurrent assets:	
Net Pension Asset	-
Restricted cash and investments	601,023
Capital assets, net	<u>4,294,103</u>
Total noncurrent assets	<u>4,895,126</u>
Total assets	<u>\$ 5,174,307</u>
Deferred Outflows of Resources	46,500
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable	\$ 1,088
Accrued expenses	26,834
Customer deposits	127,056
Current portion of long-term debt	<u>99,613</u>
Total current liabilities	254,591
Noncurrent liabilities	
Net Pension Liability	13,754
Revenue Bonds	1,652,020
Notes Payable	-
Total liabilities	<u>\$ 1,920,365</u>
Deferred Inflows of Resources	38,318
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	2,542,470
Restricted for debt service	158,493
Reserved for asset replacement, repairs, reserve	442,530
Unrestricted	<u>118,631</u>
Total net position	<u>\$ 3,262,124</u>
Total liabilities and net position	<u>\$ 5,182,489</u>

The accompanying notes are an integral part of the financial statements

**CITY OF BERTRAM, TEXAS**  
**STATEMENT OF REVENUE, EXPENSES,**  
**AND CHANGES IN NET POSITION – PROPRIETARY FUND**  
**Year Ended September 30, 2019**

	<b>Business-Type Activities Enterprise Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 1,217,417
Total Operating Revenue	<u>1,217,417</u>
<b>OPERATING EXPENSES</b>	
Cost of water	46,708
Cost of sanitation	117,759
Personnel services	337,535
Utilities	44,238
Maintenance and repairs	398,760
Administration	41,896
Insurance	8,824
Depreciation	<u>257,012</u>
Total Operating Expenses	1,252,732
<b>OPERATING GAIN (LOSS)</b>	(35,315)
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Grant income	282,300
Interest income	4,029
Interest expense	(61,902)
Grant expense	-
Total Pension Expense	(5,829)
Other income	<u>38,522</u>
Total Non-operating Revenue (Expenses)	257,120
Interfund transfers:	
Transfers (out)	\$ <u>(102,135)</u>
Total interfund transfers	
<b>NET GAIN (LOSS)</b>	119,670
Net Position - beginning of year	<u>3,142,454</u>
Net Position - end of year	<u>3,262,124</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BERTRAM, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**September 30, 2019**

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,206,666
Cash payments to suppliers	(655,927)
Cash payments to employees	(337,535)
Net Cash Provided by Operating Activities	<u>213,204</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Transfers from (to) other funds	(102,135)
other income	38,522
Grant income	282,300
Net cash (used) in non-capital financing activities	<u>218,687</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(751,792)
Payments on long-term bonds	(93,950)
Interest paid	(61,902)
Debt Issuance	-
Net Cash Provided by Capital and Related Financing Activities	<u>(907,644)</u>
<u>Cash Flows from Investing Activities</u>	
Interest received	4,029
(Increase) decrease in restricted cash, CDs	113,955
Net Cash Provided by Investing Activities	<u>117,984</u>
Net Increase in Cash and Cash Equivalents	(357,769)
Cash and cash equivalents - beginning of year	<u>542,643</u>
Cash and cash equivalents - end of year	<u>\$ 184,874</u>
<u>Reconciliation of operating loss to net cash provided by operating activities:</u>	
Operating income (loss)	\$ (35,315)
Adjustments to reconcile operating loss to net cash provided by Operating Activities:	
Depreciation expense	257,012
(Increase) decrease in accounts receivable	(10,751)
Increase (decrease) in accounts payable	1,088
Increase (decrease) in accrued expenses	(7,161)
Increase (decrease) in customer deposits	8,331
Total adjustments	248,519
Net Cash Provided by Operating Activities	<u>\$ 213,204</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. REPORTING ENTITY**

The City of Bertram, Texas (the City), is a general law city in Burnet County, Texas which operates under a Council form of government and provides such services as public safety (police and EMS), highways and streets, water and sanitation, public improvements, planning and zoning, judicial, general administrative and other services as are authorized by its code of ordinances and its citizens.

The City Council consists of a Mayor and five Aldermen, constituting an ongoing entity and is the level of government which has governing responsibilities over all activities related to the City. The City is not included in any other government reporting entity. The Mayor and Aldermen are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include a potential component unit was made set forth in GASB Statement No. 14. The component units discussed below have been included based on this criteria.

**Bertram Economic Development Corporation** is included as a component unit because of its operational and financial relationship with the City. The Corporation receives its funding from a one-half percent sales tax assessed by the City, and the City appoints the members of the governing board. The Corporation was created by the City to enhance the economic development of the Bertram community. The Bertram Economic Development Corporation is presented as a discretely presented component unit.

**B. FINANCIAL REPORTING MODEL**

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

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



**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. FINANCIAL REPORTING MODEL (Continued)**

*Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities (MD&A). This analysis is similar to the analysis the private sector provides in the annual reports.

*Government-wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

*Statement of Net Position* – The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense- the cost of "using up" capital assets – in the Statement of Activities. The net position of the government will be broken down in three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

**C. MEASUREMENT OF FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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 timing of the related cash flows. 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. FUND ACCOUNTING**

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

Water and Sewer Fund – The water and sewer fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collections systems.

Additionally, the government reports the following fund type:

Debt Service Fund – accounts for the servicing of general long-term debt not being financed by proprietary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are following in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, all general revenues include all taxes.

Proprietary fund distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise 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.

When both restricted and unrestricted resources are available for use it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Pensions:**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

**Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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/expenditure) 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 contributions after measurement date** – These contributions are deferred and recognized in the following fiscal year.
- **Difference in projected and actual earnings on pension assets** – This difference is deferred and amortized over a closed five year period.
- **Difference in expected and actual pension experience** – This difference 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 statements element, deferred inflows or resources, 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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. ASSETS, LIABILITIES, AND NET POSITION**

**a. Deposits and Investments**

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consist of cash on hand and demand deposits.

State statutes authorize the City to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, fully insured certificates of deposit, commercial paper, guaranteed investment contracts, repurchase agreement, and certain governmental investment pools. The City's local investment policy limits the City to invest in obligations of the United States or its agencies and instrumentalities, fully insured certificates of deposit, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

**b. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds."

All accounts receivables are shown net of an allowance for uncollectibles.

**c. Restricted Assets**

Certain resources of the City's enterprise fund are set aside for the repayment of its revenue bonds and are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**d. Capital Assets**

Capital assets, which include land, buildings and improvement, machinery and equipment, infrastructure, and water and sewer facilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. The City will report newly acquired or constructed general infrastructure assets subsequent to October 1, 2003 in the statement of net assets in the period they acquire or construct those assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. ASSETS, LIABILITIES, AND NET POSITION (Continued)**

**d. Capital Assets (Continued)**

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings and improvements	20-40
Pool and park improvements	10-15
Machinery and equipment	5-10
Water system	10-40
Sewer system	15-40
Software	3-5

**e. General Obligation Enterprise Bonds**

The Enterprise Fund provides the annual debt service requirements on certain obligations enterprise bonds (not secured by system revenues) issued to finance system improvements. Accordingly, these obligations have been recorded on the balance sheet of the Enterprise Fund.

**f. Compensated Absences**

The City accrues a liability for compensated absences which meet the following criteria:

- (a) The City's obligation relating to employees' rights to receive compensation for future absences is attributable to the employees' services already rendered.
- (b) The obligation relates to rights that vest or accumulate.
- (c) Payment of the compensation is probable.
- (d) The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation pay which has been earned but not taken by employees. As of the balance sheet date, the City expected that all of the liability for accrued vacation would be liquidated with expendable resources. Therefore, the liability for accrued vacation and sick leave is reflected as a current liability in the financial statements for the year ended September 30, 2019.

**g. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**h. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. ASSETS, LIABILITIES, AND NET POSITION (Continued)**

**h. Estimates (continued)**

date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to August 1 of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data from the preceding year.

Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage by majority vote of the City Council. The Council may authorize supplemental appropriations during the year.

The final amended budget is used in the report. Unused appropriations lapse at the end of the year unless carried forward to the next year by Council action. No encumbrances are recognized or recorded. The operating budget includes proposed expenditures for the General Fund. The City adopted the current year budget on a line item basis.

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**3. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS**

As of September 30, 2019, cash deposits were with a depository bank in interest bearing accounts. The carrying amounts of the City's General Funds and Utility Funds deposits and the bank accounts of the Economic Development Corporation deposits were \$1,721,799 and the bank balances were \$1,721,799 of which \$0 is not insured by the Federal Deposit Insurance Corporation. These assets are valued at cost which approximates market value.

As of September 30, 2019, the City's depository bank for these funds had pledged securities sufficient to cover the amount above FDIC limits.

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**B. RESTRICTED TEMPORARY INVESTMENTS**

*Governmental Activities Assets Restricted*

Temporary investments consist of cash and other highly liquid investments that are dedicated to the following:

Street Maintenance	\$ 75,148
Other Non-Major Funds	<u>156,778</u>
	<u>\$ 231,926</u>

*Business Type Activities Assets Restricted*

Temporary investments consist of cash and other highly liquid investments that are dedicated to the following:

Debt Service	<u>\$ 158,493</u>
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**C. PROPERTY TAXES AND RECEIVABLES**

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The lien date is January 1 of that year and they become delinquent on February 1. The tax levy for October, 2018 (fiscal year ended September 30, 2019) was \$446,498.

The tax assessment of October 1, 2018 tax sets a tax levy at \$.0481 per \$100 of assessed valuation at 100 percent of market value.

Delinquent property taxes estimated to be collected within the next fiscal year are recognized as revenues. Other delinquent property taxes receivable at year end that are deemed uncollectible are recorded as deferred revenues in the governmental fund balance sheet.

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. CAPITAL ASSETS**

Changes in capital assets during the year ended September 30, 2019, were as follows:

	Balance October 1, 2018	Additions	Transfers/ Retirements	Balance September 30, 2019
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 19,415	\$ -	\$ -	\$ 19,415
Capital assets being depreciated:				
Buildings and improvements	458,182	-	-	458,182
Pool and park improvements	33,332	-	-	33,332
Machinery and equipment, vehicles	293,778	97,871	-	391,649
Infrastructure	12,283	-	-	12,283
Total capital assets being depreciated	797,575	97,871	-	895,446
Less accumulated depreciation	(366,917)	(41,282)	-	(408,199)
Total capital assets, being depreciated, net	430,658	56,589	-	487,247
Governmental activities capital assets, net	<u>450,073</u>	<u>56,589</u>	<u>-</u>	<u>506,662</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 250,773	\$ -	\$ -	\$ 250,773
Total capital assets not being depreciated	<u>250,773</u>	<u>-</u>	<u>-</u>	<u>250,773</u>
Capital assets being depreciated:				
Buildings and improvements	78,599	-	-	78,599
Water system	3,926,990	548,929	-	4,475,919
Sewer system	3,236,780	-	-	3,236,780
Machinery and equipment	615,530	202,863	-	818,393
Total capital assets, being depreciated	7,857,899	751,792	-	8,609,691
Less accumulated depreciation	(4,309,349)	(257,012)	-	(4,566,361)
Total capital assets, being depreciated, net	3,548,550	494,780	-	4,043,330
Business-type activities capital assets, net	<u>\$ 3,799,323</u>	<u>\$ 494,780</u>	<u>\$ -</u>	<u>\$ 4,294,103</u>



**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	6,584
Public safety	13,621
Streets	19,574
Parks and recreation	1,503
Total depreciation expense - governmental activities	<u>\$ 41,282</u>
Business-type activities:	
Water and sewer	<u>\$ 257,012</u>

**E. LONG-TERM DEBT**

The following is a summary of long-term debt transactions in the business-type activities for the year ended September 30, 2019:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
2015 Gov. Cap. Corp.	116,583	-	21,950	94,633
1991 Certificate of Obligation	474,000	-	7,000	467,000
2013 Refunding Bonds	1,255,000	-	65,000	1,190,000

Long-term debt for business-type activities at September 30, 2019 consists of the following:

**Payee and Terms**

Government Capital Corporation - The City entered Public Property Finance Act Contracts with annual principal and interest payments to begin in November of 2016 and end November of 2022, with an interest rate of 3.021%.	\$ -
Series 1991 Certificate of Obligation - The City issued a combination tax and revenue certificates of obligation in the amount of \$700,000 maturing annually until the year 2033, plus interest at a rate of 5%.	\$ 94,633
Series 2013 Refunding Bonds - The City issued revenue certificates of obligation in the amount of \$1,575,000 maturing annually until the year 2033, plus average interest at a rate of 3.38%.	\$ 467,000
Total	<u>\$ 1,190,000</u>
Less current portion	\$ 1,751,633
Total Long-Term Debt	<u>99,613</u> <u>\$ 1,652,020</u>

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. LONG-TERM DEBT (Continued)**

The annual requirements to amortize the long term debt outstanding in the business-type activities as of September 30, 2019, are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	99,613	58,880	158,493
2021	101,296	55,566	156,862
2022	107,000	52,258	159,258
2023	107,724	48,763	156,487
2024	88,000	45,288	133,288
2025	89,000	42,293	131,293
2026-2030	489,000	170,781	659,781
2031-2035	359,000	85,613	444,613
2036-2053	311,000	110,798	421,798
Total	\$ 1,751,633	\$ 670,240	\$ 2,421,873

The following is a summary of long term debt transactions in the governmental activities for the year ending September 30, 2019:

	<u>Balance</u>			<u>Balance</u>
	<u>October 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>September 30, 2019</u>
Wells Nelson & Asso \$	349,000	\$ -	\$ (23,000)	\$ 326,000

Government Capital Corporation - The City entered a Public Finance Act Contract with annual principal and interest payments that began in May 2014 and ends May 2034 for the purchase of police cars.

\$ 326,000

Total

\$ 326,000

Less current portion

23,000

\$ 303,000

Long term debt for governmental activities as September 30, 2019 consists of the following:

Payee and Terms

<u>Year ended</u>			
<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	16,000	14,181	30,181
2021	17,000	13,485	30,485
2022	17,000	12,746	29,746
2023	18,000	12,006	30,006
2024	19,000	11,223	30,223
2025	20,000	10,396	30,396
2026-2030	111,000	38,324	149,324
2031-2034	108,000	12,050	120,050
Total	\$ 326,000	\$ 124,411	\$ 450,411

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**4. OTHER INFORMATION**

**A. 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 joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverage. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years.

**B. POLICE DISPATCH AGREEMENT**

The City maintains an agreement with the Burnet County Sheriff's Department to provide law enforcement radio dispatching services for the City Police Department. The City paid \$23,294 during the year ended September 30, 2018.

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**4. OTHER INFORMATION (Continued)**

**D. SANITATION SERVICES**

In April, 1998, the City entered into a contract with a trash disposal company for garbage collection within the City. Fees are billed monthly to the City based upon a fee schedule included in the contract. During the years ended September 30, 2019 and 2018, payments by the city under the contract totaled \$117,759 and 138,502, respectively.

**E. WATER PURCHASE AGREEMENT**

The City of Bertram uses well water. The contract provides for an annual review of the price to be paid for the water. The contract specifies that the price will be the amount charged by the Lower Colorado River Authority for the diversion of water from area lakes plus 15 percent. The term of the contract is 50 years. During the years ended September 30, 2019 and 2018, the total amount paid by the City for water purchased under the contract was \$46,708 and \$50,119 respectively.

**F. PENSION PLAN**

*Plan Description*

The City of Bertram participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**B. Benefits Provided**

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

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

**CITY OF BERTRAM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019**

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. PENSION PLAN (Continued)**

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>13</u>
Total	34

**C. Contributions**

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

Employees for the City of Bertram were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Bertram were 5% and 5% in calendar years 2018 and 2019 respectively. The city's contributions to TMRS for the year ended September 30, 2018 were 33,170, and were equal to the required contributions.

**D. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5-10.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

**CITY OF BERTRAM, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB o account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2017 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

**Discount Rate**

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

**CITY OF BERTRAM, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. PENSION PLAN (Continued)**

<b>City of Bertram</b>		
<b>Schedule of Changes in Net Pension Liability and Related Ratios Current Period</b>		
<b>September 30, 2019</b>		
<b>A.</b>	<b>Total pension liability</b>	
	1. Service Cost	\$ 33,042
	2. Interest (on the Total Pension Liability)	37,900
	3. Changes of benefit terms	"
	4. Difference between expected and actual e	2,131
	5. Changes of assumptions	"
	6. Benefit payments, including refunds of em	(24,090)
	7. Net change in total pension liability	\$ 48,983
	8. Total pension liability - beginning	557,011
	9. Total pension liability - ending	\$ 605,994
<b>B.</b>	<b>Plan fiduciary net position</b>	
	1. Contributions - employer	\$ 9,534
	2. Contributions - employee	23,636
	3. Net investment income	(17,405)
	4. Benefit payments, including refunds of em	(24,090)
	5. Administrative Expense	(337)
	6. Other	(19)
	7. Net change in plan fiduciary net position	\$ (8,681)
	8. Plan fiduciary net position - beginning	582,289
	9. Plan fiduciary net position - ending	\$ 573,608
<b>C.</b>	<b>Net pension liability [A.9-B.9]</b>	\$ 32,386
<b>D.</b>	<b>Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>	94.66%
<b>E.</b>	<b>Covered-employee payroll</b>	\$ 472,710
<b>F.</b>	<b>Net pension liability as a percentage of covered employee payroll [C / E]</b>	6.85%

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$107,773	\$32,386	\$(30,175)
Pension Plan Fiduciary Net Position			

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com)

**CITY OF BERTRAM, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. PENSION PLAN (Continued)**

<b>CITY OF BERTRAM</b>		
<b>SCHEDULE OF PENSION EXPENSE</b>		
<b>SEPTEMBER 30, 2019</b>		
1.	Total Service Cost	\$ 33,042
2.	Interest on the Total Pension Liability	37,900
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(23,636)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(39,305)
6.	Administrative Expense	337
7.	Other Changes in Fiduciary Net Position	18
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	658
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	11,342
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(7,157)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	526
12.	Total Pension Expense	<u>\$ 13,725</u>



**CITY OF BERTRAM**  
**SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE**  
**SEPTEMBER 30, 2019**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2018 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.2400	\$ 2,131	\$ 658	\$ 1,473
Difference in assumption changes [actuarial (gains) or losses]	3.2400	\$ -	\$ -	\$ -
			<u>\$ 658</u>	<u>\$ 1,473</u>
<b>Due to Assets:</b>				
Difference in projected and actual earnings	5.0000	\$ 56,709	\$ 11,342	\$ 45,367
on pension plan investments [actuarial (gains) or losses]			<u>\$ 11,342</u>	<u>\$ 45,367</u>
<b>Total:</b>				<u>\$ 46,840</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2019	\$ 10,666
2020	4,372
2021	4,265
2022	11,341
2023	-
Thereafter	-
<b>Total</b>	<u>\$ 30,644</u>

Subsequent Events/Pending Litigation - No items of audit significance or audit materiality noted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF BERTRAM, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
NET ASSETS – BUDGET TO ACTUAL – GENERAL FUND  
For the year ended September 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>				
General property taxes	469,000	469,000	447,143	(21,857)
Sales tax	267,750	267,750	273,480	5,730
Franchise tax	54,000	54,000	71,768	17,768
Fines, fees and court revenue	189,611	189,611	96,703	(92,908)
Fees and permits	66,980	66,980	50,870	(16,110)
Interest	2,500	2,500	3,311	811
Other income	15,100	15,100	39,161	24,061
Total Revenues	1,064,941	1,064,941	982,436	(82,505)
<u>Expenses</u>				
General government	425,332	425,332	624,123	(198,791)
Public safety	433,930	433,930	85,083	348,847
Public works	42,750	42,750	42,168	582
Court expenses	107,926	107,926	67,847	40,079
Parks and recreation	71,449	71,449	64,749	6,700
Debt service:				
Principal	-	-	23,000	(23,000)
Capital outlay	-	97,871	97,871	-
Total Operating Expenses	1,081,387	1,179,258	1,004,841	174,417
Operating Income (Loss)	(16,446)	(114,317)	(22,405)	91,912
<u>Other Financing Sources (Uses)</u>				
Grant receipt	-	-	31,000	31,000
Pension expense	-	-	(7,896)	(7,896)
Transfers from Restricted Funds	37,550	135,421	103,324	65,774
Transfers in Loan	(21,104)	(21,104)	102,135	123,239
Total	16,446	114,317	228,563	212,117
Change in Net Assets	-	-	206,158	304,029
Fund Balance-Beginning of Year	382,171	382,171	467,818	
Fund Balance-End of Year	382,171	382,171	673,976	291,805

The accompanying notes are an integral part of the financial statements.

CITY OF BERTRAM, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
NET ASSETS – BUDGET TO ACTUAL – PROPRIETARY FUND  
For the year ended September 30, 2019

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Sewer Income	315,000	315,000	313,321	(1,679)
Sanitation income	177,450	177,450	179,287	1,837
Water income	580,000	535,000	594,739	59,739
Tap & Impact fees	183,925	183,925	99,680	(84,245)
Penalties and service charges	35,800	24,300	57,983	33,683
Interest	5,100	3,903	4,029	126
Miscellaneous income	14,550	28,982	10,929	(18,053)
<b>Total Revenues</b>	<b>1,311,825</b>	<b>1,268,560</b>	<b>1,259,968</b>	<b>(8,592)</b>
<b>Expenses</b>				
Water purchase	55,000	42,000	46,708	(4,708)
Garbage collection	140,700	118,700	117,759	941
Salaries & personnel expenses	420,474	420,474	337,535	82,939
Repairs & Maintenance	146,000	294,980	398,760	(103,780)
Administration expenses	85,640	119,210	94,958	24,252
Miscellaneous	63,800	63,800	5,829	57,971
Loan Principal Payments	99,500	99,500	93,950	5,550
Interest expense	62,016	65,416	61,902	3,514
Capital outlay	368,175	515,425	751,792	(236,367)
<b>Total Operating Expenses</b>	<b>1,441,305</b>	<b>1,739,505</b>	<b>1,909,193</b>	<b>(169,688)</b>
<b>Operating Income (Loss)</b>	<b>(129,480)</b>	<b>(470,945)</b>	<b>(649,225)</b>	<b>(178,280)</b>
<b>Other Financing Sources (Uses)</b>				
Grant receipt	282,300	282,300	282,300	-
Grant expenditures	(314,880)	(349,626)	-	314,880
Transfers (in)	318,060	747,600	-	(318,060)
Transfers (out)	(156,000)	(156,000)	(102,135)	53,865
<b>Total</b>	<b>129,480</b>	<b>524,274</b>	<b>180,165</b>	<b>50,685</b>
<b>Change in Net Assets</b>	<b>-</b>	<b>53,329</b>	<b>(469,060)</b>	<b>(127,595)</b>
<b>Depreciation</b>			257,012	257,012
<b>Addback Capital outlay for GAAP</b>			751,792	751,792
<b>Addback Loan Principle/Proceeds for GAAP</b>			93,950	93,950
<b>Fund Balance - Beginning of Year</b>			3,142,454	
<b>GAAP basis change in net assets</b>			119,670	119,670
<b>Fund Balance-End of Year</b>	<b>-</b>	<b>-</b>	<b>3,262,124</b>	<b>3,262,124</b>

**City of Bertram, Texas**  
**Note to Statement of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual-**  
**General Fund**

**For the Year Ended September 30, 2019**

**I. Budgetary Highlights**

The City's original budget was amended during the year ended September 30, 2019.

The City's overall actual revenue was \$982,436 or \$82,505 less than budgeted. This was primarily generated from less than expected revenues. The City's overall actual expenses were \$1,004,841 or \$174,417 less than budgeted. This primarily relates to decreases in general government expenses.

The City's Enterprise Fund budget was amended during the year ended September 30, 2019.

The City's overall enterprise fund actual revenue was \$1,259,968 or \$8,592 less than budgeted. This was primarily due to few changes in overall revenues. The City's overall enterprise fund expenses were \$1,909,193 or \$169,688 more than budgeted. The increases in proprietary fund expenses were across the board.

City of Bertram					
Schedule of Changes in Net Pension Liability and Related Ratios					
Last ten years (will ultimately be displayed)					
Total pension liability	2014	2015	2016	2017	2018
1. Service Cost	\$ 22,007	25,197	25,512	28,893	33,042
2. Interest (on the Total Pension Liability)	33,563	31,526	33,040	35,282	37,900
3. Changes of benefit terms					
4. Difference between expected and actual experience	(56,609)	(2,591)	(2,053)	(2,885)	2,131
5. Changes of assumptions	-	13,425			
6. Benefit payments, including refunds of employee contributions	(26,963)	(32,348)	(24,881)	(25,058)	(24,090)
7. Net change in total pension liability	\$ (28,002)	35,209	31,618	36,232	48,983
8. Total pension liability - beginning	481,954	453,952	489,161	520,779	557,011
9. Total pension liability - ending	\$ 453,952	489,161	520,779	557,011	605,994
Plan fiduciary net position					
1. Contributions - employer	\$ 6,752	9,238	5,330	7,595	9,534
2. Contributions - employee	19,390	19,412	18,759	20,727	23,636
3. Net investment income	26,089	710	32,279	70,512	(17,405)
4. Benefit payments, including refunds of employee contributions	(26,963)	(32,348)	(24,881)	(25,058)	(24,090)
5. Administrative Expense	(273)	(433)	(365)	(366)	(337)
6. Other	(22)	(21)	(20)	(18)	(19)
7. Net change in plan fiduciary net position	\$ 24,973	(3,442)	31,102	73,392	(8,681)
8. Plan fiduciary net position - beginning	456,264	481,237	477,795	508,897	582,289
9. Plan fiduciary net position - ending	\$ 481,237	477,795	508,897	582,289	573,608
Net pension liability [A.9-B.9]	\$ (27,285)	11,366	11,882	(25,278)	32,386
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]					
	106.01%	97.68%	97.72%	104.54%	94.66%
Covered-employee payroll	\$ 387,806	\$ 388,236	375,183	414,533	472,710
Net pension liability as a percentage of covered employee payroll [C / E]					
	-7.04%	2.93%	3.17%	-6.10%	6.85%

**City of Bertram**  
**Schedule of Contributions**  
**Last 10 Fiscal Years (will ultimately be displayed)**

**September 30, 2019**

	2014	2015	2016	2017	2018
<b>Actually Determined Contribution</b>	\$ 26,142	\$ 28,650	\$ 24,089	\$ 28,322	33,170
<b>Contributions in relation to the actuarially determined contribution</b>	<u>26,142</u>	<u>28,650</u>	<u>24,089</u>	<u>28,322</u>	<u>33,170</u>
<b>Contribution deficiency (excess)</b>	-	-	-	-	0
<b>Covered employee payroll</b>	\$ 387,806	\$ 388,236	\$ 375,183	\$ 414,533	\$ 472,710
<b>Contributions as a percentage of covered employee payroll</b>	6.74%	7.38%	6.42%	6.83%	6.85%
<b>Notes to Schedule of Contributions</b>					
<b>Valuation Date determined</b>	12/31/2018				
<b>Notes</b>					

**Actuarial Information****2016**

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	25 years-closed period
Amortization period for new Gains/Losses	15 years
Asset valuation method	10 year smoothed market 15% soft corridor
Actuarial assumptions	
Investment return	6.75%
Projected salary increases	Varies by age and service
Inflation	3%
Cost-of-living Adjustments	0%



## **COMPLIANCE AND INTERNAL CONTROL SECTION**



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**CERTIFIED PUBLIC ACCOUNTANT**

**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 City Council  
City of Bertram, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bertram, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Bertram, Texas' basic financial statements, and have issued our report thereon dated January 14, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Donald L. Allman, CPA, PC  
Georgetown, TX  
March 4, 2020