

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

AUDIT REPORT  
JUNE 30, 2012

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## Independent Auditor's Report

Board of Town Council  
Town of Burlington  
PO Box 216  
Burlington, Oklahoma 73722

I have audited the accompanying 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 Town of Burlington, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Burlington, State of Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 aggregate discretely presented component units, major fund and the aggregate remaining fund information of the Town of Burlington, State of Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 21, 2012, on my consideration of the Town of Burlington, State of Oklahoma's internal control over financial reporting and on my 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 my 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 and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's budgetary comparison information on page 26 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Town of Burlington, State of Oklahoma, has not presented a Management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Burlington, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Linda S Woodruff CPA, PC  
Oklahoma City, Oklahoma  
December 21, 2012

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**TOWN OF BURLINGTON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Equivalents	\$ 163,280	\$ 266,516	\$ 429,796
Investments	-	-	-
Receivables	9,612	44,918	54,530
Due from Other Governmental Agencies	-	-	-
Other assets	-	2,066	2,066
Capital Assets			
Land, improvements, and construction in progress	-	10,960	10,960
Infrastructure and infrastructure in progress, net of depreciation	-	-	-
Buildings, net of depreciation	-	-	-
Equipment and Furniture, net of depreciation	77,455	296,000	373,455
Less: Accumulated Depreciation	-	(147,868)	(147,868)
Total Capital Assets	<u>77,455</u>	<u>159,092</u>	<u>236,547</u>
Total Assets	<u><u>250,347</u></u>	<u><u>472,592</u></u>	<u><u>722,939</u></u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	-	341	341
Due to other governmental agencies	-	-	-
Deferred Revenues	-	-	-
Long-term liabilities			
Due within one year			
Accrued interest	-	-	-
Compensated Absences	-	-	-
Due in more than one year			
Accrued interest	-	-	-
Compensated absences	-	-	-
Meter Deposit Payable	-	4,225	4,225
Total liabilities	<u>-</u>	<u>4,566</u>	<u>4,566</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Capital projects	-	-	-
Debt Service	-	-	-
Other projects	7,024	4,226	11,250
Unrestricted	<u>243,324</u>	<u>463,800</u>	<u>707,124</u>
Total net assets	<u><u>\$ 250,348</u></u>	<u><u>\$ 468,026</u></u>	<u><u>\$ 718,374</u></u>

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

**TOWN OF BURLINGTON**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenue			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>						
Governmental Activities						
General Government	\$ 2,714	\$ -	\$ 4,413	\$ 1,699	\$ -	\$ 1,699
Public Safety	22,908	22,629	-	(279)	-	(279)
Street and Alley	-	1,689	-	1,689	-	1,689
Health, Welfare and Sanitation	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Education	-	-	-	-	-	-
Interest on Long-term debt	-	-	-	-	-	-
Total governmental activities	<u>25,622</u>	<u>24,318</u>	<u>4,413</u>	<u>3,109</u>	<u>-</u>	<u>3,109</u>
Business-type activities:						
Utility Collections	365,226	376,410	-	-	11,184	11,184
Other Business-type Activities	-	-	-	-	-	-
Total business-type activities	<u>365,226</u>	<u>376,410</u>	<u>-</u>	<u>-</u>	<u>11,184</u>	<u>11,184</u>
Total primary government	<u><u>390,848</u></u>	<u><u>400,728</u></u>	<u><u>4,413</u></u>	<u><u>3,109</u></u>	<u><u>11,184</u></u>	<u><u>14,293</u></u>
<b>General revenues:</b>						
Taxes:						
Property taxes, levied for general purposes				\$ -	\$ -	\$ -
Property taxes, levied for debt service				-	-	-
Franchise taxes				3,790	-	3,790
Public service taxes				36,586	-	36,586
Grants and contributions not restricted to specific programs				-	-	-
Unrestricted investment earnings				601	2,012	2,613
Miscellaneous				-	7,367	7,367
Special item - gain on sale of asset				-	-	-
Transfers				-	-	-
Total general revenues, special items, and transfers				<u>40,977</u>	<u>9,379</u>	<u>50,356</u>
Change in net assets				44,086	20,563	64,649
Net assets - beginning				206,262	447,463	653,725
Net assets - ending				<u><u>\$ 250,348</u></u>	<u><u>\$ 468,026</u></u>	<u><u>\$ 718,374</u></u>

SEE INDEPENDENT AUDITOR'S REPORT  
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**TOWN OF BURLINGTON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 154,567	\$ 8,713	\$ 163,280
Investments	-	-	-
Taxes receivable, net	9,612	-	9,612
Due from other funds	-	-	-
Receivable from other governments	-	-	-
Other receivables	-	-	-
Prepaid expenses	-	-	-
Total assets	164,179	8,713	172,892
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	-	-	-
Due to other funds	-	-	-
Payable to other governments	-	-	-
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	-	-	-
Total liabilities	-	-	-
 Fund balances:			
Reserved for:			
Debt service	-	-	-
Other purposes	-	8,713	8,713
Unreserved	164,180	-	164,180
Total fund balances	164,180	8,713	172,893
Total liabilities and fund balances	\$ 164,180	\$ 8,713	\$ 172,893

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

**TOWN OF BURLINGTON**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

Total fund balance, governmental funds	\$	172,893
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		77,455
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		-
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		-
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		-
Net Assets of Governmental Activities in the Statement of Net Assets		<u>250,348</u>

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

**TOWN OF BURLINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Franchise taxes	\$ 1,032	\$ -	\$ 1,032
Sales and miscellaneous taxes	36,586	1,689	38,275
Beverage Tax	2,758	-	2,758
Licenses and permits	-	-	-
Charges for services	-	-	-
Investment earnings	601	-	601
Miscellaneous	-	-	-
Fire proceeds	22,629	-	22,629
Fire grant	4,413	-	4,413
Total revenues	<u>68,019</u>	<u>1,689</u>	<u>69,708</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,714	-	2,714
Public Safety	22,908	-	22,908
Public Works	-	-	-
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Education	-	-	-
Other expenditure 1	-	-	-
Other expenditure 2	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay			
Total Expenditures	<u>25,622</u>	<u>-</u>	<u>25,622</u>
Excess (deficiency) of revenues over expenditures	<u>42,397</u>	<u>1,689</u>	<u>44,086</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt, net	-	-	-
Proceeds from capital leases	-	-	-
Other source	-	-	-
Other use	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>			
Proceeds from sale of land	-	-	-
Net change in fund balances	42,397	1,689	44,086
Fund balances - beginning	121,783	7,024	128,807
Fund balances - ending	<u>\$ 164,180</u>	<u>\$ 8,713</u>	<u>\$ 172,893</u>

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

**TOWN OF BURLINGTON**  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO  
 THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds: \$ 44,086

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$0 exceeded depreciation \$2,082 in the current period. (2,082)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. -

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. -

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. -

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on Governmental funds -

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. -

Change in net assets of governmental activities \$ 42,004

**TOWN OF BURLINGTON**  
**STATEMENT OF ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	<b>Enterprise Funds</b>	
	<b>Public Works</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 151,186	\$ 151,186
Cash-restricted	1	1
Investments	115,330	115,330
Accounts Receivable, net	44,918	44,918
Deferred charges	-	-
Due from other funds	-	-
Prepaid Expenses	2,066	2,066
Total current assets	313,501	313,501
Non-current assets:		
Capital Assets:		
Land and improvements	10,960	10,960
Infrastructure	-	-
Buildings	-	-
Equipment and Furniture	296,000	296,000
Less Accumulated depreciation	(147,868)	(147,868)
Total non-current assets	159,092	159,092
Total assets	472,593	472,593
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	341	341
Salaries payable	-	-
Accrued interest payable	-	-
Due to other funds	-	-
Payable to other governments	-	-
Refundable deposits	4,225	4,225
Deferred revenue	-	-
Compensated absences	-	-
Capital lease obligation	-	-
Claims and judgments	-	-
Bonds, notes and loans payable	-	-
Total current liabilities	4,566	4,566
Non-current liabilities:		
Compensated absences	-	-
Capital lease obligation	-	-
Claims and judgments	-	-
Bonds, notes and loans payable	-	-
Total non-current liabilities	-	-
Total liabilities	4,566	4,566
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	-
Restricted for debt service	-	-
Restricted for other purposes	4,226	4,226
Restricted for capital projects	-	-
Unrestricted	463,800	463,800
Total net assets	\$ 468,026	\$ 468,026

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

**TOWN OF BURLINGTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Enterprise Funds</b>	
	<b>Public Works</b>	<b>Total</b>
<b>REVENUES</b>		
Charges for services	\$ 366,287	\$ 366,287
Miscellaneous	7,367	7,367
Total operating revenues	373,654	373,654
<b>OPERATING EXPENSES</b>		
Personal services	73,309	73,309
Contractual services	7,600	7,600
Utilities	2,592	2,592
Repairs and maintenance	22,899	22,899
Other supplies and expenses	225,199	225,199
Insurance claims and expenses	12,476	12,476
Depreciation	11,028	11,028
Total Operating Expenses	355,103	355,103
Operating income (loss)	18,551	18,551
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	2,012	2,012
Miscellaneous revenue	-	-
Operating grants and contributions	-	-
Interest expense	-	-
Miscellaneous expenses	-	-
Total non-operating revenue (expenses)	2,012	2,012
Income (loss) before contributions and transfers	20,563	20,563
Capital contributions	-	-
Transfers in	-	-
Transfers out	-	-
Special item - gain (loss) on sale of land	-	-
Change in net assets	20,563	20,563
Total net assets - beginning	447,463	447,463
Total net assets - ending	\$ 468,026	\$ 468,026
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements		\$ 20,563

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

**TOWN OF BURLINGTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

		<b>Public Works Authority</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers & Service Users	\$	369,599
Cash Payments for Goods & Services & Employees		<u>338,864</u>
<b>Net Cash Provided by Operating Activities</b>		<u>30,735</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Operating Transfers In/(Out) to Other Funds		<u>-</u>
<b>Net Cash Provided (Used) for Noncapital Financing Activities</b>		-
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of Fixed Assets		-
Miscellaneous Rents		-
Grants		<u>-</u>
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>		-
<b>Cash Flows from Investing Activities:</b>		
Interest Income		2,012
Patronage Dividend		<u>-</u>
<b>Net Cash Provided by investing Activities</b>		2,012
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>		32,747
<b>Cash and Cash Equivalents - Beginning of Year</b>		<u>233,770</u>
<b>Cash and Cash Equivalents - End of Year</b>	\$	<u><u>266,517</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$	18,551
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation		11,027
Change in Assets and Liabilities:		
Increase (Decrease) in Meter Deposits		(1,575)
(Increase) Decrease in Accounts Receivable		3,312
(Increase) Decrease in Prepaid Expenses		493
Increase (Decrease) in Payroll Taxes Payable		<u>(1,074)</u>
<b>Total Adjustments</b>		<u>12,183</u>
<b>Net Cash Provided by Operating Activities</b>	\$	<u><u>30,734</u></u>

SEE INDEPENDENT AUDITOR'S REPORT  
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE BASIC FINANCIAL STATEMENTS.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

The Town of Burlington, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

**A. Reporting Entity**

The Town of Burlington, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a town council. As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government. The Town provides the following services as authorized by its charter: general government, public safety (fire), streets, and public works (electric, gas, water, sewer, and refuse).

Blended Component Units:

The Burlington Public Works Authority (the Authority) was created to finance, operate, construct and administer any public works, improvements or facilities for the benefit of the Town of Burlington, Oklahoma. The Authority operates the electric, water, natural gas, sanitation, and sewer services for the Town of Burlington. The authority is exempt from State and Federal income taxes. The Authority is reported as an enterprise fund.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES -- CONTINUED**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Government-Wide Financial Statements** – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued**

**Governmental Funds** – are used to account for the government’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes collected and held by the state at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the Town’s major governmental fund:

General Fund – is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds - account for revenue sources that are legally restricted to expenditures for specific purposes (not including capital projects). The following is the Town’s Special Revenue Fund: Street and Alley.

**Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued**

**Enterprise Funds** – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The Burlington Public Works Authority is accounted for as an enterprise fund. The following are the Town's major enterprise funds:

Burlington Public Works Authority – accounts for the operations of providing public works (electric, gas, water, sewer and sanitation) to the Town.

There are no enterprise funds of the Town that are considered a non-major fund.

**C. Assets, Liabilities and Equity**

1. Deposits and Investments

Oklahoma statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted cash and investments in the governmental funds consist of funds restricted for juvenile programs and funds restricted for cemetery care and improvements.

Restricted cash and investments of the enterprise funds consists of customer meter deposits.

3. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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

**C. Assets, Liabilities and Equity -- Continued**

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. 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 from other/due to other funds”.

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets and Infrastructure

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town does not maintain a capitalization threshold. The Town's infrastructure consists of roads, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003, are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

**TOWN OF BURLINGTON**  
**BURLINGTON, OKLAHOMA**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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

**C. Assets, Liabilities and Equity -- Continued**

7. Capital Assets and Infrastructure – Continued

Depreciation is computed on the straight-line method with estimated useful lives as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	100 years	40 years
Furniture, Fixtures & Equipment	5 - 40 years	5 - 40 years
Land Improvements	40 years	40 years
Vehicles	5 - 40 years	5 - 40 years

8. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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

**C. Assets, Liabilities and Equity -- Continued**

11. Net Assets

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the fund financial statement, governmental funds report reservations of fund balances that are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure. Designations of fund balances are not required by law but represent the classification or funds that are earmarked by the Town's management for specific purposes and may be subject to change.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

**B. Restricted Cash and Investments**

Other restricted cash includes \$1 in cash held for grant writing and \$8,713 for street and alley funds.

**C. Uncollectible Accounts**

Accounts receivable in the financial statements are reflected net of allowances. The Town's estimates of uncollectible accounts receivable is based on a review of past due listing by management. At June 30, 2012, the estimated uncollectible amounts from utility customers was zero.

**TOWN OF BURLINGTON**  
**BURLINGTON, OKLAHOMA**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**3. DETAILED NOTES CONCERNING THE FUNDS – CONTINUED**

**D. Capital Assets**

Primary Government capital asset activity for the year ended is as follows

<b>Governmental Activities</b>	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
<b>Business-Type Activities</b>				
Non-Depreciable Assets				
Land	\$ 10,960	\$ -	\$ -	\$ 10,960
Total Non-Depreciable Assets	<u>10,960</u>	<u>-</u>	<u>-</u>	<u>10,960</u>
Depreciable Assets				
Buildings	100,108	-	-	100,108
Office Equipment	5,230	-	-	5,230
Equipment	52,359	-	-	52,359
Utility Plant	103,305	-	-	103,305
Lagoons	34,998	-	-	34,998
Total Depreciable Assets	<u>296,000</u>	<u>-</u>	<u>-</u>	<u>296,000</u>
Less Accumulated Depreciation				
Total Accumulated Depreciation	<u>(136,840)</u>	<u>(11,027)</u>	<u>-</u>	<u>(147,867)</u>
Net Depreciable Assets	<u>159,160</u>	<u>(11,027)</u>	<u>-</u>	<u>148,133</u>
Net Business-Type Activities Capital Assets	<u>\$ 170,120</u>	<u>\$ (11,027)</u>	<u>\$ -</u>	<u>\$ 159,093</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

**TOWN OF BURLINGTON**  
**BURLINGTON, OKLAHOMA**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**3. DETAILED NOTES CONCERNING THE FUNDS – CONTINUED**

**E. Prepaid Expense**

At June 30, 2012, the Town had no prepaid insurance.

**F. Inter-fund Receivables and Payables**

At year-end, there were no inter-fund receivables or payables.

**G. Long-term Debt**

The Town had no debt at June 30, 2012.

**4. OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. The Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the Town. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**B. Contingent Liabilities**

At times the Town is a defendant in legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the Town. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the Town. The Town's potential liability in the litigation is limited by the Governmental Tort Claims Act.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**4. OTHER INFORMATION – CONTINUED**

**C. Employee Retirement Plans**

Firefighters' Pension Plan

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan the Town contributes \$60 for each volunteer fireman. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma Town, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the Town for this plan was \$720, \$720, and 720 for, 2010, 2011, and 2012 respectively. The required contribution was fully contributed. At June 30, 2012, the system held no related-party investments of the Town or of its related entities.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2012

**TOWN OF BURLINGTON**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Franchise taxes	\$ 850	\$ 850	\$ 1,032	\$ 182
Sales and miscellaneous taxes	10,000	10,000	36,586	26,586
Fees and fines	-	-	-	-
Alcohol beverage taxes	2,500	2,500	2,758	258
Licenses and permits	-	-	-	-
Fire grants	-	-	4,413	4,413
Fire proceeds	15,000	15,000	22,629	7,629
Charges for services	-	-	-	-
Investment earnings	-	-	601	601
Miscellaneous	-	-	-	-
Total revenues	<u>28,350</u>	<u>28,350</u>	<u>68,019</u>	<u>39,669</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,000	1,000	2,714	(1,714)
Public Safety	20,000	20,000	22,908	(2,908)
Highways and roads	-	-	-	-
Health and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay				
Total Expenditures	<u>21,000</u>	<u>21,000</u>	<u>25,622</u>	<u>(4,622)</u>
Excess (deficiency) of revenues over expenditures	<u>7,350</u>	<u>7,350</u>	<u>42,397</u>	<u>35,047</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	7,350	7,350	42,397	35,047
Fund balances - beginning	206,262	206,262	206,262	-
Fund balances - ending	<u>\$ 213,612</u>	<u>\$ 213,612</u>	<u>\$ 248,659</u>	<u>\$ 35,047</u>

SEE AUDITOR'S INDEPENDENT AUDIT REPORT  
THE NOTES TO REQUIRED SUPPLEMENTAL INFORMATION ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

SUPPLEMENTAL INFORMATION  
JUNE 30, 2012

**TOWN OF BURLINGTON**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<u>Special Revenue</u>		<u>Total</u>
	<u>Street</u>		<u>Non-Major</u>
	<u>&amp; Alley</u>		<u>Governmental</u>
<b>Assets</b>	<u>Fund</u>		<u>Funds</u>
Cash in Bank (Note 3A)	\$ 8,713	\$	8,713
Investments	-		-
<b>Total Assets</b>	<u>8,713</u>		<u>8,713</u>
<b>Liabilities</b>			
Due to Cemetery Fund	-		-
Accounts Payable	-		-
<b>Total Liabilities</b>	<u>-</u>		<u>-</u>
<b>Fund Balances</b>			
Reserved	-		-
Unreserved	8,713		8,713
<b>Total Fund Balances</b>	<u>8,713</u>		<u>8,713</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,713</u>	<u>\$</u>	<u>8,713</u>

**TOWN OF BURLINGTON**  
**COMBINING BALANCE SHEET**  
**COMBINING STATE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Special Revenue</b>	<b>Total</b>
	<b>Street</b>	<b>Non-Major</b>
	<b>&amp; Alley</b>	<b>Governmental</b>
<b>Revenues</b>	<b>Fund</b>	<b>Funds</b>
Motor Vehicle Taxes	\$ 1,689	\$ 1,689
<b>Total Revenues</b>	1,689	1,689
 <b>Expenditures</b>		
General Government	-	-
Highways & Roads	-	-
Public Safety	-	-
Parks & Recreation	-	-
Cemetery	-	-
Grant Expense	-	-
<b>Total Expenditures</b>	-	-
 <b>Excess of Revenues Over(Under)</b>		
<b>Expenditures</b>	1,689	1,689
 <b>Other Financing Uses</b>		
Operating Transfers In(Out)	-	-
 <b>Excess of Revenues Over(Under)</b>		
<b>Expenditures &amp; Transfers</b>	1,689	1,689
 <b>Fund Balance -</b>		
<b>Beginning of Year</b>	7,024	7,024
<b>Fund Balance - End of Year</b>	\$ 8,713	\$ 8,713

**TOWN OF BURLINGTON**  
**BURLINGTON, OKLAHOMA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
<b>REAP Grants</b>			
Gas Line Improvement AL 12-1 Contract	\$ 16,400	\$ -	\$ -
<b>Oklahoma Department of Agriculture (Fire)</b>	\$ 4,413	\$ 4,413	\$ 4,413

**NOTE A – BASIS OF PRESENTATION**

This schedule includes the federal grant activity of the Town of Burlington and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

**NOTE B – PRESENTATION**

This schedule is incomplete since the formal grant title and number has been omitted

**TOWN OF BURLINGTON**  
BURLINGTON, OKLAHOMA

REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
JUNE 30, 2012

**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***

The Board of Town Council  
Town of Burlington  
Burlington, Oklahoma

I 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 Town of Burlington, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise Town of Burlington, State of Oklahoma's basic financial statements and have issued my report thereon dated December 21, 2012. I conducted my 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.

**Internal Control Over Financial Reporting**

Management of the Town of Burlington, State of Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Town of Burlington, State of Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Burlington, State of Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Burlington, State of Oklahoma's internal control over financial reporting.

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.

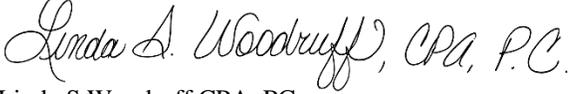
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified the deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that I consider to be significant deficiencies in internal control over financial reporting. A significant 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Burlington, State of Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Burlington, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit Town of Burlington, State of Oklahoma's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Linda S Woodruff CPA, PC  
Oklahoma City, Oklahoma  
December 21, 2012

**TOWN OF BURLINGTON**  
**BURLINGTON, OKLAHOMA**

**SCHEDULE OF FINDINGS**

2012-01 Internal Control

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the Town.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the Town strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: Management agrees with the recommendation, but economic cost could exceed the benefit.