

Town of Burlington
Burlington, Oklahoma

Audit Report
for the year ended June 30, 2013

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Independent Auditor's Report

Town of Burlington
Burlington, Oklahoma

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, each major fund, and the aggregate remaining fund information of the Town of Burlington, State of Oklahoma, as of June 30, 2013, 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 and budgetary comparison information 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. Management has elected to omit all of the discussion and analysis for the year ending June 30, 2013.

Other Information

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, basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Linda A. Woodruff, CPA, P.C.

Oklahoma City, Oklahoma
October 31, 2013

Town of Burlington
Burlington, Oklahoma

Basic Financial Statements
June 30, 2013

Town of Burlington
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	\$ 220,434	\$ 241,566	\$ 462,000
Investments	-	-	-
Receivables	7,151	40,624	47,775
Due from Other Governmental Agencies	-	-	-
Other assets	675	4,437	5,112
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	408,925	486,380
Less: Accumulated Depreciation	-	(166,743)	(166,743)
Total Capital Assets	<u>77,455</u>	<u>253,142</u>	<u>330,597</u>
Total Assets	<u>305,715</u>	<u>539,769</u>	<u>845,484</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows			
LIABILITIES			
Accounts payable and accrued expenses	532	21,012	21,544
Due to other governmental agencies	-	-	-
Deferred Revenues	-	-	-
Long-term liabilities			
Due within one year			
Accrued interest	-	-	-
Compensated Absences	-	3,696	3,696
Due in more than one year			
Accrued interest	-	-	-
Compensated absences	-	-	-
Meter Deposit Payable	-	4,225	4,225
Total liabilities	<u>532</u>	<u>28,933</u>	<u>29,465</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows			
NET POSITION			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Other projects	7,024	4,225	11,249
Unrestricted	298,159	506,612	804,771
Total net position	<u>\$ 305,183</u>	<u>\$ 510,837</u>	<u>\$ 816,020</u>

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

Town of Burlington
Statement of Activities and Changes in Net Position
for the Year Ended June 30, 2013

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
General Government	\$ 17,986	\$ -	\$ 4,484	\$ (13,502)	\$ -	\$ (13,502)
Public Safety	26,387	27,485	-	1,098	-	1,098
Street and Alley	208	1,365	-	1,157	-	1,157
Health, Welfare and Sanitation	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Education	-	-	-	-	-	-
Interest on Long-term debt	-	-	-	-	-	-
Total governmental activities	<u>44,581</u>	<u>28,850</u>	<u>4,484</u>	<u>(11,247)</u>	<u>-</u>	<u>(11,247)</u>
Business-type activities:						
Utility Collections	362,093	349,083	41,400	-	28,390	28,390
Other Business-type Activities	-	-	-	-	-	-
Total business-type activities	<u>362,093</u>	<u>349,083</u>	<u>41,400</u>	<u>-</u>	<u>28,390</u>	<u>28,390</u>
Total primary government	<u>406,674</u>	<u>377,933</u>	<u>45,884</u>	<u>(11,247)</u>	<u>28,390</u>	<u>17,143</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				\$ -	\$ -	\$ -
Property taxes, levied for debt service				-	-	-
Franchise taxes				4,057	-	4,057
Public service taxes				61,553	-	61,553
Grants and contributions not restricted to specific programs				-	-	-
Unrestricted investment earnings				473	1,470	1,943
Miscellaneous				-	6,950	6,950
Special item - gain on sale of asset				-	6,000	6,000
Transfers				-	-	-
Total general revenues, special items, and transfers				<u>66,083</u>	<u>14,420</u>	<u>80,503</u>
Change in net position				54,836	42,810	97,646
Net position - beginning				250,347	468,027	718,374
Net position - ending				<u>\$ 305,183</u>	<u>\$ 510,837</u>	<u>\$ 816,020</u>

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

Town of Burlington
 Balance Sheet
 Governmental Funds
 June 30, 2013

	General Fund	Street and Alley Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 210,563	\$ 9,870	\$ 220,433
Investments	-	-	-
Taxes receivable, net	7,151	-	7,151
Due from other funds	-	-	-
Receivable from other governments	-	-	-
Other receivables	-	-	-
Prepaid expenses	675	-	675
Total assets	218,389	9,870	228,259
 LIABILITIES AND FUND BALANCES			
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	7,024	-	7,024
Unreserved	211,365	9,870	221,235
Total fund balances	218,389	9,870	228,259
Total liabilities and fund balances	\$ 218,389	\$ 9,870	\$ 228,259

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 Position
 June 30, 2013

Total fund balance, governmental funds	\$	228,259
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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 Position.</p>		77,455
<p>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 Position.</p>		-
<p>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 Position.</p>		-
<p>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 Position.</p>		(532)
<p>Net Assets of Governmental Activities in the Statement of Net Position</p>		305,182

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

Town of Burlington
Statement of Revenues, Expenditures, & Changes in Fund Balances
Governmental Funds
for the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Franchise taxes	\$ 964	\$ -	\$ 964
Sales and miscellaneous taxes	61,553	1,365	62,918
Beverage Tax	3,093	-	3,093
Licenses and permits	-	-	-
Charges for services	-	-	-
Investment earnings	473	-	473
Miscellaneous	-	-	-
Fire proceeds	27,485	-	27,485
Fire grant	4,484	-	4,484
Total revenues	<u>98,052</u>	<u>1,365</u>	<u>99,417</u>
EXPENDITURES			
Current:			
General government	18,194	-	18,194
Public Safety	26,387	-	26,387
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>44,581</u>	<u>-</u>	<u>44,581</u>
Excess (deficiency) of revenues over expenditures	<u>53,471</u>	<u>1,365</u>	<u>54,836</u>
OTHER FINANCING SOURCES (USES)			
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>
SPECIAL ITEM			
Net change in fund balances	<u>53,471</u>	<u>1,365</u>	<u>54,836</u>
Fund balances - beginning	<u>164,918</u>	<u>8,505</u>	<u>173,423</u>
Fund balances - ending	<u>\$ 218,389</u>	<u>\$ 9,870</u>	<u>\$ 228,259</u>

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

Town of Burlington
 Reconciliation of the Statement of Revenues, Expenditures, & Changes in Fund Balance to the
 Governmental Funds to the Statement of Activities
 for the Year Ended June 30, 2013

Net change in fund balances - total governmental funds: \$ 54,836

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 \$0 in the current period. -

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 \$ 54,836

Town of Burlington
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds	
	Public Works	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,348	\$ 125,348
Cash-restricted	1	1
Investments	116,217	116,217
Accounts Receivable, net	40,624	40,624
Deferred charges	-	-
Due from other funds	-	-
Prepaid Expenses	4,437	4,437
Total current assets	286,627	286,627
Non-current assets:		
Capital Assets:		
Land and improvements	10,960	10,960
Infrastructure	-	-
Buildings	-	-
Equipment and Furniture	408,925	408,925
Less Accumulated depreciation	(166,743)	(166,743)
Total non-current assets	253,142	253,142
Total assets	539,769	539,769
 DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows		
 LIABILITIES		
Current Liabilities:		
Accounts payable	21,012	21,012
Salaries payable	3,696	3,696
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	28,933	28,933
Non-current liabilities:		
Compensated absences	-	-
Capital lease obligation	-	-
Claims and judgments	-	-
Bonds, notes and loans payable	-	-
Total non-current liabilities	-	-
Total liabilities	28,933	28,933
 DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows		
 NET POSITION		
Invested in capital assets, net of related debt	-	-
Restricted for debt service	-	-
Restricted for other purposes	4,225	4,225
Restricted for capital projects	-	-
Unrestricted	506,612	506,612
Total net position	\$ 510,837	\$ 510,837

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

Town of Burlington
Statement of Revenues, Expenses, & Changes in Fund Net Position
Proprietary Funds
for the Year Ended June 30, 2013

	Enterprise Funds	
	Public Works	Total
REVENUES		
Charges for services	\$ 338,791	\$ 338,791
Miscellaneous	12,950	12,950
Total operating revenues	351,741	351,741
 OPERATING EXPENSES		
Personal services	79,158	79,158
Contractual services	4,713	4,713
Utilities	2,824	2,824
Repairs and maintenance	10,625	10,625
Other supplies and expenses	227,122	227,122
Insurance claims and expenses	8,483	8,483
Depreciation	18,875	18,875
Total Operating Expenses	351,800	351,800
Operating income (loss)	(59)	(59)
 NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	1,470	1,470
Miscellaneous revenue	-	-
Operating grants and contributions	41,400	41,400
Interest expense	-	-
Miscellaneous expenses	-	-
Total non-operating revenue (expenses)	42,870	42,870
Income (loss) before contributions and transfers	42,811	42,811
Capital contributions	-	-
Transfers in	-	-
Transfers out	-	-
 Change in net position	42,811	42,811
Total net position - beginning	468,026	468,026
Total net position - ending	\$ 510,837	\$ 510,837
 Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements		\$ 42,811

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, 2013

	Public Works Authority
Cash Flows from Operating Activities	
Cash Received from Customers & Service Users	\$ 356,035
Cash Payments for Goods & Services	(276,479)
Net Cash Provided by Operating Activities	79,556
 Cash Flows from Noncapital Financing Activities	
Operating Transfers In/(Out) to Other Funds	-
Net Cash Provided (Used) for Noncapital Financing Activities	-
 Cash Flows from Capital and Related Financing Activities	
Purchase of Fixed Assets	(112,926)
Net Cash Provided (Used) for Capital and Related Financing Activities	(112,926)
 Cash Flows from Investing Activities	
Interest Income	1,470
Patronage Dividend	6,950
Net Cash Provided by investing Activities	8,420
Net Increase (Decrease) in Cash & Cash Equivalents	(24,950)
Cash and Cash Equivalents - Beginning of Year	266,517
Cash and Cash Equivalents - End of Year	\$ 241,567
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 34,391
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	18,875
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	4,294
(Increase) Decrease in Prepaid Expenses	(2,371)
Increase (Decrease) in Payroll Taxes Payable	(205)
Increase (Decrease) in Meter Deposits	-
Increase (Decrease) in Compensated Absences	3,696
Increase (Decrease) in Accounts Payable	20,876
Total Adjustments	45,165
Net Cash Provided by Operating Activities	\$ 79,556

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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 \$8,389 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, 2013, 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, 2013

3. Detailed Notes Concerning the Funds – Continued

D. Capital Assets

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

Governmental Activities	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Business-Type Activities				
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	45,047	-	97,406
Utility Plant	103,305	67,878	-	171,183
Lagoons	34,998	-	-	34,998
Total Depreciable Assets	<u>296,000</u>	<u>112,925</u>	<u>-</u>	<u>408,925</u>
Less Accumulated Depreciation				
Total Accumulated Depreciation	<u>(147,867)</u>	<u>(18,875)</u>	<u>-</u>	<u>(166,742)</u>
Net Depreciable Assets	<u>148,133</u>	<u>94,050</u>	<u>-</u>	<u>242,183</u>
Net Business-Type Activities Capital Assets	<u>\$ 159,093</u>	<u>\$ 94,050</u>	<u>\$ -</u>	<u>\$ 253,143</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, 2013

3. Detailed Notes Concerning the Funds – Continued

E. Prepaid Expense

At June 30, 2013, the Town had \$5,112 in 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, 2013.

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, 2013

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, 2011, 2012, and 2013 respectively. The required contribution was fully contributed. At June 30, 2013, 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, 2013

Town of Burlington
 Budget and Actual (with Variances)
 General Fund
 for the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Franchise taxes	\$ 850	\$ 850	\$ 964	\$ 114
Sales and miscellaneous taxes	10,000	10,000	61,553	51,553
Fees and fines	-	-	-	-
Alcohol beverage taxes	2,500	2,500	3,093	593
Licenses and permits	-	-	-	-
Fire grants	-	-	4,484	4,484
Fire proceeds	15,000	15,000	27,485	12,485
Charges for services	-	-	-	-
Investment earnings	-	-	473	473
Miscellaneous	-	-	-	-
Total revenues	<u>28,350</u>	<u>28,350</u>	<u>98,052</u>	<u>69,702</u>
EXPENDITURES				
Current:				
General government	21,000	21,000	18,194	2,806
Public Safety	-	-	26,387	(26,387)
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>44,581</u>	<u>(23,581)</u>
Excess (deficiency) of revenues over expenditures	<u>7,350</u>	<u>7,350</u>	<u>53,471</u>	<u>46,121</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	7,350	7,350	53,471	46,121
Net Position - beginning	206,262	206,262	206,262	-
Net Position - ending	<u>\$ 213,612</u>	<u>\$ 213,612</u>	<u>\$ 259,733</u>	<u>\$ 46,121</u>

The Notes to Required Supplemental Information are an Integral Part of this Statement.

City Cleveland
Cleveland, Oklahoma
Notes on Required Supplemental Information
for the fiscal year ended June 30, 2013
(Unaudited)
Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the Mayor (an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Councilmen (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

Town of Burlington
Burlington, Oklahoma

Supplemental Information
June 30, 2013

Town of Burlington
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	<u>Special Revenue</u>		<u>Total</u>
	<u>Street</u>		<u>Non-Major</u>
	<u>& Alley</u>		<u>Governmental</u>
	<u>Fund</u>		<u>Funds</u>
Assets			
Cash in Bank (Note 3A)	\$ 9,870	\$	9,870
Investments	-		-
Total Assets	<u>9,870</u>		<u>9,870</u>
Liabilities			
Due to Cemetery Fund	-		-
Accounts Payable	-		-
Total Liabilities	<u>-</u>		<u>-</u>
Fund Balances			
Reserved	-		-
Unreserved	9,870		9,870
Total Fund Balances	<u>9,870</u>		<u>9,870</u>
Total Liabilities and Fund Balances	\$ <u>9,870</u>	\$	<u>9,870</u>

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

Town of Burlington
Combining Balance Sheet
Combining State of Revenues, Expenditures, &
Changes in Fund Balance – Non-Major Governmental Funds
for the Year Ended June 30, 2013

	Special Revenue	Total
	Street	Non-Major
	& Alley	Governmental
	Fund	Funds
Revenues		
Motor Vehicle Taxes	\$ 1,365	\$ 1,365
Total Revenues	1,365	1,365
Expenditures		
General Government	-	-
Highways & Roads	-	-
Public Safety	-	-
Parks & Recreation	-	-
Cemetery	-	-
Grant Expense	-	-
Total Expenditures	-	-
Excess of Revenues Over(Under)		
Expenditures	1,365	1,365
Other Financing Uses		
Operating Transfers In(Out)	-	-
Excess of Revenues Over(Under)		
Expenditures & Transfers	1,365	1,365
Fund Balance -		
Beginning of Year	8,505	8,505
Fund Balance - End of Year	\$ 9,870	\$ 9,870

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

Town of Burlington
Burlington, Oklahoma

Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
(none)			
<u>State Grantor/Pass Through Grantor/Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
REAP Grants			
Gas Line Improvement AL 12-1 Contract	\$ 16,400	\$ 16,400	\$ 16,400
Wastewater System Imprvmnt AL 13-1 Contract	\$ 25,000	\$ 25,000	\$ 25,000
Oklahome Department of Agriculture (Fire)	\$ 4,484	\$ 4,484	\$ 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.

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

Town of Burlington
Burlington, Oklahoma

Report Required by *Government Auditing Standards*
June 30, 2013

**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***

Town of Burlington
Burlington, Oklahoma

I 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 Town of Burlington, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Burlington, State of Oklahoma's, basic financial statements and have issued my report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Burlington, State of Oklahoma's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of Town of Burlington, State of Oklahoma's, internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be *material weaknesses* or *significant deficiencies* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2013-01

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 *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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be *significant deficiencies*. However, *significant deficiencies* may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Burlington, State of Oklahoma's, financial statements are free from 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 Findings

Town of Burlington, State of Oklahoma's, response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Town of Burlington, State of Oklahoma's, response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Linda S Woodruff CPA, PC

Oklahoma City, Oklahoma
October 31, 2013

Town of Burlington
Burlington, Oklahoma

Schedule of Findings & Questioned Costs

2013-01 Internal Control – Segregation of Duties

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.