TOWN OF BURBANK, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 1015
500 SOUTH CHESTNUT
BRISTOW, OKLAHOMA 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Burbank
Burbank, Oklahoma

I have audited the accompanying financial statements, modified cash basis, of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Burbank, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Burbank's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement 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 our audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

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

As discussed in Note A, the Town of Burbank, Oklahoma prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

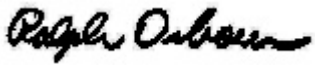
Opinion

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,each major fund, and the aggregate remaining fund information of Town of Burbank as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the modified cash basis of accounting.

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated March 12, 2015, on my consideration of Town of Burbank's internal control over financial reporting and 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
March 12, 2015

TOWN OF BURBANK, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 21,099	$ 43,703	$ 64,802
Investments	7,587	29,064	36,651
Restricted assets:			
Insurance reserve	-	8,650	8,650
Total current assets	28,686	81,417	110,103
Non-current assets:			
Capital assets			
Land	8,000	12,500	20,500
Other capital assets net of Accumulated depreciation	183,428	791,389	974,817
Total non-current assets	191,428	803,889	995,317
Total assets	220,114	885,306	1,105,420
LIABILITIES			
Current liabilities:			
Utility deposits	-	13,431	13,431
Total current liabilities	-	13,431	13,431
Total liabilities	-	13,431	13,431
NET ASSETS			
Invested in capital assets, net related debt	191,428	803,889	995,317
Insurance reserve	-	8,650	8,650
Unassigned	28,686	59,336	88,022
Total net assets	$ 220,114	$ 871,875	$ 1,091,989

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

TOWN OF BURBANK, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2014

		Program Revenue			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
Function/Programs					
Governmental activities					
General government	$ 12,124	$ -	$ 3,357	$ -	$ (8,767)
Public safety	10,902	-	4,473	-	(6,429)
Street	6,902	-	1,366	-	(5,536)
Cemetery	414	-	-	-	(414)
Total governmental activities	30,342	-	9,196	-	(21,146)
Business-type activities					
Public Works	139,487	85,710	-	-	(53,777)
Total business-type activities	139,487	85,710	-	-	(53,777)
Total primary government	$ 169,829	$ 85,710	$ 9,196	$ -	$ (74,923)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	$ (21,146)	$ (53,777)	$ (74,923)
General revenues			
Taxes			
Sales tax	9,268	-	9,268
Franchise	2,626	-	2,626
Cigarette	116	-	116
Sale of Asset	5,500	-	5,500
Donations	2,992	-	2,992
Rental Income	1,206	-	1,206
Other	138	1,741	1,879
Interest	25	88	113
Transfers	-	-	-
Total general revenue	21,871	1,829	23,700
Change in net assets	725	(51,948)	(51,223)
Net assets - beginning	219,389	923,823	1,143,212
Net assets - ending	$ 220,114	$ 871,875	$ 1,091,989

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

TOWN OF BURBANK, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Volunteer Fire Fund	Cemetery Fund	Cemetery Care	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 15,936	$ 2,188	$ 2,403	$ 572	$ 21,099
Investments	7,587	-	-	-	7,587
Due from other funds	-	-	-	-	-
TOTAL ASSETS	$ 23,523	$ 2,188	$ 2,403	$ 572	$ 28,686
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Assigned	$ -	$ 2,188	$ 2,403	$ 572	$ 5,163
Unassigned	23,523	-	-	-	23,523
TOTAL FUND BALANCES	23,523	2,188	2,403	572	28,686
TOTAL LIABILITIES AND FUND BALANCES	$ 23,523	$ 2,188	$ 2,403	$ 572	

RECONCILIATION TO STATEMENT OF NET ASSETS

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities of $384,751, net of accumulated depreciation of $193,323, are not financial resources and, therefore are not reported in the funds.	191,428
Net assets of governmental activities	$ 220,114

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

TOWN OF BURBANK, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Volunteer Fire Fund	Cemetery Fund	Cemetery Care	Total Governmental Funds
Revenue					
Sales tax	$ 9,268	$ -	$ -	$ -	$ 9,268
Franchise tax	2,626	-	-	-	2,626
Gasoline tax	256	-	-	-	256
Motor vehicle tax	1,110	-	-	-	1,110
Cigarette tax	116	-	-	-	116
Cemetery sales	-	-	-	-	-
Alcoholic beverage tax	3,357	-	-	-	3,357
Intergovernmental	-	4,473	-	-	4,473
Donations	-	2,992	-	-	2,992
Sale of property	5,500	-	-	-	5,500
Rental income	1,206	-	-	-	1,206
Miscellaneous	138	-	-	-	138
Interest	23	-	-	2	25
Total revenue	23,600	7,465	-	2	31,067
Expenditures					
Current					
General government	11,771	-	-	-	11,771
Public safety	-	8,291	-	-	8,291
Street	4,142	-	-	-	4,142
Cemetery	-	-	2,900	-	2,900
Total expenditures	15,913	8,291	2,900	-	27,104
Net changes in fund balances	7,687	(826)	(2,900)	2	3,963
Fund balances, beginning	15,836	3,014	5,303	570	24,723
Fund balances, ending	$ 23,523	$ 2,188	$ 2,403	$ 572	$ 28,686

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

TOWN OF BURBANK, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds		$ 3,963
Amounts reported for governmental activities in the statement of activities are different because: Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined statement of net assets and allocated over their estimated useful lives as annual annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.		
Depreciation expense	(8,738)	
Capital outlay	5,500	(3,238)
Change in net assets		$ 725

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

TOWN OF BURBANK, OKLAHOMA
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2014

	Public Works
ASSETS	
Current assets:	
Cash and cash equivalents	$ 43,703
Investments	29,064
Restricted assets:	
Insurance reserves	8,650
Total current assets	81,417
Non-current assets:	
Capital assets:	
Land	12,500
Other capital assets, net of accumulated depreciation	791,389
Total non-current assets	803,889
Total assets	885,306
LIABILITIES	
Current liabilities:	
Utility deposits	13,431
Total current liabilities	13,431
Total liabilities	13,431
NET ASSETS	
Invested in capital assets, net related debt	803,889
Restricted for insurance reserves	8,650
Assigned	59,336
Net assets of business-type activities	$ 871,875

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

TOWN OF BURBANK, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Public Works
OPERATING REVENUES	
Charges for services:	
Natural gas	$ 31,958
Water charges	36,270
Wastewater charges	4,508
Sanitation charges	10,330
Penalty	2,644
Other	1,741
Total operating revenues	87,451
OPERATING EXPENSES	
Personal services	16,563
Natural gas purchases	20,553
Sales tax	1,028
Water purchase	12,435
Sanitation contractor	9,182
Insurance	9,037
Materials and supplies	4,122
Other operating expenses	16,643
Depreciation	49,924
Total operating expenses	139,487
Operating income (loss)	(52,036)
NON-OPERATING REVENUE (EXPENSES)	
Investment income	88
Total non-operating revenue (expenses)	88
Change in net assets	(51,948)
Total net assets, beginning	923,823
Total net assets, ending	$ 871,875

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

TOWN OF BURBANK, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2014

	Public Works
Cash flows from operating activities	
Cash received from customers	$ 87,515
Cash payments to employees	(16,563)
Cash payments to suppliers for goods and services	(73,000)
Net cash provided (used) by operating activities	(2,048)
Cash flows from investing activities	
Increase in insurance reserve	2,654
Interest revenue	88
Net cash provided by investing activities	2,742
Net increase in cash and cash equivalents	694
Cash and cash equivalents, beginning	72,073
Cash and cash equivalents, ending	$ 72,767

Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:	
Operating income (loss)	$ (52,036)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	49,924
Changes in assets and liabilities:	
Increase in utility deposits	64
Net cash provided by operating activities	$ (2,048)

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Burbank, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Burbank Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Burbank Public Works Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Burbank Public Works Authority was created under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes 1961. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates natural gas, water, sanitation, and sewer services for the Town of Burbank.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services;(2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Volunteer Fire Fund - Accounts for revenue and expenses of Volunteer Fire Department.

Cemetery Fund - Accounts for a portion of cemetery revenue and maintenance and operations expenditures for the cemetery.

Cemetery Care - Accounts for a portion of cemetery revenue and capital expenditures for the cemetery.

Proprietary Funds - The Town reports the following major enterprise funds:

Burbank Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

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, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2014 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Inventories and prepaids are similarly reported in government-wide and fund financial statements under the modified cash basis of accounting used by the Town, inventory items and prepaids are expensed as the purchase is paid for.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of $500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2014, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately $101,453 at June 30, 2014. The bank balance of the deposits at June 30, 2014 was approximately $102,762.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2014.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2014, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - RESTRICTED INSURANCE RESERVE

The Authority's restricted insurance reserve relates to the Town of Burbank, Oklahoma's risk management activities. Town of Burbank, Oklahoma's risk management activities consist of purchasing policies from commercial insurance carriers. As part of its risk management activity, the Town has purchased workers' compensation insurance from Oklahoma Municipal Assurance Group (the Group). The premium paid for the workers' compensation insurance includes an amount which is placed in a loss fund for the Town. The balance of the premium is used for administration of the insurance and obtaining insurance coverage. The loss fund is an actuarially determined estimate of the Town's expected workers' compensation claims during the period. At June 30, 2014, the balance in the fund was $1,468.

If the actual losses are less than the amount of the loss fund, the difference may be refunded to the Town or placed in an escrow account for the Town. Refunds may begin as early as two years after the end of the plan year. The reinsurance purchased by the Group covers claims in excess of the loss fund. The Town of Burbank, Oklahoma is not obligated to pay any amount in excess of its annual premium. The amount in the escrow account at June 30, 2014 was $5,586. This money may be refunded on written request.

Renewal premiums to be billed the Town of Burbank, Oklahoma are limited to a maximum reduction of 10% from the prior year's billed premium. Any portion of the billed premium in excess of the amount required to fully fund the Town's actuarial premium is held by the Group in the Rate Stabilization Reserve (RSR) for the Town. RSR balances will be applied to offset any future billed premium increases in excess of 10% over the prior years's billed premium. The Town is entitled to a refund of any RSR balance upon termination of their participation in the insurance. The Town had $1,596 in the RSR as of June 30, 2014.

NOTE D - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	Capital Assets Not Depreciated Land
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2013	$ 233,713	$ 55,200	$ 82,338	$ 371,251	$ 8,000
Increases	-	-	5,500	5,500	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	233,713	55,200	87,838	376,751	8,000
Accumulated Depreciation					
Balance, June 30, 2013	114,048	9,544	60,993	184,585	
Increase	4,086	2,760	1,817	8,663	
Decreases	-	-	-	-	
Balance, June 30, 2014	118,134	12,304	62,885	193,323	
Governmental activities Capital Assets, Net	$ 115,579	$ 42,896	$ 24,853	$ 183,428	$ 8,000
Business-type activities					
Balance, June 30, 2013	$ -	$ 1,426,318	$ 20,836	$ 1,447,154	$ 12,500
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	-	1,426,318	20,836	1,447,154	12,500
Accumulated Depreciation					
Balance, June 30, 2013	-	590,995	14,846	605,841	
Increase	-	49,221	703	49,924	
Decreases	-	-	-	-	
Balance, June 30, 2014	-	640,216	15,549	655,765	
Business-type Activities Capital Assets, Net	$ -	$ 786,102	$ 5,287	$ 791,389	$ 12,500
PRIMARY GOVERNMENT Capital Assets, Net	$ 115,579	$ 828,998	$ 30,240	$ 974,817	$ 20,500

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	$ 3,253	Public Works	$ 49,924
Public Safety	2,611		
Street	2,760		
Cemetery	114		

NOTE E - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

NOTE F - PENSION OBLIGATIONS

The Town participates in two pension plans. The Oklahoma Firefighters Pension and Retirement Systems and Oklahoma Public Employees Retirement System (the System).

Oklahoma Firefighter's Pension and Retirement System

Town of Burbank participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

		Oklahoma Firefighter's Pension And Retirement System
Eligibility to Participate		All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions		State Statute
City's contribution rate		$60 per volunteer
Period required to vest		10 years
Benefits and eligibility for distribution (Volunteer)		20 years credited service equal to $5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option		Yes, 20 years credited service with Continued service for 30 or more year
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes	Yes
Disability	Yes	Yes
Cost of living allowances	Yes	Yes

Due to the small size of the General Fund revenue, the Town is not obligated to pay the annual assessment or any additional amounts. The remaining employees of the Town are not covered by a pension system.

NOTE G - 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; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE I - SUBSEQUENT EVENTS

The Town evaluated subsequent events through March 12, 2015, the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Board of Trustees
Town of Burbank
Burbank, 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, each major fund, and the aggregate remaining fund information of Town of Burbank, Oklahoma, modified cash basis, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Burbank's basic financial statements and have issued my report thereon dated March 12, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Burbank'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 Burbank's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Burbank's internal control.

My consideration of internal control over financial reporting 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, we identified certain deficiencies in internal controls that we consider to be significant deficiencies.

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

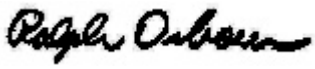
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Burbank, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The Town of Burbank general fund expenses exceeded the approved budget.

Purpose of the Report

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

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
March 12, 2015