

TOWN OF BURBANK, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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

INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Burbank, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Town of Burbank, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Burbank, Oklahoma's management. My responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Town of Burbank, Oklahoma as of June 30, 2012, and the respective changes in financial position-modified cash basis and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 13, 2012, on my consideration of Town of Burbank, Oklahoma'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 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.

The Town of Burbank, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparison that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statement, 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. Our opinion on the basic financial statements is not affected by this missing information.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 13, 2012

TOWN OF BURBANK, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,455	\$ 34,051	\$ 51,506
Investments	7,550	28,923	36,473
Restricted assets:			
Insurance reserve	-	12,132	12,132
Total current assets	25,005	75,106	100,111
Non-current assets:			
Capital assets			
Land	8,000	12,500	20,500
Other capital assets net of			
Accumulated depreciation	195,329	653,591	848,920
Total non-current assets	203,329	666,091	869,420
 Total assets	 228,334	 741,197	 969,531
LIABILITIES			
Current liabilities:			
Utility deposits	-	13,156	13,156
Total current liabilities	-	13,156	13,156
 Total liabilities	 -	 13,156	 13,156
NET ASSETS			
Unspendable	203,329	652,935	856,264
Insurance reserve	-	12,132	12,132
Assigned	12,623	62,974	75,597
Unassigned	12,382	-	12,382
 Total net assets	 \$ 228,334	 \$ 728,041	 \$ 956,375

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, 2012

	<u>Program Revenue</u>				Net (Expenses) Revenue
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Function/Programs					
Governmental activities					
General government	\$ 26,234	\$ 1,075	\$ 3,280	\$ 13,625	\$ (8,254)
Public safety	5,287	-	4,412	-	(875)
Street	5,127	-	1,286	-	(3,841)
Cemetery	41	1,600	-	-	1,559
Total governmental activities	<u>36,689</u>	<u>2,675</u>	<u>8,978</u>	<u>13,625</u>	<u>(11,411)</u>
Business-type activities					
Public Works	129,099	77,313	18,437	-	(33,349)
Total business-type activities	<u>129,099</u>	<u>77,313</u>	<u>18,437</u>	<u>-</u>	<u>(33,349)</u>
Total primary government	<u>\$ 165,788</u>	<u>\$ 79,988</u>	<u>\$ 27,415</u>	<u>\$ 13,625</u>	<u>\$ (44,760)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	\$ (11,411)	\$ (33,349)	\$ (44,760)
General revenues			
Taxes			
Sales tax	4,621	-	4,621
Franchise	2,573	-	2,573
Cigarette	70	-	70
Interest	103	902	1,005
Total general revenue	<u>7,367</u>	<u>902</u>	<u>8,269</u>
Change in net assets	(4,044)	(32,447)	(36,491)
Net assets - beginning	232,378	760,488	992,866
Net assets - ending	<u>\$ 228,334</u>	<u>\$ 728,041</u>	<u>\$ 956,375</u>

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

TOWN OF BURBANK, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Volunteer Fire Fund</u>	<u>Cemetery Fund</u>	<u>Cemetery Care</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,832	\$ 6,354	\$ 5,945	\$ 324	\$ 17,455
Investments	7,550	-	-	-	7,550
Due from other funds	-	-	-	245	245
TOTAL ASSETS	<u>\$ 12,382</u>	<u>\$ 6,354</u>	<u>\$ 5,945</u>	<u>\$ 569</u>	<u>\$ 25,250</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	-	-	245	-	245
TOTAL LIABILITIES	-	-	245	-	245
FUND BALANCES					
Assigned	\$ -	\$ 6,354	\$ 5,700	\$ 569	\$ 12,623
Unassigned	12,382	-	-	-	12,382
TOTAL FUND BALANCES	<u>12,382</u>	<u>6,354</u>	<u>5,700</u>	<u>569</u>	25,005
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,382</u>	<u>\$ 6,354</u>	<u>\$ 5,945</u>	<u>\$ 569</u>	

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 \$379,251, net of accumulated depreciation of \$175,922, are not financial resources and, therefore are not reported in the funds.

203,329

Net assets of governmental activities

\$ 228,334

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, 2012

	General Fund	Volunteer Fire Fund	Cemetery Fund	Cemetery Care	Total Governmental Funds
Revenue					
Sales tax	\$ 4,621	\$ -	\$ -	\$ -	\$ 4,621
Franchise tax	2,573	-	-	-	2,573
Gasoline tax	267	-	-	-	267
Motor vehicle tax	1,019	-	-	-	1,019
Cigarette tax	70	-	-	-	70
Cemetery sales	-	-	1,600	-	1,600
Alcoholic beverage tax	3,280	-	-	-	3,280
Intergovernmental	13,625	4,412	-	-	18,037
Miscellaneous	1,075	-	-	-	1,075
Interest	101	-	-	2	103
Total revenue	<u>26,631</u>	<u>4,412</u>	<u>1,600</u>	<u>2</u>	<u>32,645</u>
Expenditures					
Current					
General government	23,047	-	-	-	23,047
Public safety	-	2,492	-	-	2,492
Street	2,425	-	-	-	2,425
Cemetery	-	-	-	-	-
Total expenditures	<u>25,472</u>	<u>2,492</u>	<u>-</u>	<u>-</u>	<u>27,964</u>
Excess (deficiency) of revenue over (under) expenditures	1,159	1,920	1,600	2	4,681
Other financing sources (uses)					
Transfer in	-	-	(245)	245	-
Net changes in fund balances	1,159	1,920	1,355	247	4,681
Fund balances, beginning	<u>11,223</u>	<u>4,434</u>	<u>4,345</u>	<u>322</u>	<u>20,324</u>
Fund balances, ending	<u>\$ 12,382</u>	<u>\$ 6,354</u>	<u>\$ 5,700</u>	<u>\$ 569</u>	<u>\$ 25,005</u>

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, 2012

Net changes in fund balances - total governmental funds \$ 4,681

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 depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(8,725)	
Capital outlay	-	(8,725)
	-	(8,725)
Change in net assets		\$ (4,044)

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, 2012

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 34,051
Investments	28,923
Restricted assets:	
Insurance reserves	<u>12,132</u>
Total current assets	<u>75,106</u>
Non-current assets:	
Capital assets:	
Land	12,500
Other capital assets, net of accumulated depreciation	<u>653,591</u>
Total non-current assets	<u>666,091</u>
Total assets	<u>741,197</u>
LIABILITIES	
Current liabilities:	
Utility deposits	<u>13,156</u>
Total current liabilities	<u>13,156</u>
Total liabilities	<u>13,156</u>
NET ASSETS	
Unspendable	652,935
Restricted for insurance reserves	12,132
Assigned	<u>62,974</u>
Net assets of business-type activities	<u>\$ 728,041</u>

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, 2012

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Natural gas	\$ 21,617
Water charges	37,323
Wastewater charges	4,622
Sanitation charges	10,090
Penalty	2,408
Other	<u>1,253</u>
Total operating revenues	<u>77,313</u>
 <u>OPERATING EXPENSES</u>	
Personal services	7,692
Natural gas purchases	12,071
Water purchase	14,924
Sanitation contractor	9,490
Materials and supplies	7,628
Repair and maintenance	18,437
Other operating expenses	18,225
Depreciation	<u>40,632</u>
Total operating expenses	<u>129,099</u>
Operating income (loss)	<u>(51,786)</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	902
Grant income	<u>18,437</u>
Total non-operating revenue (expenses)	<u>19,339</u>
 Change in net assets	 (32,447)
Total net assets, beginning	<u>760,488</u>
Total net assets, ending	<u>\$ 728,041</u>

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, 2012

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 77,463
Cash payments to employees	(7,692)
Cash payments to suppliers for goods and services	<u>(80,775)</u>
Net cash provided (used) by operating activities	<u>(11,004)</u>
Cash flows from capital and related financing activities	
INCOG Grant	<u>18,437</u>
Net cash provided (used) for capital and related financing	<u>18,437</u>
Cash flows from investing activities	
Transfer to investment	(386)
Increase in insurance reserve	(516)
Interest revenue	<u>902</u>
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	7,433
Cash and cash equivalents, beginning	<u>26,618</u>
Cash and cash equivalents, ending	<u><u>\$ 34,051</u></u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:	
Operating income (loss)	\$ (51,786)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	40,632
Changes in assets and liabilities:	
Increase in utility deposits	<u>150</u>
Net cash provided by operating activities	<u><u>\$ (11,004)</u></u>

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

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 is not believed to be material.

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Prepays 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.

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, 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 \$87,979 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$89,799.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2012.

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, 2012, 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, 2012, the balance in the fund was \$1,201.

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, 2012 was \$9,270. This money may be refunded on written request.

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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' billed premium. The Town is entitled to a refund of any RSR balance upon termination of their participation in the insurance. The Town had \$1,661 in the RSR as of June 30, 2012.

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, 2011	\$ 233,713	\$ 55,200	\$ 82,338	\$ 371,251	\$ 8,000
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<u>233,713</u>	<u>55,200</u>	<u>82,338</u>	<u>371,251</u>	<u>8,000</u>
Accumulated Depreciation					
Balance, June 30, 2011	105,876	4,024	57,297	167,197	
Increase	4,086	2,760	1,879	8,725	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>109,962</u>	<u>6,784</u>	<u>59,176</u>	<u>175,922</u>	
Governmental activities Capital Assets, Net	<u>\$ 123,751</u>	<u>\$ 48,416</u>	<u>\$ 23,162</u>	<u>\$ 195,329</u>	<u>\$ 8,000</u>
Business-type activities					
Balance, June 30, 2011	\$ -	\$ 1,193,304	\$ 20,836	\$ 1,214,140	\$ 12,500
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<u>-</u>	<u>1,193,304</u>	<u>20,836</u>	<u>1,214,140</u>	<u>12,500</u>
Accumulated Depreciation					
Balance, June 30, 2011	-	506,477	13,440	519,917	
Increase	-	39,929	703	40,632	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>-</u>	<u>546,406</u>	<u>14,143</u>	<u>560,549</u>	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 646,898</u>	<u>\$ 6,693</u>	<u>\$ 653,591</u>	<u>\$ 12,500</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 123,751</u>	<u>\$ 695,314</u>	<u>\$ 29,855</u>	<u>\$ 848,920</u>	<u>\$ 20,500</u>
DEPRECIATION EXPENSE					

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 3,187	Public Works	\$ 40,632
Public Safety	2,795		
Street	2,702		
Cemetery	41		

TOWN OF BURBANK, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
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.

TOWN OF BURBANK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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 Board of Trustees
Town of Burbank
Burbank Oklahoma

I have audited the 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, 2012, which collectively comprise Town of Burbank, Oklahoma's basic financial statements and have issued my report thereon dated December 13, 2012 which did not include Management's Discussion and Analysis or budgetary comparison. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Sincerely,

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 13, 2012