

Town of Burlington
Burlington, Oklahoma

Audit Report
for the year ended June 30, 2014

Contents

	Page
Independent Auditor's Report	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities and Changes in Net Position	7
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	8
Statement of Revenues, Expenditures, & Changes in Fund Balances - Governmental Funds	10
Statement of Net Position - Proprietary Funds	12
Statement of Revenues, Expenses, & Changes in Fund Net Position – Proprietary Funds	13
Statement of Cash Flows - Proprietary Funds	14
Notes to the Basic Financial Statements	15
Required Supplemental Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	28
Supplemental Information	
Combining Balance Sheet – Non-Major Governmental Funds	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	32
Schedule of Expenditures of Federal Awards.....	33
Report Required by <i>Government Auditing Standards</i>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Schedule of Findings & Responses.....	37

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, 2014, 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Unmodified 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 the Town of Burlington, State of Oklahoma, 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 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 budgetary comparison information on page 28 and the notes on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards (GASB), 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. My opinion on the basic financial statements is not affected by this missing information.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2014, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and 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* in considering the Town's internal control over financial reporting and compliance.



Linda S. Woodruff, CPA, P.C.

Oklahoma City, Oklahoma
November 10, 2014

Town of Burlington
Burlington, Oklahoma

Basic Financial Statements
June 30, 2014

Town of Burlington
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	\$ 275,671	\$ 267,473	\$ 543,144
Investments	-	-	-
Receivables	7,180	36,689	43,869
Due from Other Governmental Agencies	-	-	-
Other assets	-	1,795	1,795
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	426,804	504,259
Less: Accumulated Depreciation	-	(186,574)	(186,574)
Total Capital Assets	<u>77,455</u>	<u>251,190</u>	<u>328,645</u>
Total Assets	<u>360,306</u>	<u>557,147</u>	<u>917,453</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows			
LIABILITIES			
Accounts payable and accrued expenses	-	806	806
Due to other governmental agencies	-	-	-
Deferred Revenues	-	-	-
Long-term liabilities			
Due within one year			
Accrued interest	-	-	-
Compensated Absences	-	2,664	2,664
Due in more than one year			
Accrued interest	-	-	-
Compensated absences	-	-	-
Meter Deposit Payable	-	4,075	4,075
Total liabilities	<u>-</u>	<u>7,545</u>	<u>7,545</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows			
NET POSITION			
Invested in capital assets, net of related debt	77,455	-	77,455
Restricted for:			
Other projects	-	4,075	4,075
Unrestricted	<u>282,851</u>	<u>545,526</u>	<u>828,377</u>
Total net position	<u>\$ 360,306</u>	<u>\$ 549,601</u>	<u>\$ 909,907</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, 2014

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
General Government	\$ 12,203	\$ -	4,499	\$ (7,704)	\$ -	\$ (7,704)
Public Safety	19,890	24,615	-	4,725	-	4,725
Street and Alley	-	1,462	-	1,462	-	1,462
Health, Welfare and Sanitation	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Education	-	-	-	-	-	-
Interest on Long-term debt	-	-	-	-	-	-
Total governmental activities	32,093	26,077	4,499	(1,517)	-	(1,517)
Business-type activities:						
Utility Collections	399,967	436,767	32	-	36,832	36,832
Other Business-type Activities	-	-	-	-	-	-
Total business-type activities	399,967	436,767	32	-	36,832	36,832
Total primary government	432,060	462,844	4,531	(1,517)	36,832	35,315
General revenues:						
Taxes:						
Property taxes, levied for general purposes				\$ -	\$ -	\$ -
Property taxes, levied for debt service				-	-	-
Franchise taxes				4,240	-	4,240
Public service taxes				49,907	-	49,907
Grants and contributions not restricted to specific programs				-	-	-
Unrestricted investment earnings				1,339	874	2,213
Miscellaneous				-	6,138	6,138
Special item - gain on sale of asset				-	-	-
Transfers				-	-	-
Total general revenues, special items, and transfers				55,486	7,012	62,498
Change in net position				53,969	43,844	97,813
Net position - beginning				306,337	505,757	812,094
Net position - ending				\$ 360,306	\$ 549,601	\$ 909,907

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

Town of Burlington
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 269,868	\$ 5,803	\$ 275,671
Investments	-	-	-
Taxes receivable, net	7,180	-	7,180
Due from other funds	-	-	-
Receivable from other governments	-	-	-
Other receivables	-	-	-
Prepaid expenses	-	-	-
Total assets	<u>277,048</u>	<u>5,803</u>	<u>282,851</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Due to other funds	-	-	-
Payable to other governments	-	-	-
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	0	-	-
Unassigned	<u>277,048</u>	<u>5,803</u>	<u>282,851</u>
Total fund balances	<u>277,048</u>	<u>5,803</u>	<u>282,851</u>
Total liabilities and fund balances	<u>\$ 277,048</u>	<u>\$ 5,803</u>	<u>\$ 282,851</u>

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

Town of Burlington
 Reconciliation of the Governmental Funds Balance Sheet to the
 Government-Wide Statement of Net Position
 June 30, 2014

Total fund balance, governmental funds	\$	282,851
<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>		0
Net Assets of Governmental Activities in the Statement of Net Position		360,306

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, 2014

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Franchise taxes	\$ 1,024	\$ -	\$ 1,024
Sales and miscellaneous taxes	49,907	1,462	51,369
Beverage Tax	3,216	-	3,216
Licenses and permits	-	-	-
Charges for services	-	-	-
Investment earnings	1,339	-	1,339
Miscellaneous	-	-	-
Fire proceeds	24,615	-	24,615
Fire grant	4,499	-	4,499
Total revenues	<u>84,600</u>	<u>1,462</u>	<u>86,062</u>
EXPENDITURES			
Current:			
General government	12,203	-	12,203
Public Safety	19,890	-	19,890
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>32,093</u>	<u>-</u>	<u>32,093</u>
Excess (deficiency) of revenues over expenditures	<u>52,507</u>	<u>1,462</u>	<u>53,969</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>52,507</u>	<u>1,462</u>	<u>53,969</u>
Fund balances - beginning	<u>224,541</u>	<u>4,341</u>	<u>228,882</u>
Fund balances - ending	<u>\$ 277,048</u>	<u>\$ 5,803</u>	<u>\$ 282,851</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
 Government-Wide Statement of Activities and Changes in Net Position
 for the Year Ended June 30, 2014

Net change in fund balances - total governmental funds: \$ 53,969

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

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

This is the amount by which capital outlays \$0 exceeded depreciation \$2,542 in the current period. (2,542)

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 \$ 51,427

Town of Burlington
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds	
	Public Works	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 150,381	\$ 150,381
Cash-restricted	1	1
Investments	117,091	117,091
Accounts Receivable, net	36,689	36,689
Deferred charges	-	-
Due from other funds	-	-
Prepaid Expenses	1,795	1,795
Total current assets	305,957	305,957
Non-current assets:		
Capital Assets:		
Land and improvements	10,960	10,960
Infrastructure	-	-
Buildings	-	-
Equipment and Furniture	426,804	426,804
Less Accumulated depreciation	(196,574)	(196,574)
Total non-current assets	241,190	241,190
Total assets	547,147	547,147
 DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows		
 LIABILITIES		
Current Liabilities:		
Accounts payable	806	806
Salaries payable	2,664	2,664
Accrued interest payable	-	-
Due to other funds	-	-
Payable to other governments	-	-
Refundable deposits	4,075	4,075
Deferred revenue	-	-
Compensated absences	-	-
Capital lease obligation	-	-
Claims and judgments	-	-
Bonds, notes and loans payable	-	-
Total current liabilities	7,545	7,545
Non-current liabilities:		
Compensated absences	-	-
Capital lease obligation	-	-
Claims and judgments	-	-
Bonds, notes and loans payable	-	-
Total non-current liabilities	-	-
Total liabilities	7,545	7,545
 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	4,076	4,076
Restricted for capital projects	-	-
Unrestricted	545,526	545,526
Total net position	\$ 549,602	\$ 549,602

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, 2014

	Enterprise Funds	
	Public Works	Total
REVENUES		
Charges for services	\$ 436,767	\$ 436,767
Miscellaneous	6,138	6,138
Total operating revenues	<u>442,905</u>	<u>442,905</u>
OPERATING EXPENSES		
Personal services	67,612	67,612
Contractual services	120	120
Utilities	2,368	2,368
Repairs and maintenance	27,443	27,443
Other supplies and expenses	269,900	269,900
Insurance claims and expenses	12,694	12,694
Depreciation	19,831	19,831
Total Operating Expenses	<u>399,968</u>	<u>399,968</u>
Operating income (loss)	<u>42,937</u>	<u>42,937</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	874	874
Miscellaneous revenue	-	-
Operating grants and contributions	32	32
Interest expense	-	-
Miscellaneous expenses	-	-
Total non-operating revenue (expenses)	<u>906</u>	<u>906</u>
Income (loss) before contributions and transfers	<u>43,843</u>	<u>43,843</u>
Capital contributions	-	-
Transfers in	-	-
Transfers out	-	-
Change in net position	<u>43,843</u>	<u>43,843</u>
Total net position - beginning	<u>505,759</u>	<u>505,759</u>
Total net position - ending	<u>\$ 549,602</u>	<u>\$ 549,602</u>

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, 2014
Business-type Activities—Enterprise Fund

		<u>Public Works Authority</u>
Cash Flows from Operating Activities		
Cash Received from Customers & Service Users	\$	432,832
Cash Payments for Goods & Services		(391,013)
Net Cash Provided by Operating Activities		<u>41,819</u>
Cash Flows from Noncapital Financing Activities		
Operating Transfers In/(Out) to Other Funds		(5,078)
Net Cash Provided (Used) for Noncapital Financing Activities		<u>(5,078)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Fixed Assets		(17,879)
Net Cash Provided (Used) for Capital and Related Financing Activities		<u>(17,879)</u>
Cash Flows from Investing Activities		
Interest Income		874
Patronage Dividend		6,138
Donations		32
Net Cash Provided by investing Activities		<u>7,044</u>
Net Increase (Decrease) in Cash & Cash Equivalents		25,906
Cash and Cash Equivalents - Beginning of Year		<u>241,567</u>
Cash and Cash Equivalents - End of Year	\$	<u><u>267,473</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$	36,799
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		19,831
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		3,935
(Increase) Decrease in Prepaid Expenses		2,642
Increase (Decrease) in Payroll Taxes Payable		-
Increase (Decrease) in Meter Deposits		(150)
Increase (Decrease) in Compensated Absences		(1,032)
Increase (Decrease) in Accounts Payable		(20,206)
Total Adjustments		<u>5,020</u>
Net Cash Provided by Operating Activities	\$	<u><u>41,819</u></u>

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, 2014

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). 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 provides the following services as authorized by its charter: general government, public safety (fire), streets, and public works (electric, gas, water, sewer, and refuse).

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units, entities for which the Town 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.

Blended Component Units:

In evaluating how to define the Town of Burlington, Oklahoma, for financial reporting purposes, management has considered all potential component units in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The basic—but not only—criterion for including potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component in it is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

The Town has no 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, 2014

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 position 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 position 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 statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position 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. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category and is at least 5% of the corresponding element total for all governmental and enterprise funds combined or is a fund that the government believes is important enough for financial statement users to be reported as a major fund. 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, 2014

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 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, 2014

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.

Fiduciary Funds—account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

The Town does not have a fiduciary 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.

Town of Burlington
Burlington, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

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.

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, 2014

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position 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 position is 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.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Town of Burlington
Burlington, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

11. Net Assets

It is the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. Detailed Notes Concerning the Funds

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the Town held deposits of approximately \$543,144 at financial institutions. 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.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

Town of Burlington
Burlington, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2014

2. Detailed Notes Concerning the Funds

A. Deposits and Investments

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at June 30, 2014 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of deposit	N/A	\$ 180,645	\$ 180,645
Total investments		\$ 180,645	\$ 180,645
<u>Reconciliation to Statement of Net Assets</u>			
			\$ 63,554
			117,091
			\$ 180,645

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following of credit risk: 100% in Certificates of deposit (\$180,645).

B. Restricted Cash and Investments

Other restricted cash includes \$1 in cash held for grant writing and \$5,803 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, 2014, 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, 2014

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 6/30/13	Additions	Disposals	Balance 6/30/14
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	97,406	17,879	-	115,285
Utility Plant	171,183	-	-	171,183
Lagoons	34,998	-	-	34,998
Total Depreciable Assets	<u>408,925</u>	<u>17,879</u>	<u>-</u>	<u>426,804</u>
Less Accumulated Depreciation				
Total Accumulated Depreciation	<u>(166,742)</u>	<u>(19,831)</u>	<u>-</u>	<u>(186,573)</u>
Net Depreciable Assets	<u>242,183</u>	<u>(1,952)</u>	<u>-</u>	<u>240,231</u>
Net Business-Type Activities Capital Assets	<u>\$ 253,143</u>	<u>\$ (1,952)</u>	<u>\$ -</u>	<u>\$ 251,191</u>

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

E. Prepaid Expense

At June 30, 2014, the Town had \$1,795 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, 2014.

Town of Burlington
Burlington, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2014

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 grant or 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, 2014

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, 2012, 2013, and 2014 respectively. The required contribution was fully contributed. At June 30, 2014, the system held no related-party investments of the Town or of its related entities.

D. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Town of Burlington
Burlington, Oklahoma

Required Supplemental Information
June 30, 2014

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	\$ -	\$ (850)
Sales and miscellaneous taxes	10,000	10,000	-	(10,000)
Fees and fines	-	-	-	-
Alcohol beverage taxes	2,500	2,500	-	(2,500)
Licenses and permits	-	-	-	-
Fire grants	-	-	-	-
Fire proceeds	15,000	15,000	-	(15,000)
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>28,350</u>	<u>28,350</u>	<u>-</u>	<u>(28,350)</u>
EXPENDITURES				
Current:				
General government	21,000	21,000	-	21,000
Public Safety	-	-	-	-
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>-</u>	<u>21,000</u>
Excess (deficiency) of revenues over expenditures	<u>7,350</u>	<u>7,350</u>	<u>-</u>	<u>(7,350)</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	<u>7,350</u>	<u>7,350</u>	<u>-</u>	<u>(7,350)</u>
Net Position - beginning	<u>206,262</u>	<u>206,262</u>	<u>206,262</u>	<u>-</u>
Net Position - ending	<u>\$ 213,612</u>	<u>\$ 213,612</u>	<u>\$ 206,262</u>	<u>\$ (7,350)</u>

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

**Town of Burlington
Burlington, 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, principle 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 Town 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, 2014

Town of Burlington
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	<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)	\$ 5,803	\$	5,803
Investments	-		-
Total Assets	<u>5,803</u>		<u>5,803</u>
Liabilities			
Due to Cemetery Fund	-		-
Accounts Payable	-		-
Total Liabilities	<u>-</u>		<u>-</u>
Fund Balances			
Reserved	-		-
Unreserved	5,803		5,803
Total Fund Balances	<u>5,803</u>		<u>5,803</u>
Total Liabilities and			
Fund Balances	\$ <u>5,803</u>	\$	<u>5,803</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, 2014

	<u>Special Revenue</u>	<u>Total</u>
	<u>Street</u>	<u>Non-Major</u>
	<u>& Alley</u>	<u>Governmental</u>
Revenues	<u>Fund</u>	<u>Funds</u>
Motor Vehicle Taxes	\$ 1,462	\$ 1,462
Total Revenues	<u>1,462</u>	<u>1,462</u>
 Expenditures		
General Government	-	-
Highways & Roads	4,164	4,164
Public Safety	-	-
Parks & Recreation	-	-
Cemetery	-	-
Grant Expense	-	-
Total Expenditures	<u>4,164</u>	<u>4,164</u>
 Excess of Revenues Over(Under)		
Expenditures	(2,702)	(2,702)
 Other Financing Uses		
Operating Transfers In(Out)	-	-
 Excess of Revenues Over(Under)		
Expenditures & Transfers	(2,702)	(2,702)
 Fund Balance -		
Beginning of Year	<u>8,505</u>	<u>8,505</u>
Fund Balance - End of Year	<u>\$ 5,803</u>	<u>\$ 5,803</u>

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, 2014

Federal Grantor/Pass Through Grantor/Program Title	Program or Award Amount	Revenue Collected	Total Expenditures
(none)			
State Grantor/Pass Through Grantor/Program Title	Program or Award Amount	Revenue Collected	Total Expenditures
Oklahoma Department of Agriculture (Fire)	\$ 4,499	\$ 4,499	\$ 4,499

Note A – Basis of Presentation

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

Note B – Presentation

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

Town of Burlington
Burlington, Oklahoma

Report Required by *Government Auditing Standards*
June 30, 2014

**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, 2014, 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 November 10, 2014. The Town did not present the Management Discussion and Analysis required by the Governmental Accounting Standards Board.

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 responses to be material weaknesses. 2014-01

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 responses. 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
November 10, 2014

Town of Burlington
Burlington, Oklahoma

Schedule of Findings & Responses

2014-01 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 provides 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.