



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

February 4, 2013

To the Honorable Mayor and
Members of the City Council
City of Burkburnett, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Burkburnett, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Burkburnett, Texas' financial statements were:

Management's estimate of the accounts receivable is based on amounts expected to be collected after year end for services performed during the year. Management's estimate for the allowance for uncollectible accounts is based on historical experience in collections.

We evaluated the key factors and assumptions used to develop the accounts receivable and allowance for doubtful accounts balances in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Honorable Mayor and
Members of the City Council
City of Burkburnett, Texas
February 4, 2013

Page Two

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule (Schedule 1: Summary of Passed Audit Adjustments) summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 4, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of the City of Burkburnett, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



MWH GROUP, P.C.
Certified Public Accountants

City of Burkburnett, Texas
Schedule 1: Summary of Passed Audit Adjustments
September 30, 2012

General Fund:

Passed Journal Entries JE # 1	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>
Adjust the allowance for doubtful garbage accounts receivable to the current estimate.	(974)		974

Water and Sewer Fund:

Passed Journal Entries JE # 1			
Adjust the allowance for doubtful water accounts receivable to the current estimate.	13,264		(13,264)

CITY OF BURKBURNETT, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

CITY OF BURKBURNETT, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report on Financial Statements

The Board of Commissioners
City of Burkburnett, Texas
501 Sheppard Road
Burkburnett, Texas 76354

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Burkburnett, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas as of September 30, 2012, and the respective changes in financial position, and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2013, on our consideration of the City of Burkburnett, Texas' internal control over financial reporting and on our 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 our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of actuarial liabilities and funding progress on pages 3 through 9 and 36 through 37 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 statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

A handwritten signature in black ink that reads "MWH Group, P.C." in a cursive, slightly slanted font.

MWH GROUP, P.C.

Wichita Falls, Texas
February 4, 2013



MAYOR
Carl Law

MAYOR PRO-TEM
Bill Lindenborn

COMMISSIONERS
Josh Andrajack
Randy Brewster
Don Hardy
Marguerite Love
Michael Tugman

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Burkburnett, Texas' discussion and analysis is designed to provide an objective and easy-to-read analysis of the City's financial activities for the year ended September 30, 2012. It is intended to provide the readers of this report with a broad overview short-term and long-term analysis of the City's activities based on information presented in the financial report and the City's adopted fiscal policies.

As with other sections of this financial report, the information contained within this narrative should be considered only a part of a greater whole. The reader should take time to read and evaluate all sections of this report, including the financial statements, footnotes and other required supplementary information.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2012:

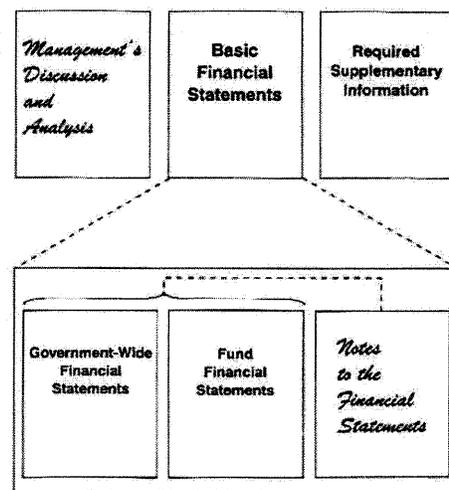
- The City's assets exceed its liabilities at September 30 2012, by \$12,815,691 (net assets). Of this amount, \$2,787,146 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- During the year, the City's total net assets decreased by \$719,379. The decrease is largely due to an operating loss for the City's water supply and distribution activities. Additionally, the Street Department expenses increased due to several ongoing street maintenance projects.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$4,584,573. Of the fund balance, \$3,110,657, or 68%, is available for spending at the government's discretion (unassigned fund balance).
- As of September 30, 2012, unassigned fund balance for the General Fund was \$3,180,689 or 54% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- The *proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.

Figure A-1
Required Components of the City's Annual Financial Report



Summary \longleftrightarrow Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses - the water and sewer system
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities*. Most of the City's basic services are included here, such as the police department, streets and public works, garbage collection, parks and recreation, and administration.

- **Business-type activities.** The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system are included here.
- **Component Units.** The City includes two other entities in its report - the Burkburnett Development Corporation and the Burkburnett Housing Finance Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the page subsequent to the governmental funds statement that explains the relationship (or differences) between them.
- **Proprietary funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. In fact, the City's proprietary funds are the same as its business-type activities, but provide more detail and information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were \$12,815,691 at September 30, 2012. (See Table A-1)

Table A-1
City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Cash and cash equivalents	\$ 1,965,911	\$ 2,659,239	\$ 534,506	\$ 1,000	\$ 2,500,417	\$ 2,660,239
Receivables	603,283	661,703	360,375	465,774	963,658	1,127,477
Internal balances	1,036,618	237,219	(1,036,618)	(237,219)	-	-
Restricted assets	1,383,780	1,693,605	744,161	753,183	2,127,941	2,446,788
Capital assets, net	11,607,794	12,063,946	6,818,166	7,229,092	18,425,960	19,293,038
Other assets	22,477	29,899	175,721	188,325	198,198	218,224
Total assets	18,619,863	17,345,611	7,596,311	8,400,155	24,216,174	25,745,766
Current liabilities	214,794	498,024	326,925	427,469	541,719	925,493
Long-term liabilities:						
Due within one year	755,621	481,602	273,362	143,362	1,028,983	624,964
Due in more than one year	5,717,790	6,154,577	4,111,991	4,505,662	9,829,782	10,660,239
Total liabilities	6,688,205	7,134,203	4,712,278	5,076,493	11,400,483	12,210,696
Net assets						
Invested in capital assets,						
net of related debt	5,256,447	5,558,383	2,556,348	2,718,697	7,812,795	8,277,080
Restricted	1,471,589	1,714,267	744,161	753,183	2,215,750	2,467,470
Unrestricted	3,203,622	2,938,738	(416,476)	(148,218)	2,787,146	2,790,520
Total net assets	\$ 9,931,658	\$10,211,408	\$ 2,884,033	\$ 3,323,662	\$12,815,691	\$13,535,070

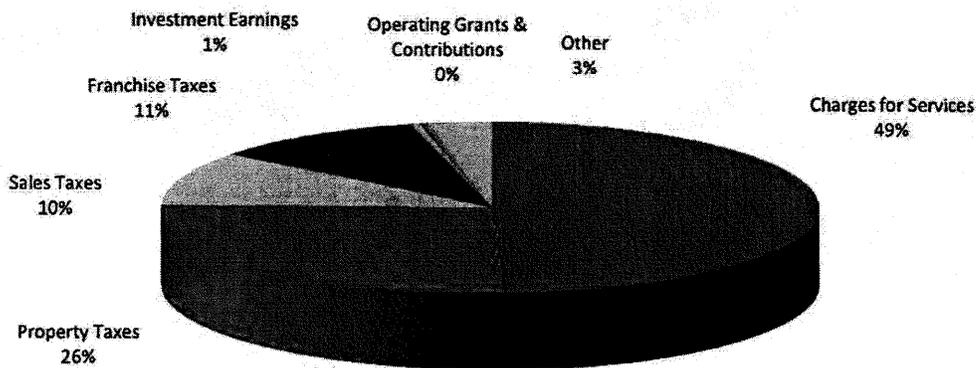
The \$2,787,146 of unrestricted net assets at September 30, 2012, represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources. The restricted net assets are required to be set aside for long-term debt and other program purposes.

Governmental activities decreased the City's net assets by \$279,750. The net assets invested in capital assets, net of related debt, decreased by \$301,936. Unrestricted net assets increased by \$264,884, or 9%.

Net assets from business-type activities decreased by \$439,629, or 13%. This decrease is primarily due to the loss from operations of the water supply and distribution activities.

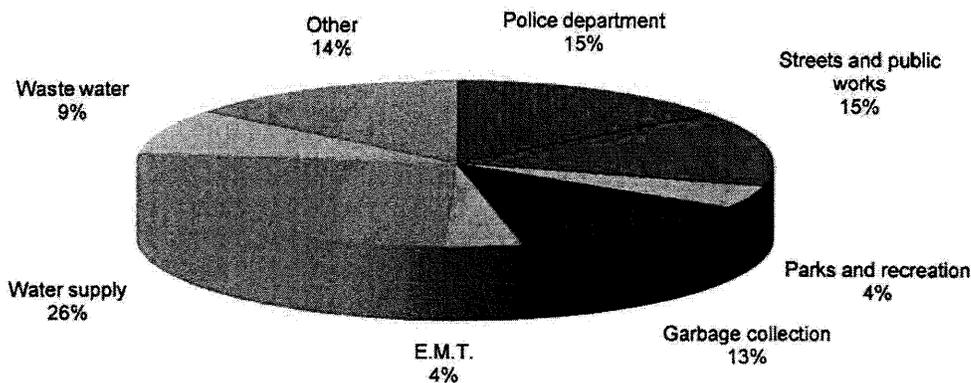
Changes in net assets. The City's total revenues, both program and general, were \$9,632,934. A significant portion, 49%, of the City's revenue comes from charges for services. (See Figure A-3.) Property taxes provide 26% of the total, sales taxes and franchise taxes provide 10% and 11%, respectively, and operating and capital grants and investment earnings provide about 1%. Other minor categories provide the remaining 3%.

**Figure A-3
Sources of Revenue for Fiscal Year 2012**



The total cost of all programs and services was \$10,352,313; 35% of these costs are for water and sewer related expenses. The City's other expenses cover a range of services, with 15% for the police department, 15% for streets, 13% for garbage collection, and 4% each for E.M.T. and parks and recreation. Other minor categories combined make up the remaining 14%. (See Figure A-4.)

**Figure A-4
Functional Expenses for Fiscal 2012**



Governmental Activities

Table A-2 presents the various revenue categories and gross costs of each of the City's functional areas for the current year.

Table A-2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$1,630,575	\$1,616,175	\$3,128,748	\$3,430,194	\$4,759,323	\$ 5,046,369
Operating grants and contributions	34,125	34,125	-	-	34,125	34,125
Capital grants and contributions	6,290	221,756	-	-	6,290	221,756
General revenues:						
Property taxes	2,500,545	2,442,006	-	-	2,500,545	2,442,006
Franchise fees	1,005,712	890,982	-	-	1,005,712	890,982
Sales taxes	988,941	938,766	-	-	988,941	938,766
Other taxes	87,771	88,238	-	-	87,771	88,238
Investment earnings	29,306	48,098	9,955	13,828	39,261	61,926
Other	161,843	219,767	49,123	26,848	210,966	246,615
Intergovernmental transfers	-	(89,114)	-	89,114	-	-
Total revenues	6,445,108	6,410,799	3,187,826	3,559,984	9,632,934	9, 970,783
Expenses:						
General government	190,580	229,921	-	-	190,580	229,921
Administration	251,321	166,136	-	-	251,321	166,136
Tax assessing/collecting	33,415	33,302	-	-	33,415	33,302
City hall	223,504	211,259	-	-	223,504	211,259
Police department	1,527,035	1,561,646	-	-	1,527,035	1,561,646
Municipal court	67,467	67,687	-	-	67,467	67,687
Fire department	147,266	106,536	-	-	147,266	106,536
Library	142,560	134,499	-	-	142,560	134,499
Streets and public works	1,509,792	1,343,989	-	-	1,509,792	1,343,989
Parks and recreation	456,849	447,765	-	-	456,849	447,765
Community center	21,710	26,566	-	-	21,710	26,566
Garbage collection	1,338,243	1,207,650	-	-	1,338,243	1,207,650
E.M.T.	406,593	383,820	-	-	406,593	383,820
Community planning	116,999	115,528	-	-	116,999	115,528
Drainage improvement	23,523	37,680	-	-	23,523	37,680
Grant outlay	7,863	154,913	-	-	7,863	154,913
Interest and fiscal charges	260,138	215,661	-	-	260,138	215,661
Water system	-	-	2,721,076	2,746,141	2,721,076	2,746,141
Wastewater system	-	-	906,379	1,022,047	906,379	1,022,047
Total expenses	6,724,858	6,444,558	3,627,455	3,768,188	10,352,313	10,212,746
Increase (decrease) in net assets	\$ (279,750)	\$ (33,759)	\$ (439,629)	\$ (208,204)	\$ (719,379)	\$ (241,963)

Explanations for the large and/or unusual variances between 2012 and 2011 are as follows:

- Capital grants and contributions decreased by \$215,466 as the City did not receive as many grants during the 2012 fiscal year.
- Charges for services decreased by \$287,046 due to lower volume of water sales as the drought conditions were not as severe in 2012 as experienced in 2011. Water and wastewater systems expenses decreased by \$25,065 and \$115,668, respectively, for the same reason.

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$6,724,858; however, the amount that our taxpayers paid for these activities through property taxes was only \$2,500,545.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$1,630,575.

**Table A-3
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Police department	\$1,527,035	\$1,561,646	\$1,527,035	\$1,561,646
Streets and public works	1,509,792	1,343,989	1,509,792	1,343,989
Garbage collection	1,338,243	1,207,650	(47,727)	(157,564)
Parks and recreation	456,849	447,765	342,878	332,364
E.M.T.	406,593	383,820	406,593	383,820

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

The City's actual expenditures were \$651,142 below final budgeted amounts, while actual revenues were \$294,816 below final budget amounts. Actual capital outlay expenditures were \$433,481 above the final budgeted amount.

The most significant variances were due to non-property tax revenues and general government expenditures. The City budgeted \$2,359,758 for consumer taxes, franchise fees and other taxes, but actually received \$2,082,424 for these taxes. The City budgeted approximately \$534,000 for general government expenditures, but only spent approximately \$188,000. The majority of capital outlay expenditures were related to the bond project, which was not included in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the City had invested in a broad range of capital assets, net of accumulated depreciation, totaling \$18,425,960, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Building and improvements	\$ 772,904	\$ 824,643	\$ 60,224	\$ 63,988	\$ 833,128	\$ 888,631
Library books	84,236	76,710	-	-	84,236	76,710
Streets and curbs	9,571,048	9,104,029	-	-	9,571,048	9,104,029
Golf course	126,699	191,103	-	-	126,699	191,103
Golf course land	64,000	64,000	-	-	64,000	64,000
Equipment and vehicles	815,499	749,445	326,190	396,309	1,141,689	1,145,754
Land	8,469	8,469	-	-	8,469	8,469
Construction in process	164,939	1,045,547	16,400	-	181,339	1,045,547
Water system	-	-	4,809,296	5,051,807	4,809,296	5,051,807
Sewer system	-	-	1,608,056	1,716,988	1,608,056	1,716,988
Total capital assets	\$11,607,794	\$12,063,946	\$6,818,166	\$ 7,229,092	\$18,425,960	\$19,293,038

Long-term Liabilities

At year-end, the City had \$10,842,723 in bonds, compensated absences, and notes outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$5,605,000	\$5,865,000	\$ -	\$ -	\$ 5,605,000	\$ 5,865,000
General obligation refunding bonds	-	-	2,345,000	2,475,000	2,345,000	2,475,000
Note payable - golf course	383,501	383,501	-	-	383,501	383,501
Note payable - police vehicles	-	17,367	-	-	-	17,367
Note payable - fire truck	242,241	263,995	-	-	242,241	263,995
Capital lease payable - street sweeper	141,305	-	-	-	141,305	-
Water and sewer system revenue bonds	-	-	1,425,000	1,485,000	1,425,000	1,485,000
Certificates of obligation	-	-	575,000	645,000	575,000	645,000
Compensated absences	101,364	106,316	24,312	26,802	125,676	133,118
Totals	\$6,473,411	\$6,636,179	\$4,369,312	\$4,631,802	\$10,842,723	\$11,267,981

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2012-2013 budget preparation is \$433,265,818, up \$8,569,171, or 2.0% above 2011-2012 values. This indicator was taken into account when adopting the General Fund budget for 2012-2013.

Budgeted General Fund revenues for 2012-2013 are \$6,159,006, which represents a 2.0% increase of \$177,736, from 2011-2012 actual revenues of \$5,981,270. Budgeted General Fund expenditures for 2012-2013 are \$6,064,158, which represents a 10% increase of \$561,962 from 2011-2012 actual expenditures of \$5,502,196. If these estimates are realized, the City's budgeted General Fund balance is expected to increase by \$1,398 by the close of 2012-2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Administration Office at 501 Sheppard Road, Burkburnett, Texas 76354.

Basic Financial Statements

CITY OF BURKBURNETT, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Units	
	Governmental	Business-type	Total	Burkburnett	Burkburnett
	Activities	Activities		Development	Housing
				Corporation	Finance
				Corporation	Corporation
Assets:					
Cash and cash equivalents	\$ 1,985,911	\$ 534,506	\$ 2,500,417	\$ 624,472	\$ 7,416
Receivables, net of allowances for uncollectibles:					
Property taxes	55,032	-	55,032	-	-
Sales taxes	191,626	-	191,626	63,875	-
Garbage	167,170	-	167,170	-	-
Water and sewer charges	-	360,375	360,375	-	-
Municipal court	130,223	-	130,223	-	-
Due from other governments	57,576	-	57,576	-	-
Other	1,656	-	1,656	90,000	-
Internal balances due to/from other funds	1,038,618	(1,036,618)	-	-	-
Inventory	2,327	76,498	78,825	-	-
Property held for sale	-	-	-	590,791	-
Restricted assets:					
Cash and cash equivalents	1,383,780	744,161	2,127,941	20,950	-
Capital assets, net of accumulated depreciation	11,607,794	6,818,166	18,425,960	1,127	-
Other assets:					
Bond issuance costs, net of accumulated amortization	20,700	80,414	101,114	-	-
Deferred loss on refunding	-	18,809	18,809	-	-
Other	(550)	-	(550)	-	-
Total assets	18,619,863	7,596,311	24,216,174	1,391,215	7,416
Liabilities:					
Accounts payable	159,180	108,540	267,720	4,949	-
Retainage payable	12,913	-	12,913	-	-
Unearned revenue	4,731	-	4,731	-	-
Accrued interest payable	37,970	20,710	58,680	-	-
Customer deposits	-	197,675	197,675	-	-
Long-term liabilities:					
Due within one year:					
Accrued compensated absences	52,481	13,362	65,843	482	-
General obligation and certificates of obligation debt	270,000	200,000	470,000	-	-
Revenue bonds	-	65,000	65,000	-	-
Notes payable	406,198	-	406,198	-	-
Capital lease payable	26,942	-	26,942	-	-
Due in more than one year:					
Accrued compensated absences	48,883	10,950	59,833	952	-
General obligation and certificates of obligation debt	5,335,000	2,720,000	8,055,000	-	-
Revenue bonds	-	1,360,000	1,360,000	-	-
Notes payable	219,544	-	219,544	-	-
Capital lease payable	114,363	-	114,363	-	-
Unamortized premium on general obligation debt	-	16,041	16,041	-	-
Total liabilities	6,688,205	4,712,278	11,400,483	6,363	-
Net assets:					
Invested in capital assets, net of related debt	5,258,447	2,556,348	7,814,795	1,127	-
Restricted for:					
Debt service	87,809	112,733	200,542	-	-
Other purposes	1,383,780	631,428	2,015,208	75,950	-
Unrestricted	3,203,622	(416,476)	2,787,146	1,307,775	7,416
Total net assets	\$ 9,931,658	\$ 2,884,033	\$ 12,815,691	\$ 1,384,852	\$ 7,416

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Burk Burnett Development Corporation	Burk Burnett Housing Finance Corporation	Burk Burnett	
										Corporation	Corporation
Governmental activities:											
General government	\$ 190,590	\$ 26,860	-	\$ -	\$ (163,620)	\$ -	\$ (163,620)	-	-	\$ -	-
Administration	251,321	-	-	-	(251,321)	-	(251,321)	-	-	-	-
Tax assessing/collecting	33,415	-	-	-	(33,415)	-	(33,415)	-	-	-	-
City hall	223,504	-	-	-	(223,504)	-	(223,504)	-	-	-	-
Police department	1,527,035	-	-	-	(1,527,035)	-	(1,527,035)	-	-	-	-
Municipal court	67,467	30	-	-	(67,437)	-	(67,437)	-	-	-	-
Fire department	147,268	-	34,125	-	(113,141)	-	(113,141)	-	-	-	-
Library	142,560	-	-	-	(142,560)	-	(142,560)	-	-	-	-
Streets and public works	1,509,792	-	-	-	(1,509,792)	-	(1,509,792)	-	-	-	-
Parks and recreation	456,849	113,971	-	-	(342,878)	-	(342,878)	-	-	-	-
Community center	21,710	10,510	-	-	(11,200)	-	(11,200)	-	-	-	-
Garbage collection	1,336,243	1,385,970	-	-	47,727	-	47,727	-	-	-	-
E.M.T.	406,593	-	-	-	(406,593)	-	(406,593)	-	-	-	-
Community planning	116,999	-	-	-	(116,999)	-	(116,999)	-	-	-	-
Drainage improvement	23,523	93,134	-	-	69,611	-	69,611	-	-	-	-
Grant outlay	7,863	-	-	6,290	(1,573)	-	(1,573)	-	-	-	-
Interest expense	260,138	-	-	-	(260,138)	-	(260,138)	-	-	-	-
Total governmental activities	6,724,858	1,630,575	34,125	6,290	(5,053,868)	-	(5,053,868)	-	-	-	-
Business-type activities:											
Water supply, distribution and wells	2,721,076	2,212,550	-	-	-	(508,526)	(508,526)	-	-	-	-
Waste water treatment	906,379	916,198	-	-	-	9,819	9,819	-	-	-	-
Total business-type activities	3,627,455	3,128,748	-	-	-	(498,707)	(498,707)	-	-	-	-
Total primary government	\$ 10,352,313	\$ 4,759,323	\$ 34,125	\$ 6,290	\$ (5,053,868)	\$ (498,707)	\$ (5,552,575)	-	-	-	-
Component units:											
Burk Burnett Development Corporation	\$ 191,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(191,988)	-	-	-
Burk Burnett Housing Finance Corporation	-	-	-	-	-	-	-	(191,988)	-	-	-
Total component units	\$ 191,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(191,988)	-	-	-
General revenues:											
Property taxes					2,500,545		2,500,545				
Franchise taxes					1,005,712		1,005,712				
Sales taxes					988,941		988,941		329,646		
Other taxes					87,771		87,771				
Investment earnings					29,306	9,955	39,261		3,060		
Fines and forfeitures					44,849		44,849				
Licenses and permits					47,721		47,721				
Sale of assets					16,474	2,500	18,974				
Miscellaneous					52,789	46,623	99,422		34,901		
Total general revenues and transfers					4,774,118	59,078	4,833,196		367,607		
Change in net assets					(279,750)	(439,629)	(719,379)		175,619		
Net assets - beginning					10,211,408	3,323,662	13,535,070		1,209,233		7,416
Net assets - ending					\$ 9,931,658	\$ 2,884,033	\$ 12,815,691		\$ 1,384,852		\$ 7,416

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
Assets:				
Petty cash	\$ 500	\$ -	\$ -	\$ 500
Cash in bank	364,504	-	-	364,504
Certificates of deposit	1,600,907	-	-	1,600,907
Receivables, net of allowances for uncollectables:				
Property taxes	55,032	-	-	55,032
Sales taxes	191,626	-	-	191,626
Garbage	167,170	-	-	167,170
Municipal court	130,222	-	-	130,222
Due from other government	-	-	57,576	57,576
Other	1,656	-	-	1,656
Due from other funds	1,104,188	95,799	-	1,199,987
Inventory	2,327	-	-	2,327
Other assets	(550)	-	-	(550)
Restricted assets:				
Cash	495,544	-	-	495,544
Certificates of deposit and money market	888,236	-	-	888,236
Total assets	\$ 5,001,362	\$ 95,799	\$ 57,576	\$ 5,154,737
Liabilities:				
Accounts payable	\$ 156,718	\$ -	\$ 2,462	\$ 159,180
Retainage payable	12,913	-	-	12,913
Deferred revenue	169,136	-	57,576	226,712
Other	-	7,990	-	7,990
Due to other funds	95,799	-	67,570	163,369
Total liabilities	434,566	7,990	127,608	570,164
Fund balances:				
Nondspendable	2,327	-	-	2,327
Restricted	1,383,780	87,809	-	1,471,589
Unassigned	3,180,689	-	(70,032)	3,110,657
Total fund balances	4,566,796	87,809	(70,032)	4,584,573
Total liabilities and fund balances	\$ 5,001,362	\$ 95,799	\$ 57,576	\$ 5,154,737

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 4,584,573

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 23,974,573	
Related accumulated depreciation	<u>(12,366,779)</u>	11,607,794

Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		221,981
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Some long-term assets and liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those assets and liabilities at year-end consists of:

Capital leases payable	(141,305)	
Notes payable	(625,742)	
Bonds payable	(5,605,000)	
Unamortized bond issue costs	20,700	
Compensated absences	(101,364)	
Accrued interest	<u>(29,979)</u>	<u>(6,482,690)</u>

Net assets of governmental activities - statement of net assets (Exhibit A-1) \$ 9,931,658

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Debt Service	Special Revenue	Total Governmental Funds
Revenues:				
Property taxes	\$ 1,991,067	\$ 509,478	\$ -	\$ 2,500,545
Non-property taxes	2,082,424	-	-	2,082,424
Fines and forfeitures	73,129	-	-	73,129
Licenses and permits	47,721	-	-	47,721
Fees and services	1,630,575	-	-	1,630,575
Miscellaneous	52,799	-	-	52,799
Intergovernmental revenue	34,125	-	6,290	40,415
Total revenues	5,911,840	509,478	6,290	6,427,608
Expenditures:				
General government	188,250	1,930	-	190,180
Administration	232,595	-	-	232,595
Tax assessing/collecting	33,415	-	-	33,415
City hall	215,810	-	-	215,810
Police department	1,470,783	-	-	1,470,783
Municipal court	66,892	-	-	66,892
Fire department	84,635	-	-	84,635
Library	145,647	-	-	145,647
Streets and public works	794,578	-	-	794,578
Parks and recreation	378,960	-	-	378,960
Community center	21,135	-	-	21,135
Garbage collection	1,338,243	-	-	1,338,243
E.M.T.	389,643	-	-	389,643
Community planning	118,087	-	-	118,087
Drainage improvement	23,523	-	-	23,523
Grant outlay	-	-	7,863	7,863
Total expenditures	5,502,196	1,930	7,863	5,511,989
Excess of revenues over expenditures	409,644	507,548	(1,573)	915,619
Capital expenditures				
Capital outlay - Capital Improvement Fund	501,531	-	-	501,531
Total capital expenditures	501,531	-	-	501,531
Other financing sources (uses):				
Principal payments on debt	-	(299,121)	-	(299,121)
Capital lease proceeds	-	141,305	-	141,305
Interest expense	-	(258,955)	-	(258,955)
Interest income	29,306	-	-	29,306
Sale of capital assets	16,474	-	-	16,474
Transfers	23,650	(23,650)	-	-
Total other financing sources (uses)	69,430	(440,421)	-	(370,991)
Change in fund balances	(22,457)	67,127	(1,573)	43,097
Fund balances - beginning	4,589,253	20,682	(68,459)	4,541,476
Fund balances - ending	\$ 4,566,796	\$ 87,809	\$ (70,032)	\$ 4,584,573

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 43,097

Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 525,849	
Depreciation expense for the year	<u>(982,074)</u>	(456,225)

Because accounts receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year. (28,280)

Decreases in accrued compensated absences is not reported as an expenditure in the governmental funds, but increases long-term liabilities in the statement of net assets. Accrued compensated absences decreased by this amount this year. 5,025

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:

Issuance of long-term debt	(141,305)	
Repayment of long-term debt	<u>299,121</u>	157,816

Decreases in bond issuance costs are not reported as an expenditure in the governmental funds, but decreases long-term assets in the statement of net assets. (3,600)

Accrued interest on long-term debt is reported in the statement of activities but does not required the use of current financial resources; therefore, it is not reported as expenditures in the governmental funds. 2,417

Change in net assets of governmental activities - statement of activities (Exhibit A-2) \$ (279,750)

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
WATER AND SEWER FUND
SEPTEMBER 30, 2012

Assets:

Current assets:

Petty cash	\$ 1,000
Certificates of deposit	533,506
Water and sewer receivables, net of allowance	360,375
Inventory	76,498
Bond issuance costs, net	80,414
Deferred loss on refunding	18,809
Total current assets	<u>1,070,602</u>

Restricted assets:

Money market	<u>744,161</u>
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Fixed assets:

Buildings and improvements	150,560
Equipment and vehicles	1,336,643
Water system	8,820,975
Sewer system	4,816,222
Construction in progress	16,400
Accumulated depreciation	(8,322,634)
Net fixed assets	<u>6,818,166</u>

Total assets	<u>\$ 8,632,929</u>
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Liabilities:

Current liabilities:

Accounts payable	\$ 108,540
Accrued compensated absences	13,362
Accrued interest payable	20,710
Customer deposits	197,675
Due to other funds	1,036,618
Debt due or payable within one year	265,000
Total current liabilities	<u>1,641,905</u>

Long-term liabilities:

Accrued compensated absences	10,950
Debt due or payable after one year	4,096,041
Total liabilities	<u>5,748,896</u>

Net assets:

Invested in capital assets, net of related debt	2,556,348
Restricted for:	
Debt service	112,733
Other purposes	631,428
Unrestricted	(416,476)
Total net assets	<u>2,884,033</u>

Total liabilities and net assets	<u>\$ 8,632,929</u>
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The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Operating revenues:	
Water revenues	\$ 2,212,550
Sewer services	915,233
Industrial charges	965
Total operating revenues	<u>3,128,748</u>
Operating expenses:	
Water supply and distribution	888,369
Billing and collections	443,207
Wastewater treatment	906,379
Water wells	1,214,992
Total operating expenses:	<u>3,452,947</u>
Operating loss	<u>(324,199)</u>
Nonoperating revenues (expenses):	
Interest revenue	9,955
Miscellaneous revenue	46,623
Interest expense and fiscal charges	(174,508)
Sale of capital assets	2,500
Total nonoperating revenues (expenses)	<u>(115,430)</u>
Net loss	(439,629)
Net assets - beginning	<u>3,323,662</u>
Net Assets - ending	<u>\$ 2,884,033</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Cash flows from operating activities:	
Cash received from customers	\$ 3,240,344
Cash payments to employees for services	(697,331)
Cash payments to other suppliers for goods and services	(2,340,488)
Net cash provided by operating activities	<u>202,525</u>
Cash flows from non-capital financing activities:	
Payments from other funds	799,399
Other receipts	46,623
Net cash provided by non-capital financing activities	<u>846,022</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(260,000)
Interest and paying agent fees paid on long-term debt	(163,084)
Acquisition of capital assets	(113,434)
Proceeds from sale of capital assets	2,500
Net cash used by capital and related financing activities	<u>(534,018)</u>
Cash flows from investing activities:	
Interest earned	9,955
Purchase of certificates of deposit	(533,506)
Net cash used by capital and related financing activities	<u>(523,551)</u>
Net decrease in cash and cash equivalents	(9,022)
Cash and cash equivalents - beginning	<u>754,183</u>
Cash and cash equivalents - ending	<u>\$ 745,161</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (324,199)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	524,359
Change in assets and liabilities:	
Decrease in receivables	105,399
Decrease in accounts payable	(106,741)
Increase in customer deposits	6,197
Decrease in accrued compensated absences	(2,490)
Net cash provided by operating activities	<u>\$ 202,525</u>
Reconciliation of cash and cash equivalents	
Unrestricted cash	\$ 1,000
Restricted cash equivalents	<u>744,161</u>
	<u>\$ 745,161</u>

The accompanying notes are an integral part of this statement.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Significant Accounting Policies

The accompanying financial statements of the City of Burkburnett, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to the analysis the private-sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statement of activities also reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, the City's major governmental fund, is similar to that presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34.

Statement of Net Assets - The statement of net assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide statement of net assets and reports depreciation expense - the cost of "using up" capital assets - in the statement of

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

activities. The net assets of a government are broken down into three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

2. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an Amendment of GASB Statement No. 14, include the following:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units is combined with data presented by the City. Discretely presented component units, on the other hand, are reported in separate columns in the financial statements to emphasize they are legally separate from the City. Each blended and discretely presented component unit has a September 30th year end.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Discretely Presented Component Units

The Burkburnett Development Corporation is a non-profit corporation formed in August 1997 for the purpose of benefiting and accomplishing the public purposes of the City of Burkburnett, Texas, by the promotion and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare as provided by section 4B of the Development Corporation Act. The Board of Directors consists of seven members appointed by the City's Board of Commissioners. The Corporation issues a separate set of financial statements. A copy of the report can be obtained by sending a request addressed to the Executive Director, Burkburnett Development Corporation, 104 W. Third Street, Burkburnett, Texas 76354.

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The Burk Burnett Housing Finance Corporation is a non-profit corporation formed in March 2001 for the purpose of carrying out the Texas Housing Finance Corporations Act Chapter 394, as amended. The Board of Directors consists of five directors, each of whom is appointed by the City's Board of Commissioners.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include fees, fines, and charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City has three major governmental funds: General Fund, Debt Service Fund and Special Revenue Fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. The Debt Service Fund accounts for all debt service activity, and the Special Revenue Fund accounts for the City's grant activity.

The Water and Sewer Fund is the City's only major enterprise fund. This fund accounts for water and sewer services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

CITY OF BURKBURNETT, TEXAS
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b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen to apply future FASB standards.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

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b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2012, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 110,063
Allowance for uncollectable taxes	<u>(55,031)</u>
Net property taxes receivable	<u>\$ 55,032</u>

c. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, other than delinquent property taxes, which are not scheduled for collection within one year. Of the \$110,063 in delinquent property taxes at September 30, 2012, it is expected that the City will collect approximately \$31,000 during the year ending September 30, 2013. This is similar to the collections for the year ending September 30, 2012.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. Exceptions are stand alone office equipment, communications equipment, real property and firearms. These items are capitalized regardless of cost. The cost of normal maintenance and repairs that add no value to or materially extend the lives of the asset lives are not capitalized.

Capital assets, including those of component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	5-40
Improvements, other than buildings	5-40
Mobile equipment	3-10
Furniture, machinery and equipment	3-10

CITY OF BURKBURNETT, TEXAS
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e. Inventories

Inventories are valued at cost. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

f. Inter-fund Activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, inter-fund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Fund Balance

Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. A resolution also must be passed by the City Council to modify or rescind committed fund balances.

Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted or committed. The city manager has assignment authority, but the City Council retains the right to undo any assignments created by the city manager.

The City has established the following order to use fund balances when resources are available from multiple sources for a specific purpose: Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

h. Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Vacations must be used as vacation or is paid annually upon reaching maximums. Compensated absences are reported in the government wide financial statements.

Sick leave accrues to employees in varying amounts to specified maximums, but does not vest. Accordingly, employees can only utilize sick leave when sick. Since the employees accumulating rights to receive compensation for future absences are contingent upon the absences being cause by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

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B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, must be reported along with actions taken to address such violations. The City does not have any finance-related findings in the current year.

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

The special revenue fund accounts for expenditure driven grants. The fund makes expenditures and then files for reimbursement from the granting agency. Reimbursements not received within sixty days of year end are deferred revenue, creating a deficit fund balance. The fund is expected to be replenished in 2013 from reimbursements by Federal grants.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits:

At September 30, 2012, the balance of the City's cash deposits was \$4,732,150. The City's cash deposits at September 30, 2012, and during 2012, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2012, the Burkburnett Development Corporation's and Burkburnett Housing Finance Corporation's cash deposit balances were \$616,812 and \$7,416, respectively. The cash deposits for both component units at September 30, 2012 and during 2012, were entirely covered by FDIC insurance or by pledged collateral held by the component unit's agent bank in the component unit's name.

Investments:

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (Act), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, maturity and the quality and capability of investment management; include a list of the types of authorized investments in which the investing entity's funds may be invested; and set the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of

CITY OF BURKBURNETT, TEXAS
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Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. **Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. **Concentrations of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. **Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. **Foreign Currency Risk**

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of non-participating interest-earning investment contracts.

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Restricted Assets:

Restricted assets in the Governmental and Proprietary Funds consist of cash and cash equivalents held for specific purposes in accordance with bond ordinances or other legal restrictions and are comprised of the following:

	General Fund	Proprietary Fund
Debt service	\$ -	\$ 112,733
Capital projects	681,548	631,428
Cemetery	168,032	-
Golf course	37,664	-
Hotel/motel funds	332,754	-
TIF funds	160,763	-
Other	3,019	-
Total	\$ 1,383,780	\$ 744,161

D. Capital Assets

Capital asset activity for the period ended September 30, 2012, was as follows:

Primary government

	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,469	\$ -	\$ -	\$ 8,469
Construction in process	1,045,547	244,381	(1,124,990)	164,938
Total capital assets not being depreciated	1,054,016	244,381	(1,124,990)	173,407
Capital assets being depreciated:				
Buildings and improvements	1,740,829	-	-	1,740,829
Library books	526,364	23,171	(654)	548,881
Streets and curbs	16,457,455	-	1,124,990	17,582,445
Golf course	644,030	-	-	644,030
Golf course land	64,000	-	-	64,000
Equipment and vehicles	2,962,687	258,294	-	3,220,981
Total capital assets being depreciated	22,395,365	281,465	1,124,336	23,801,166
Less accumulated depreciation for:				
Buildings and improvements	916,186	51,739	-	967,925
Library books	449,654	15,645	(654)	464,645
Streets and curbs	7,353,426	657,971	-	8,011,397
Golf course	452,927	64,403	-	517,330
Equipment and vehicles	2,213,166	192,316	-	2,405,482
Total accumulated depreciation	11,385,359	982,074	(654)	12,366,779
Total capital assets being depreciated, net	11,010,006	(700,609)	1,124,990	11,434,387
Governmental activities capital assets, net	\$12,064,022	\$ (456,228)	\$ -	\$11,607,794

CITY OF BURKBURNETT, TEXAS
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Business-type activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 16,400	\$ -	\$ 16,400
Capital assets being depreciated:				
Buildings and improvements	150,560	-	-	150,560
Equipment and vehicles	1,306,599	30,044	-	1,336,643
Water system	8,753,985	66,990	-	8,820,975
Sewer system	4,816,223	-	-	4,816,223
Total capital assets being depreciated	15,027,367	97,034	-	15,124,401
Less accumulated depreciation for:				
Buildings and improvements	86,572	3,764	-	90,336
Equipment and vehicles	910,290	100,164	-	1,010,454
Water system	3,702,178	309,501	-	4,011,679
Sewer system	3,099,235	110,931	-	3,210,166
Total accumulated depreciation	7,798,275	524,360	-	8,322,635
Total capital assets being depreciated, net	7,229,092	(427,326)		6,801,766
Business-type activities capital assets, net	\$ 7,229,092	\$ (410,926)	\$ -	\$ 6,818,166

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 401
Administration	16,440
City hall	8,553
Police department	62,518
Municipal court	808
Fire department	62,631
Library	19,569
Streets and public works	713,003
Parks and recreation	80,166
Community center	575
E.M.T.	15,220
Community planning	2,190
Total depreciation expense - governmental activities	\$ 982,074
Business-type activities:	
Water supply and distribution	\$ 368,052
Billing and collections	5,952
Waste water treatment	118,407
Water wells	31,949
Total depreciation expense - business-type activities	\$ 524,360

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Discretely presented component units

Activity for the Burkburnett Development Corporation for the year ended September 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and office equipment	19,016	\$ 1,330	\$ -	\$ 20,346
Less: accumulated depreciation	19,016	203	-	19,219
Capital assets, net	<u>\$ -</u>	<u>\$ 1,127</u>	<u>\$ -</u>	<u>\$ 1,127</u>

The Burkburnett Development Corporation had \$203 in depreciation expense for the year ended September 30, 2012.

E. Inter-fund Balances and Activity

1. Due To and From Other Funds

Inter-fund receivables and payables at September 30, 2012, consisted of the following:

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 1,104,188	\$ 95,799
Debt Service Fund	95,799	-
Special Revenue Fund	-	67,570
Water and Sewer Fund	-	1,036,618
Total	<u>\$ 1,199,987</u>	<u>\$ 1,199,987</u>

The General Fund receivable represents cash used by the Special Revenue Fund and Water and Sewer Fund to finance certain activities pending receipt of funds from other investments and receivables. The General Fund payable represents cash owed to the Debt Service Fund.

2. Transfers To and From Other Funds

Transfers to and from other funds during fiscal year 2012, consisted of the following:

Fund	Transfers Out	Transfers In	Total
General Fund	\$ (117,655)	\$ 141,305	\$ 23,650
Debt Service Fund	(141,305)	117,655	(23,650)
Total	<u>\$ (258,960)</u>	<u>\$ 258,960</u>	<u>\$ -</u>

The General Fund transferred funds to the Debt Service Fund to cover debt service payments. The Debt Service Fund transferred proceeds from the issuance of a note payable to the General Fund to purchase a new street sweeper.

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F. Long-Term Liabilities

1. Long-Term Liability Activity

Long-term liabilities include debt and other long-term payables. Changes in long-term liabilities for the year ended September 30, 2012, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds, series 2008 and 2006	\$ 5,865,000	\$ -	\$ (260,000)	\$ 5,605,000	\$ 270,000
Notes payable	664,863	-	(39,121)	625,742	406,198
Capital leases payable	-	141,305	-	141,305	28,942
Compensated absences	108,318	109,443	(114,395)	101,364	52,481
Total governmental activities	\$ 6,636,179	\$ 250,748	\$ (413,516)	\$ 6,473,411	\$ 755,621
Business-type activities:					
Certificates of obligation, series 2003	\$ 645,000	\$ -	\$ (70,000)	\$ 575,000	\$ 70,000
General obligation refunding bonds, series 2010	2,475,000	-	(130,000)	2,345,000	130,000
Revenue bonds	1,485,000	-	(60,000)	1,425,000	65,000
Compensated absences	26,802	26,451	(28,941)	24,312	13,362
Total business-type activities	\$ 4,631,802	\$ 26,451	\$ (288,941)	\$ 4,369,312	\$ 278,362
Component units:					
Compensated absences	\$ 2,772	\$ 2,156	\$ (3,514)	\$ 1,414	\$ 462
Total component units	\$ 2,772	\$ 2,156	\$ (3,514)	\$ 1,414	\$ 462

2. General Obligation Bonds

In April 2010, the City issued \$2,475,000 in General Obligation Refunding Bonds, Series 2010 to advance refund Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2001. Interest rates range from 2.00% to 3.50% with a maturity date of February 15, 2026 and annual series payments range from \$130,000 to \$215,000.

In June 2008, the City issued General Obligation Bonds, Series 2008 in the amount of \$3,375,000 to finance certain street improvements. The bonds are payable from ad valorem taxes of the City. The Bonds bear interest at 3.82%. The final maturity date is in 2028 and the annual series payments range from \$90,000 to \$245,000.

In August 2006, the City issued General Obligation Bonds, Series 2006 in the amount of \$3,400,000 to finance certain street improvements. The bonds are payable from ad valorem taxes of the City. The Bonds bear interest at 5.25% to 6.00%. The final maturity date is in 2026 and the annual series payments range from \$125,000 to \$250,000.

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3. Revenue Bonds and Certificates of Obligation

In October 2010, the City issued Waterworks and Sewer System Revenue Bonds, Series 2010 in the amount of \$1,555,000 to finance certain water and sewer improvements. The bonds are payable from pledge net revenues of the waterworks and sewer system. The bonds bear interest at 3.00% to 4.00%. The final maturity date is in 2030 and the annual series payments range from \$60,000 to \$195,000.

In December 2003, the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2003 in the amount of \$1,040,000 to finance certain water and sewer improvements. The Certificates are payable from ad valorem taxes of the City and are additionally payable from a lien on and pledge of the net revenue of the City's combined Waterworks and Sewer System. The Certificates of Obligation bear interest at 3.15% to 5.00%. The final maturity date is in 2019 and the annual series payments range from \$50,000 to \$95,000.

4. Notes Payable

In September 2011, the City purchased a fire truck, which was financed with a note in the amount of \$263,995. The note bears interest at the rate of 4.25% with fixed monthly payments of \$2,713. The final maturity date is in September 2021.

In October 2009, the City executed a line of credit in the amount of \$441,581 for certain golf course improvements. The note bears interest at 2% and originally matured on September 30, 2011. In September 2011, the City renewed the loan and extended the maturity date to October 1, 2012.

In November 2008, the City purchased police vehicles, which were financed with a note in the amount of \$50,000 bearing interest at the rate of 4.5% with fixed annual payments of \$18,102. The final maturity date was in October 2011.

5. Capital Lease

The City entered into a lease agreement for a street sweeper in July 2012. This lease is considered to be a capital lease for accounting purposes. The liability for future capital lease payments totals \$141,305 and is reported as capital lease payable current liability of \$26,942 and capital lease payable long-term liability of \$114,363 in the Governmental Activities.

The commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2012 as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2013	\$ 30,319
2014	30,319
2015	30,319
2016	30,319
2017	30,319
Total future minimum lease payments	151,595
Less amount representing interest	(10,290)
Present value of minimum lease payments	<u>\$ 141,305</u>

The carrying value of the equipment purchased under capital lease is \$167,323 at September 30, 2012.

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6. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2012, are as follows:

	Governmental Activities		Business-type Activities	
	Notes and General Obligation Bonds		Certificates of Obligation and Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 676,198	\$ 243,972	\$ 265,000	\$ 156,063
2014	308,680	221,409	280,000	148,383
2015	319,707	206,560	285,000	139,520
2016	335,777	192,483	295,000	129,658
2017	351,894	178,528	305,000	118,877
2018-2022	1,963,486	663,113	1,445,000	428,945
2023-2027	2,030,000	237,984	1,250,000	159,202
2028-2032	245,000	4,680	220,000	18,270
Totals	<u>\$ 6,230,742</u>	<u>\$ 1,948,729</u>	<u>\$ 4,345,000</u>	<u>\$ 1,298,918</u>

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City obtains general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage.

The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit (referred to as an updated service credit) which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Members can retire at ages 60 or above with 5 or more years of services or with 20 years of service regardless of age. A member is vested after 10 years. The contribution rate for the employees is 7%, and the City's matching ratio is currently 2 to 1.

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rate include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarial determined rate. Both the employees and the City make contributions monthly. Since the City needs its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	23 years: closed period	21.9 years: closed period	20.9 years: closed period
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Valuation Date	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Assumptions:			
Investment Rate of Return	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of 12/31/2011, the most recent actuarial valuation dates, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3)	<u>Unfunded AAL (UAAL)</u> (4)	<u>Covered Payroll</u> (5)	<u>UAAL as a Percentage of Covered Payroll</u> (6)
			(1) / (2)	(2) / (1)		(4) / (5)
12/31/2011	\$9,680,939	\$10,990,659	88.1%	\$1,309,720	\$2,608,817	50.2%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

J. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

The City is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management and the Council that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City.

3. Operating lease

The City leased a letter folder in August 2012, which expires in August 2016. Rental expense related to this lease was \$394 for the year ended September 30, 2012.

CITY OF BURKBURNETT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The future minimum rental payments applicable to the operating lease are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Amount</u>
2013	\$ 4,334
2014	4,728
2015	4,728
2016	4,728
Total future minimum lease payments	<u>\$18,518</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF BURKBURNETT, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,974,928	\$ 1,974,928	\$ 1,991,067	\$ 16,139
Non-property taxes	2,359,758	2,359,758	2,082,424	(277,334)
Fines and forfeitures	150,000	150,000	73,129	(76,871)
Licenses and permits	28,250	28,250	47,721	19,471
Fees and services	1,596,645	1,596,645	1,630,575	33,930
Miscellaneous	62,950	62,950	52,799	(10,151)
Intergovernmental revenue	34,125	34,125	34,125	-
Total operating revenues	6,206,656	6,206,656	5,911,840	(294,816)
Expenditures:				
General government	534,570	534,570	188,250	346,320
Administration	234,462	234,462	232,595	1,867
Tax assessing/collecting	34,012	34,012	33,415	597
City hall	224,551	224,551	215,810	8,741
Police department	1,563,171	1,563,171	1,470,783	92,388
Municipal court	71,072	71,072	66,892	4,180
Fire department	131,750	131,750	84,635	47,115
Library	147,702	147,702	145,647	2,055
Streets and public works	835,559	835,559	794,578	40,981
Parks and recreation	450,895	450,895	378,960	71,935
Community center	32,715	32,715	21,135	11,580
Garbage collection	1,305,609	1,305,609	1,338,243	(32,634)
E.M.T.	374,521	374,521	389,643	(15,122)
Community planning	118,099	118,099	118,087	12
Drainage improvement	94,650	94,650	23,523	71,127
Total expenditures	6,153,338	6,153,338	5,502,196	651,142
Excess (deficiency) of revenues over (under) expenditures	53,318	53,318	409,644	356,326
Capital outlay - Capital Improvement Fund	(68,050)	(68,050)	(501,531)	(433,481)
Other financing sources (uses):				
Interest income	50,250	50,250	29,306	(20,944)
Sale of assets	-	-	16,474	16,474
Transfers	124,190	124,190	23,650	(100,540)
Total other financing sources (uses)	174,440	174,440	69,430	(105,010)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 159,708	\$ 159,708	\$ (22,457)	\$ (182,165)

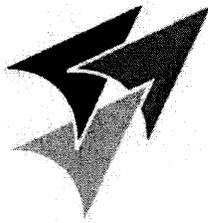
CITY OF BURKBURNETT, TEXAS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-2

Schedules of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 9,680,939
Actuarial Accrued Liability	\$ 10,990,659
Percentage Funded	88.1%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,309,720
Annual Covered Payroll	\$ 2,608,817
UAAL as a Percentage of Covered Payroll	50.2%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -
Annual Pension Cost:	
Annual Required Contribution (ARC)	\$ 299,010
Contributions Made	\$ (299,010)
NPO at the end of the Period	\$ -
Two Preceding Years:	
12/31/2011:	
Annual Pension Cost	\$ 385,247
Percentage of Annual Pension Cost Contributed	100%
NPO at the end of the Period	\$ -
12/31/2010:	
Annual Pension Cost	\$ 387,646
Percentage of Annual Pension Cost Contributed	100%
NPO at the end of the Period	\$ -

Internal Control and Compliance Section



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report

**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**

City Council
City of Burkburnett, Texas
501 Sheppard Road
Burkburnett, Texas 76354

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas as of and for the year ended September 30, 2012, which collectively comprise the City of Burkburnett, Texas' basic financial statements and have issued our report thereon dated February 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Burkburnett, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Burkburnett, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Burkburnett, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Burkburnett, Texas' 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting, which are findings 2012-1 and 2012-2. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the City of Burkburnett, Texas' financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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, the Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

February 4, 2013

**CITY OF BURKBURNETT, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u> X </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

B. Financial Statement Findings

Finding 2012-1: Control Environment

Condition and Criteria: An ideal control environment provides structure and clear communication of responsibilities for the City and its employees. However, there are no formal, written policies and procedures for the City's accounting processes, and the documentation on job descriptions is outdated. Additionally, there is no formal oversight and review process over routine accounting procedures, such as bank reconciliations and journal entries.

Cause: The City's accounting and administrative staff is small in number, and the individuals with the ability to perform oversight activities and prepare formal policies and procedures manuals often do not have the time available to do so.

Effect: Formal policies, procedures and job descriptions provide employees with a better understanding of management's expectation and their role within the City, without which controls might not be performed as intended. Additionally, in the event of personnel turnover, the City risks losing a great deal of knowledge with the terminated employee if there is no current documentation of that employee's job activities. When there is lack of proper oversight, there is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.

Recommendations: We recommend that the City prepare a formal document that outlines accounting policies and procedures for all relevant processes, including an updated document to outline job descriptions in the administrative offices. As part of this process, we recommend that specific oversight and review duties be assigned to appropriate personnel.

Finding 2012-2: Internal Controls for Utility Billings and Collections

Condition and Criteria: Internal controls in the Utility Billing Department are not optimal to prevent or detect misstatements on a timely basis. The following control deficiencies were noted during the course of the audit:

- Deposits were prepared on a daily basis, but in some cases, the deposits were not taken to the bank for several days.
- The accounts receivable sub-ledger for the water, sewer, and garbage receivables were not reconciled to the general ledger on a regular basis.

Cause: The administrative and utility billing staff had a higher workload than normal due to turnovers, and certain activities were not performed as a result.

Effect: There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner if adequate controls are not in place. Additionally, there is a higher risk of theft or loss if cash is not deposited timely.

Recommendations: We recommend that the City deposit all deposit slips on the day that they are prepared to avoid unnecessary risks. We also recommend that the City reconcile the accounts receivable sub-ledgers on a monthly basis to ensure that the general ledger balance agrees to the detailed sub-ledgers.