MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

March 13, 2014

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, 2013. 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 23, 2013. 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. As described in Note N to the financial statements, the City of Burkburnett, Texas, changed accounting policies related to Bond Issue Costs by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. We noted no transactions entered into by the City 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.

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. The attached schedules of adjusting journal entries summarize misstatements detected as a result of audit procedures and corrected by management.

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 March 13, 2014.

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.

MWH GROUP, P.C.
Certified Public Accountants

CITY OF BURKBURNETT, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

CITY OF BURKBURNETT, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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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, 2013. 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, 2013:

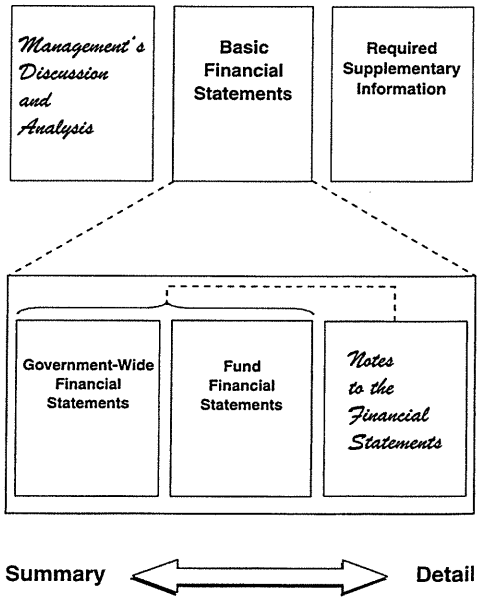
- The City's assets exceed its liabilities at September 30 2013, by $12,319,214 (net position). Of this amount, $2,863,373 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- During the year, the City's total net position decreased by $395,363. The decrease is largely due to an operating loss for the City's water supply and distribution activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of $8,763,067. Of the fund balance, $3,371,562, or 38%, is available for spending at the government's discretion (unassigned fund balance).
- As of September 30, 2013, unassigned fund balance for the General Fund was $3,387,856 or 52% 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



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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

		Fund Statements	
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds
Scope	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
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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
Type of inflow/outflow information	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 position 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 position and how it has changed. Net position - 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 position is 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 (BHFC). Although legally separate, these "component units" are important because the City is financially accountable for them. The BHFC was dissolved in 2013. The assets of the BHFC became assets of the City as a whole.

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.

Table A-1
City's Net position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Cash and cash equivalents	$ 1,822,823	$ 1,965,911	$ 534,531	$ 534,506	$ 2,357,354	$ 2,500,417
Receivables	671,110	603,283	457,504	360,375	1,128,614	963,658
Internal balances	1,326,234	1,036,618	(1,326,234)	(1,036,618)	-	-
Restricted assets	5,367,331	1,383,780	1,158,490	744,161	6,525,821	2,127,941
Capital assets, net	11,629,570	11,607,794	8,225,855	6,818,166	19,855,425	18,425,960
Other assets	5,333	1,777	83,508	76,498	88,841	78,275
Total assets	20,822,401	16,599,163	9,133,654	7,497,088	29,956,055	24,096,251
Total deferred outflows of resources	-	-	17,425	18,809	17,425	18,809
Current liabilities	263,885	214,794	290,326	326,925	554,211	541,719
Long-term liabilities:						
Due within one year	775,652	755,621	373,437	273,362	1,149,089	1,028,983
Due in more than one year	9,985,639	5,717,790	5,965,327	4,111,991	15,950,966	9,829,781
Total liabilities	11,025,176	6,688,205	6,629,090	4,712,278	17,654,266	11,400,483
Net position						
Invested in capital assets, net of related debt	5,287,477	5,235,747	1,931,574	2,475,934	7,219,051	7,711,681
Restricted	1,078,300	1,471,589	1,158,490	744,161	2,236,790	2,215,750
Unrestricted	3,431,448	3,203,622	(568,075)	(416,476)	2,863,373	2,787,146
Total net position	$ 9,797,225	$ 9,910,958	$ 2,521,989	$ 2,803,619	$12,319,214	$12,714,577

- *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

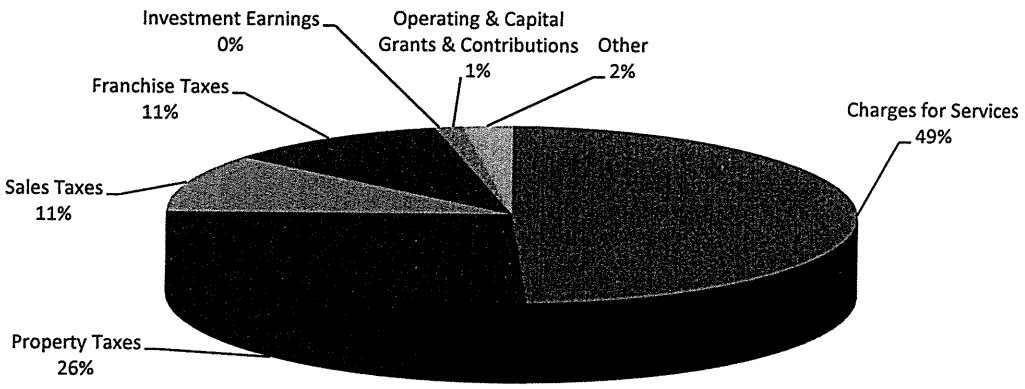
Net position. The City's combined net position was $12,319,214 at September 30, 2013. (See Table A-1) The $2,863,373 of unrestricted net position at September 30, 2013, represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources. The restricted net position is required to be set aside for long-term debt and other program purposes.

Governmental activities decreased the City's net position by $113,733. Net investment in capital assets for governmental activities increased by $51,730, while unrestricted net position increased by $227,826, or 7%.

Net position from business-type activities decreased by $281,630, or 10%. This decrease is primarily due to the loss from operations of the water supply and distribution activities.

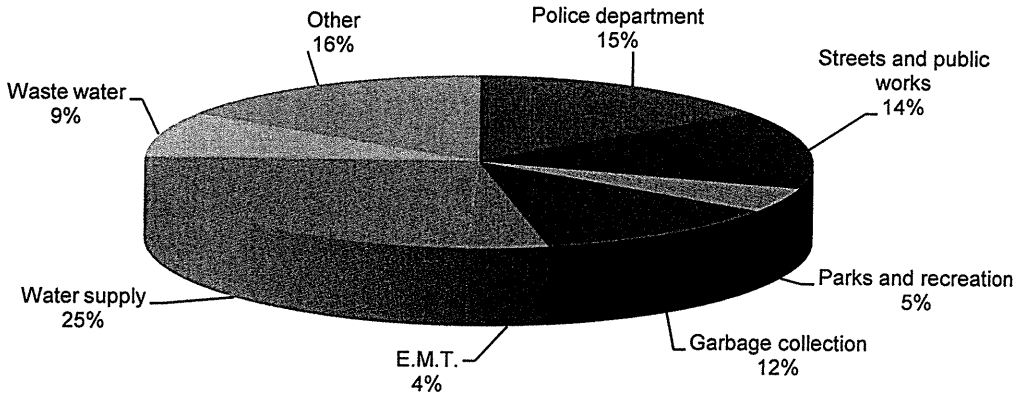
Changes in net position. The City's total revenues, both program and general, were $9,922,244. A significant portion, 49%, of the City's revenue comes from charges for services. (See Figure A-3.) Property taxes provide 26% of the total, sales taxes and franchise taxes each provide 11%, and operating and capital grants combined provide about 1%. Other minor categories provide the remaining 2%.

Figure A-3
Sources of Revenue for Fiscal Year 2013



The total cost of all programs and services was $10,317,607; 34% 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, 14% for streets, 12% for garbage collection, 4% for E.M.T., and 5% for parks and recreation. Other minor categories combined make up the remaining 16%. (See Figure A-4.)

Figure A-4
Functional Expenses for Fiscal 2013



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 position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$1,768,677	$1,630,575	$3,115,432	$3,128,748	$4,884,109	$4,759,323
Operating grants and contributions	42.194	34,125	-	-	42,194	34,125
Capital grants and contributions	37.968	6,290	-	-	37,968	6,290
General revenues:						
Property taxes	2,569,157	2,500,545	-	-	2,569,157	2,500,545
Franchise taxes	1,050,860	1,005,712	-	-	1,050,860	1,005,712
Sales taxes	1,056,175	988,941	-	-	1,056,175	988,941
Other taxes	84,905	87,771	-	-	84,905	87,771
Investment earnings	38,793	29,306	7,222	9,955	46,015	39,261
Other	112,763	161,843	38,098	49,123	150,861	210,966
Total revenues	6,761,492	6,445,108	3,160,752	3,187,826	9,922,244	9,632,934
Expenses:						
General government	265,336	190,580	-	-	265,336	190,580
Administration	243,598	251,321	-	-	243,598	251,321
Tax assessing/collecting	33,518	33,415	-	-	33,518	33,415
City hall	219,461	223,504	-	-	219,461	223,504
Police department	1,560,379	1,527,035	-	-	1,560,379	1,527,035
Municipal court	75,038	67,467	-	-	75,038	67,467
Fire department	151,430	147,266	-	-	151,430	147,266
Library	137,752	142,560	-	-	137,752	142,560
Streets and public works	1,497,188	1,509,792	-	-	1,497,188	1,509,792
Parks and recreation	476,956	456,849	-	-	476,956	456,849
Community center	19,436	21,710	-	-	19,436	21,710
Garbage collection	1,271,732	1,338,243	-	-	1,271,732	1,338,243
E.M.T.	405,753	406,593	-	-	405,753	406,593
Community planning	147,874	116,999	-	-	147,874	116,999
Drainage improvement	35,339	23,523	-	-	35,339	23,523
Grant outlay	23,789	7,863	-	-	23,789	7,863
Interest and fiscal charges	310,646	256,538	-	-	310,646	256,538
Water system	-	-	2,562,176	2,709,857	2,562,176	2,709,857
Wastewater system	-	-	880,206	906,379	880,206	906,379
Total expenses	6,875,225	6,721,258	3,442,382	3,616,236	10,317,607	10,337,494
Decrease in net position	$ (113,733)	$ (276,150)	$ (281,630)	$ (428,410)	$ (395,363)	$ (704,560)

Explanations for the large and/or unusual variances between 2013 and 2012 are as follows:

- Property tax revenues increased by $68,612, or 3%, which is primarily due to a 2% increase in the City's appraised taxable values.

- Sales taxes increased by $67,234 or 7%, as the local economy continues to recover from the recession of recent years.

- General government expenses increased by $74,756 or 39%. This increase is mainly due a feasibility study for the Aquatic Park and a Geographic Information System (GIS) mapping project, which cost $30,000 each.

- Interest expense increased $54,108, or 21%, as the City issued General Obligation Bonds, Series 2013 in July of 2013 to fund the Aquatic Park project. The cost of issuance for those bonds, which is charged to interest expense, was $53,500.

- Water supply, distribution, and wells expense decreased $147,681, or 5%, as the City purchased less water from the City of Wichita Falls, Texas in 2013 as compared to 2012. The decrease in water purchases is primarily due to restrictions on water usage in response to the drought.

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 $6,875,225; however, the amount that our taxpayers paid for these activities through property taxes was only $2,569,157.

- Some of the cost was paid by those who directly benefited from the programs through charges for services of $1,699,293.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Police department	$1,560,379	$1,527,035	$1,493,941	$1,527,035
Streets and public works	1,497,188	1,509,792	1,497,188	1,509,792
Garbage collection	1,271,732	1,338,243	(159,126)	(47,727)
Parks and recreation	476,956	456,849	338,251	342,878
E.M.T.	405,753	406,593	405,753	406,593

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

The City's actual expenditures, excluding capital outlay, were $292,823 below final budgeted amounts, while actual revenues were $59,581 above final budget amounts. Actual capital outlay expenditures were $814,536 above the final budgeted amount.

The most significant negative revenue variance related to fines and forfeitures, which were $24,950 or 33% less than the budgeted amount. The City anticipated $70,000 in police fines revenue, but only received approximately $46,604 during 2013. For expenditures, the City exceeded the budget in four departments: general government, municipal court, E.M.T., and community planning by $19,936, $473, $13,371, and $16,693, respectively. These overages were primarily due to higher than anticipated consulting fees and personnel costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had invested in a broad range of capital assets, net of accumulated depreciation, totaling $19,855,425, 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	
	2013	2012	2013	2012	2013	2012
Building and improvements	$ 721,164	$ 772,904	$ 56,460	$ 60,224	$ 777,624	$ 833,128
Library books	89,862	84,236	-	-	89,862	84,236
Streets and curbs	9,368,404	9,571,048	-	-	9,368,404	9,571,048
Golf course	80,297	126,700	-	-	80,297	126,700
Golf course land	64,000	64,000	-	-	64,000	64,000
Equipment and vehicles	912,832	815,499	352,612	326,189	1,265,444	1,141,688
Land	8,469	8,469	1,596,656	-	1,605,125	8,469
Construction in process	384,542	164,938	225,167	16,400	609,709	181,338
Water system	-	-	4,499,804	4,809,296	4,499,804	4,809,296
Sewer system	-	-	1,495,156	1,606,057	1,495,156	1,606,057
Total capital assets	$11,629,570	$11,607,794	$8,225,855	$6,818,166	$19,855,425	$18,425,960

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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	$ 9,735,000	$5,605,000	$ -	$ -	$ 9,735,000	$ 5,605,000
General obligation refunding bonds	-	-	2,215,000	2,345,000	2,215,000	2,345,000
Notes payable	483,497	625,742	-	-	483,497	625,742
Capital lease payable	281,757	141,305	-	-	281,757	141,305
Water and sewer system revenue bonds	-	-	3,570,000	1,425,000	3,570,000	1,425,000
Certificates of obligation	-	-	505,000	575,000	505,000	575,000
Compensated absences	108,320	101,364	27,058	24,312	135,378	125,676
Totals	$10,608,574	$6,473,411	$6,317,058	$4,369,312	$16,925,632	$10,842,723

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2013-2014 budget preparation is $438,239,866, up $4,974,048, or 1.1% above 2012-2013 values. This indicator was taken into account when adopting the General Fund budget for 2013-2014.

Budgeted General Fund revenues for 2013-2014 are $6,462,594, which represents a 6.1% increase of $272,407, from 2012-2013 actual revenues of $6,190,187. Budgeted General Fund expenditures for 2013-2014 are $6,462,594, which represents a 1.4% decrease of $92,216 from 2012-2013 actual expenditures of $6,554,810. If these estimates are realized, the City's budgeted General Fund balance is not expected to change by the close of 2013-2014.

RESTATEMENT

The prior year schedules within this analysis have been restated to correct certain balances reported in the prior year. See Note K in the Notes to the Financial Statements for more information.

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

EXHIBIT A-1

CITY OF BURKBURNETT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Burkburnett Development Corporation	Burkburnett Housing Finance Corporation
Assets:					
Cash and cash equivalents	$ 1,822,823	$ 534,531	$ 2,357,354	$ 758,351	$ -
Receivables, net of allowances for uncollectibles:					
Property taxes	47,368	-	47,368	-	-
Sales taxes	201,507	-	201,507	67,169	-
Garbage	206,264	-	206,264	-	-
Water and sewer charges	-	457,504	457,504	-	-
Municipal court	141,850	-	141,850	-	-
Due from other governments	18,017	-	18,017	-	-
Other	56,104	-	56,104	153,750	-
Internal balances due to/from other funds	1,326,234	(1,326,234)	-	-	-
Inventory	2,327	83,508	85,835	-	-
Property held for sale	-	-	-	535,791	-
Restricted assets:					
Cash and cash equivalents	5,367,331	1,158,490	6,525,821	37,200	-
Capital assets, net of accumulated depreciation	11,629,570	8,225,855	19,855,425	683	-
Other assets:					
Other	3,006	-	3,006	-	-
Total assets	20,822,401	9,133,654	29,956,055	1,552,944	-
Deferred outflows of resources:					
Deferred loss on refunding	-	17,425	17,425	-	-
Total deferred outflows of resources	-	17,425	17,425	-	-
Liabilities:					
Accounts payable	198,327	62,390	260,717	4,949	-
Retainage payable	-	-	-	-	-
Unearned revenue	5,822	-	5,822	-	-
Accrued interest payable	59,736	28,529	88,265	-	-
Customer deposits	-	199,407	199,407	-	-
Long-term liabilities:					
Due within one year:					
Accrued compensated absences	88,481	23,437	111,918	-	-
General obligation and certificates of obligation debt	350,000	210,000	560,000	-	-
Revenue bonds	-	140,000	140,000	-	-
Notes payable	287,633	-	287,633	-	-
Capital lease payable	49,538	-	49,538	-	-
Due in more than one year:					
Accrued compensated absences	19,839	3,621	23,460	-	-
General obligation and certificates of obligation debt	9,385,000	2,510,000	11,895,000	-	-
Revenue bonds	-	3,430,000	3,430,000	-	-
Notes payable	195,864	-	195,864	-	-
Capital lease payable	232,219	-	232,219	-	-
Unamortized premium on general obligation debt	152,717	21,706	174,423	-	-
Total liabilities	11,025,176	6,629,090	17,654,266	4,949	-
Net position:					
Net investment in capital assets	5,287,477	1,931,574	7,219,051	683	-
Restricted for:					
Debt service	40,138	285,131	325,269	-	-
Other purposes	1,038,162	873,359	1,911,521	75,950	-
Unrestricted	3,431,448	(568,075)	2,863,373	1,471,362	-
Total net position	$ 9,797,225	$ 2,521,989	$ 12,319,214	$ 1,547,995	$ -

The accompanying notes are an integral part of this statement.

EXHIBIT A-2

CITY OF BURKBURNETT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-type Activities	Total	Component Units: Burkburnett Development Corporation	Component Units: Burkburnett Housing Finance Corporation
Governmental activities:									
General government	$ 265,336	$ 25,466	$ -	$ -	$ (239,870)	$ -	$ (239,870)	$ -	$ -
Administration	243,598	-	-	-	(243,598)	-	(243,598)	-	-
Tax assessing/collecting	33,518	-	-	-	(33,518)	-	(33,518)	-	-
City hall	219,461	-	-	-	(219,461)	-	(219,461)	-	-
Police department	1,560,379	66,438	-	-	(1,493,941)	-	(1,493,941)	-	-
Municipal court	75,038	-	-	-	(75,038)	-	(75,038)	-	-
Fire department	151,430	-	42,194	-	(109,236)	-	(109,236)	-	-
Library	137,752	2,946	-	-	(134,806)	-	(134,806)	-	-
Streets and public works	1,497,188	-	-	-	(1,497,188)	-	(1,497,188)	-	-
Parks and recreation	476,956	138,705	-	-	(338,251)	-	(338,251)	-	-
Community center	19,436	9,429	-	-	(10,007)	-	(10,007)	-	-
Garbage collection	1,271,732	1,430,858	-	-	159,126	-	159,126	-	-
E.M.T.	405,753	-	-	-	(405,753)	-	(405,753)	-	-
Community planning	147,874	-	-	-	(147,874)	-	(147,874)	-	-
Drainage improvement	35,339	94,835	-	-	59,496	-	59,496	-	-
Grant outlay	23,789	-	-	37,968	14,179	-	14,179	-	-
Interest expense	310,646	-	-	-	(310,646)	-	(310,646)	-	-
Total governmental activities	6,875,225	1,768,677	42,194	37,968	(5,026,386)	-	(5,026,386)	-	-
Business-type activities:									
Water supply, distribution and wells	2,562,176	2,164,042	-	-	-	(398,134)	(398,134)	-	-
Waste water treatment	880,206	951,390	-	-	-	71,184	71,184	-	-
Total business-type activities	3,442,382	3,115,432	-	-	-	(326,950)	(326,950)	-	-
Total primary government	$ 10,317,607	$ 4,884,109	$ 42,194	$ 37,968	(5,026,386)	(326,950)	(5,353,336)	-	-
Component units:									
Burkburnett Development Corporation	$ 198,788	$ -	$ -	$ -	-	-	-	(198,788)	-
Burkburnett Housing Finance Corporation	7,416	-	-	-	-	-	-	-	(7,416)
Total component units	$ 206,204	$ -	$ -	$ -	-	-	-	(198,788)	(7,416)
General revenues:									
Property taxes					2,569,157	-	2,569,157	-	-
Franchise taxes					1,050,860	-	1,050,860	-	-
Sales taxes					1,056,175	-	1,056,175	352,058	-
Other taxes					84,905	-	84,905	-	-
Investment earnings					38,793	7,222	46,015	4,975	-
Licenses and permits					48,383	-	48,383	-	-
Sale of assets					250	-	250	-	-
Miscellaneous					64,130	38,098	102,228	4,898	-
Total general revenues and transfers					4,912,653	45,320	4,957,973	361,931	-
Change in net position					(113,733)	(281,630)	(395,363)	163,143	(7,416)
Net position - beginning (as restated, see note K)					9,910,958	2,803,619	12,714,577	1,384,852	7,416
Net position - ending					$ 9,797,225	$ 2,521,989	$ 12,319,214	$ 1,547,995	$ -

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

CITY OF BURKBURNETT, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
Assets:				
Petty cash	$ 500	$ -	$ -	$ 500
Cash in bank	339,390	-	-	339,390
Certificates of deposit	1,482,933	-	-	1,482,933
Receivables, net of allowances for uncollectables:				
Property taxes	47,368	-	-	47,368
Sales taxes	201,507	-	-	201,507
Garbage	206,264	-	-	206,264
Municipal court	141,850	-	-	141,850
Due from other government	-	-	18,017	18,017
Other	56,104	-	-	56,104
Due from other funds	1,342,528	40,138	-	1,382,666
Inventory	2,327	-	-	2,327
Other assets	3,006	-	-	3,006
Restricted assets:				
Cash	610,224	18,291	-	628,515
Certificates of deposit and money market	4,738,816	-	-	4,738,816
Total assets	$ 9,172,817	$ 58,429	$ 18,017	$ 9,249,263
Liabilities:				
Accounts payable	$ 198,327	$ -	$ -	$ 198,327
Unearned revenue	5,822	-	-	5,822
Other	-	18,291	-	18,291
Due to other funds	40,138	-	16,294	56,432
Total liabilities	244,287	18,291	16,294	278,872
Deferred inflows of resources:				
Unavailable revenues	189,307	-	18,017	207,324
Total deferred inflows of resources	189,307	-	18,017	207,324
Fund balances:				
Nonspendable	2,327	-	-	2,327
Restricted	5,349,040	40,138	-	5,389,178
Unassigned	3,387,856	-	(16,294)	3,371,562
Total fund balances	8,739,223	40,138	(16,294)	8,763,067
Total liabilities, deferred inflows of resources, and fund balances	$ 9,172,817	$ 58,429	$ 18,017	$ 9,249,263

The accompanying notes are an integral part of this statement.

EXHIBIT A-4

CITY OF BURKBURNETT, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet (Exhibit A-3)		$ 8,763,067
Amounts reported for governmental activities in the statement of net position (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	$ 25,012,854	
Related accumulated depreciation	(13,383,284)	11,629,570
Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		207,324
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	(281,757)	
Notes payable	(483,497)	
Bonds payable	(9,735,000)	
Unamortized premium on general obligation debt	(152,717)	
Compensated absences	(108,320)	
Accrued interest	(41,445)	(10,802,736)
Net position of governmental activities - statement of net position (Exhibit A-1)		$ 9,797,225

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

CITY OF BURKBURNETT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General	Debt Service	Special Revenue	Total Governmental Funds
Revenues:				
Property taxes	$ 2,068,155	$ 508,435	$ -	$ 2,576,590
Non-property taxes	2,179,439	-	-	2,179,439
Fines and forfeitures	49,550	-	-	49,550
Licenses and permits	48,383	-	-	48,383
Fees and services	1,699,293	-	-	1,699,293
Miscellaneous	64,130	-	-	64,130
Intergovernmental revenue	42,194	-	77,527	119,721
Total revenues	6,151,144	508,435	77,527	6,737,106
Expenditures:				
Current:				
General government	263,764	800	-	264,564
Administration	233,384	-	-	233,384
Tax assessing/collecting	33,518	-	-	33,518
City hall	215,767	-	-	215,767
Police department	1,488,890	-	-	1,488,890
Municipal court	73,949	-	-	73,949
Fire department	93,170	-	-	93,170
Library	139,106	-	-	139,106
Streets and public works	746,287	-	-	746,287
Parks and recreation	386,602	-	-	386,602
Community center	19,436	-	-	19,436
Garbage collection	1,271,732	-	-	1,271,732
E.M.T.	392,297	-	-	392,297
Community planning	144,533	-	-	144,533
Drainage improvement	35,339	-	-	35,339
Grant outlay	-	-	23,789	23,789
Debt service:				
Principal payments on debt	-	442,216	-	442,216
Interest and other charges	-	246,963	-	246,963
Issuance costs	-	53,500	-	53,500
Capital outlay	1,017,036	-	-	1,017,036
Total expenditures	6,554,810	743,479	23,789	7,322,078
Excess (deficiency) of revenues over (under) expenditures	(403,666)	(235,044)	53,738	(584,972)
Other financing sources (uses):				
Proceeds from long-term debt issued	-	4,570,423	-	4,570,423
Premium on issuance	-	154,000	-	154,000
Interest income	38,793	-	-	38,793
Sale of capital assets	250	-	-	250
Transfers	4,537,050	(4,537,050)	-	-
Total other financing sources (uses)	4,576,093	187,373	-	4,763,466
Change in fund balances	4,172,427	(47,671)	53,738	4,178,494
Fund balances - beginning	4,566,796	87,809	(70,032)	4,584,573
Fund balances - ending	$ 8,739,223	$ 40,138	$ (16,294)	$ 8,763,067

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, 2013

Net change in fund balances - total governmental funds (Exhibit A-5)		$ 4,178,494
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	$ 1,038,281	
Depreciation expense for the year	(1,016,505)	21,776
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 increased by this amount this year.		(14,657)
Increases in accrued compensated absences is not reported as an expenditure in the governmental funds, but increases long-term liabilities in the statement of net position. Accrued compensated absences increased by this amount this year.		(6,956)
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	(4,570,423)	
Premium on debt issued	(154,000)	
Repayment of long-term debt	442,216	
Amortization of premiums and issuance costs	1,283	(4,280,924)
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 position.		
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.		(11,466)
Change in net position of governmental activities - statement of activities (Exhibit A-2)		$ (113,733)

The accompanying notes are an integral part of this statement.

EXHIBIT A-7

CITY OF BURKBURNETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
WATER AND SEWER FUND
SEPTEMBER 30, 2013

Assets:	
Current assets:	
Petty cash	$ 1,000
Certificates of deposit	533,531
Water and sewer receivables, net of allowance	457,504
Inventory	83,508
Total current assets	1,075,543
Restricted assets:	
Money market	1,158,490
Fixed assets:	
Land	1,596,655
Buildings and improvements	150,560
Equipment and vehicles	1,447,105
Water system	8,820,975
Sewer system	4,816,222
Construction in progress	225,167
Accumulated depreciation	(8,830,829)
Net fixed assets	8,225,855
Total assets	10,459,888
Deferred outflows of resources:	
Deferred loss on refunding	17,425
Total deferred outflows of resources	17,425
Liabilities:	
Current liabilities:	
Accounts payable	62,390
Accrued compensated absences	23,437
Accrued interest payable	28,529
Customer deposits	199,407
Due to other funds	1,326,234
Debt due or payable within one year	350,000
Total current liabilities	1,989,997
Long-term liabilities:	
Accrued compensated absences	3,621
Debt due or payable after one year	5,961,706
Total liabilities	7,955,324
Net position:	
Net investment in capital assets	1,931,574
Restricted for:	
Debt service	285,131
Other purposes	873,359
Unrestricted	(568,075)
Total net position	2,521,989
Total liabilities and net position	$ 10,477,313

The accompanying notes are an integral part of this statement.

EXHIBIT A-8

CITY OF BURKBURNETT, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Operating revenues:	
Water revenues	$ 2,164,042
Sewer services	951,205
Industrial charges	185
Total operating revenues	3,115,432
Operating expenses:	
Water supply and distribution	966,234
Billing and collections	473,286
Wastewater treatment	880,206
Water wells	920,819
Total operating expenses:	3,240,545
Operating loss	(125,113)
Nonoperating revenues (expenses):	
Interest revenue	7,222
Miscellaneous revenue	38,098
Interest expense and fiscal charges	(201,837)
Total nonoperating revenues (expenses)	(156,517)
Net loss	(281,630)
Net position - beginning, as restated (see note K)	2,803,619
Net position - ending	$ 2,521,989

The accompanying notes are an integral part of this statement.

EXHIBIT A-9

CITY OF BURKBURNETT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Cash flows from operating activities:		
Cash received from customers	$	3,020,035
Cash payments to employees for services		(717,306)
Cash payments to other suppliers for goods and services		(2,065,458)
Net cash provided by operating activities		237,271
Cash flows from non-capital financing activities:		
Payments from other funds		289,616
Other receipts		38,098
Net cash provided by non-capital financing activities		327,714
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt		2,210,000
Principal paid on long-term debt		(265,000)
Interest and paying agent fees paid on long-term debt		(186,969)
Acquisition of capital assets		(1,915,884)
Net cash used by capital and related financing activities		(157,853)
Cash flows from investing activities:		
Interest earned		7,222
Purchase of certificates of deposit		(25)
Net cash provided by capital and related financing activities		7,197
Net increase in cash and cash equivalents		414,329
Cash and cash equivalents - beginning		745,161
Cash and cash equivalents - ending	$	1,159,490
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$	(125,113)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		508,195
(Increase) decrease in assets:		
Receivables		(97,129)
Inventory		(7,010)
Increase (decrease) in liabilities:		
Accounts payable		(46,150)
Customer deposits		1,732
Accrued compensated absences		2,746
Net cash provided by operating activities	$	237,271
Reconciliation of cash and cash equivalents		
Unrestricted cash	$	1,000
Restricted cash equivalents		1,158,490
	$	1,159,490

The accompanying notes are an integral part of this statement.

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 position and statement of activities. Significantly, the statement of net position 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 position - The statement of net position 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 position and reports depreciation expense - the cost of "using up" capital assets - in the statement of

activities. The net position of a government is broken down into three categories, 1) net investment in capital assets; 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.

The Burkburnett 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. In 2013, the BHFC was dissolved and its assets became assets of the City.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position 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.

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.

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, 2013, net property taxes receivable is calculated as follows:

Gross property taxes receivable	$ 94,737
Allowance for uncollectible taxes	(47,369)
Net property taxes receivable	$ 47,368

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 $94,737 in delinquent property taxes at September 30, 2013, it is expected that the City will collect approximately $31,000 during the year ending September 30, 2014. This is similar to the collections for the year ending September 30, 2013.

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:

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

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 position.

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.

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 position 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 2014 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, 2013, the balance of the City's cash deposits was $9,098,787. The City's cash deposits at September 30, 2013, and during 2013, 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, 2013, the Burkburnett Development Corporation's and Burkburnett Housing Finance Corporation's cash deposit balances were $838,432 and $0, respectively. The cash deposits for both component units at September 30, 2013 and during 2013, 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

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.

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	$ 18,291	$ 285,131
Capital projects	4,643,155	873,359
Cemetery	59,243	-
Golf course	27,999	-
Hotel/motel funds	397,094	-
TIF funds	211,084	-
Other	10,465	-
Total	$ 5,367,331	$ 1,158,490

D. Capital Assets

Capital asset activity for the period ended September 30, 2013, was as follows:

Primary government

Governmental activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Land	$ 8,469	$ -	$ -	$ 8,469
Construction in progress	164,938	689,443	(469,839)	384,542
Golf course land	64,000	-	-	64,000
Total capital assets not being depreciated	237,407	689,443	(469,839)	457,011
Capital assets being depreciated:				
Buildings and improvements	1,740,829	-	-	1,740,829
Library books	548,881	22,494	-	571,375
Streets and curbs	17,582,445	-	469,839	18,052,284
Golf course	644,030	20,000	-	664,030
Equipment and vehicles	3,220,981	306,344	-	3,527,325
Total capital assets being depreciated	23,801,166	348,838	469,839	24,555,843
Less accumulated depreciation for:				
Buildings and improvements	967,925	51,740	-	1,019,665
Library books	464,645	16,868	-	481,513
Streets and curbs	8,011,397	672,483	-	8,683,880
Golf course	517,330	66,403	-	583,733
Equipment and vehicles	2,405,482	209,011	-	2,614,493
Total accumulated depreciation	12,366,779	1,016,505	-	13,383,284
Total capital assets being depreciated, net	11,370,387	(667,667)	469,839	11,172,559
Governmental activities capital assets, net	$11,607,794	$ 21,776	$ -	$11,629,570

Business-type activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Land	$ -	$1,596,656	$ -	$ 1,596,656
Construction in progress	16,400	208,767	-	225,167
Total capital assets not being depreciated	16,400	1,805,423	-	1,821,823
Capital assets being depreciated:				
Buildings and improvements	150,560	-	-	150,560
Equipment and vehicles	1,336,643	110,461	-	1,447,104
Water system	8,820,975	-	-	8,820,975
Sewer system	4,816,223	-	-	4,816,223
Total capital assets being depreciated	15,124,401	110,461	-	15,234,862
Less accumulated depreciation for:				
Buildings and improvements	90,336	3,764	-	94,100
Equipment and vehicles	1,010,454	84,038	-	1,094,492
Water system	4,011,679	309,492	-	4,321,171
Sewer system	3,210,166	110,901	-	3,321,067
Total accumulated depreciation	8,322,635	508,195	-	8,830,830
Total capital assets being depreciated, net	6,801,766	(397,734)		6,404,032
Business-type activities capital assets, net	$ 6,818,166	$1,407,689	$ -	$ 8,225,855

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 400
Administration	15,961
City hall	2,853
Police department	64,223
Municipal court	808
Fire department	58,260
Library	20,793
Streets and public works	750,954
Parks and recreation	86,810
E.M.T.	13,253
Community planning	2,190
Total depreciation expense - governmental activities	$1,016,505
Business-type activities:	
Water supply, distribution, and wells	$ 390,594
Waste water treatment	117,601
Total depreciation expense – business-type activities	$ 508,195

Discretely presented component units

Activity for the Burkburnett Development Corporation for the year ended September 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and office equipment	$ 20,346	$ -	$ -	$ 20,346
Less: accumulated depreciation	19,219	442	-	19,663
Capital assets, net	$ 1,127	$ (442)	$ -	$ 683

The Burkburnett Development Corporation had $443 in depreciation expense for the year ended September 30, 2013.

E. Inter-fund Balances and Activity

1. Due To and From Other Funds

Inter-fund receivables and payables at September 30, 2013, consisted of the following:

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	$ 1,342,528	$ 40,138
Debt Service Fund	40,138	-
Special Revenue Fund	-	16,294
Water and Sewer Fund	-	1,326,234
Total	$ 1,382,666	$ 1,382,666

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 2013, consisted of the following:

Fund	Transfers Out	Transfers In	Total
General Fund	$ (129,873)	$ 4,666,923	$ 4,537,050
Debt Service Fund	(4,666,923)	129,873	(4,537,050)
Total	$(4,796,796)	$ 4,796,796	$ -

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 bonds payable to the General Fund for ongoing construction projects.

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, 2013, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds, series 2008, 2006, and 2013	$ 5,605,000	$ 4,400,000	$ (270,000)	$ 9,735,000	$ 350,000
Notes payable	625,742	-	(142,245)	483,497	287,633
Capital leases payable	141,305	170,423	(29,971)	281,757	49,538
Compensated absences	101,364	105,522	(98,566)	108,320	88,481
Total governmental activities	$ 6,473,411	$ 4,675,945	$ (540,782)	$ 10,608,574	$ 775,652
Business-type activities:					
Certificates of obligation, series 2003	$ 575,000	$ -	$ (70,000)	$ 505,000	$ 75,000
General obligation refunding bonds, series 2010	2,345,000	-	(130,000)	2,215,000	135,000
Revenue bonds, series 2010 and 2013	1,425,000	2,210,000	(65,000)	3,570,000	140,000
Compensated absences	24,312	30,753	(28,007)	27,058	23,437
Total business-type activities	$ 4,369,312	$ 2,240,753	$ (293,007)	$ 6,317,058	$ 373,437
Component units: BEDC					
Compensated absences	$ 1,414	$ 266	$ (1,680)	$ -	$ -
Total component units	$ 1,414	$ 266	$ (1,680)	$ -	$ -

2. General Obligation Bonds

In July 2013, the City issued $4,400,000 in General Obligation Refunding Bonds, Series 2013 to finance the constructing and equipping of a Family Aquatic Center. Interest rates range from 5.00% to 4.25% with a maturity date of February 15, 2033 and annual series payments range from $65,000 to $565,000.

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.

3. Revenue Bonds and Certificates of Obligation

In July 2013, the City issued Waterworks and Sewer System Revenue Bonds, Series 2013 in the amount of $2,210,000 to pay for land that will be used for water and sewer purposes. The bonds are payable from pledged net revenues of the waterworks and sewer system. The bonds bear interest at 2.00% to 4.25%. The final maturity date is in 2033 and the annual series payments range from $70,000 to $155,000.

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 pledged 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 October 2012, the City renewed the loan and extended the maturity date to October 1, 2013.

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, 2013 as follows:

Year ending September 30,	Amount
2014	$ 30,319
2015	30,319
2016	30,319
2017	30,319
Total future minimum lease payments	121,276
Less amount representing interest	(6,913)
Present value of minimum lease payments	$ 114,363

The carrying value of the equipment purchased under capital lease is $148,732 at September 30, 2013.

6. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2013, are as follows:

	Governmental Activities		Business-type Activities	
	Notes and General Obligation Bonds		Certificates of Obligation and Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	$ 637,633	$ 431,165	$ 350,000	$ 237,785
2015	404,707	389,310	360,000	221,345
2016	425,777	371,196	375,000	209,983
2017	441,894	353,416	390,000	197,602
2018	458,060	334,973	405,000	184,228
2019-2023	2,520,426	1,375,109	1,900,000	719,292
2024-2028	2,710,000	842,361	1,635,000	361,140
2029-2033	2,620,000	287,088	875,000	112,833
Totals	$10,218,497	$ 4,384,618	$ 6,290,000	$ 2,244,208

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.

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 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
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	21.9 years: closed period	20.9 years: closed period	19.9 years: closed period
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Assumptions:			
Investment Rate of Return	7.0%	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 December 31, 2012, the most recent actuarial valuation dates, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3)	Unfunded AAL (UAAL) (4)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2012	$10,248,031	$11,464,342	89.4%	$1,216,311	$2,652,901	45.8%

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. Loan Guaranty

The Burkburnett Development Corporation is a guarantor of a promissory note for $30,000, which bears interest at 7.25% and matures in August 2018. The note is secured by a rental cottage. The guarantee was extended as part of an economic development incentive package for a third-party corporation, as permitted by the Texas Economic Development Act.

At September 30, 2013, the outstanding principal balance on the note was $29,594. Because the fair value of the collateralized assets exceeds the amount of the debt obligation, significant losses are not anticipated. The Corporation has not recorded a liability for this guarantee in the accompanying balance sheet. The Corporation believes there is only a remote possibility that the third party will not remain current with its debt payments and the Corporation will be required to perform under the guarantee.

4. Operating lease

The City leased a letter folder in August 2012, which expires in August 2016. Rental expense related to this lease was $4,728 for the year ended September 30, 2013.

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

Year ending September 30,	Amount
2014	4,728
2015	4,728
2016	4,334
Total future minimum lease payments	$13,790

K. Accounting Changes

In fiscal year 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement 65 *Items Previously Reported as Assets and Liabilities.* Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 63 resulted in a new presentation for the statement of net position and various changes in terminology. No balances were required to be restated.

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide and enterprise fund financial statements. The deferred charges for issuance costs were reclassed as expense of prior periods and resulted in the adjustment below:

	Primary Government		
	Governmental Activities	Business-Type Activities/ Enterprise Fund	Total
Net position at September 30, 2012	$ 9,931,658	$ 2,884,033	$ 12,815,691
Change in reporting for debt issuance costs	(20,700)	(80,414)	(101,114)
Net position at September 30, 2012, restated	$ 9,910,958	$ 2,803,619	$12,714,577

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.

EXHIBIT B-1

CITY OF BURKBURNETT, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	$ 2,040,140	$ 2,040,140	$ 2,068,155	$ 28,015
Non-property taxes	2,139,819	2,139,819	2,179,439	39,620
Fines and forfeitures	74,500	74,500	49,550	(24,950)
Licenses and permits	34,729	34,729	48,383	13,654
Fees and services	1,699,400	1,699,400	1,699,293	(107)
Miscellaneous	62,850	62,850	64,130	1,280
Intergovernmental revenue	40,125	40,125	42,194	2,069
Total operating revenues	6,091,563	6,091,563	6,151,144	59,581
Expenditures:				
Current:				
General government	243,828	243,828	263,764	(19,936)
Administration	242,352	242,352	233,384	8,968
Tax assessing/collecting	34,087	34,087	33,518	569
City hall	226,103	226,103	215,767	10,336
Police department	1,535,325	1,535,325	1,488,890	46,435
Municipal court	73,476	73,476	73,949	(473)
Fire department	98,855	98,855	93,170	5,685
Library	150,230	150,230	139,106	11,124
Streets and public works	808,426	808,426	746,287	62,139
Parks and recreation	453,369	453,369	386,602	66,767
Community center	30,400	30,400	19,436	10,964
Garbage collection	1,335,380	1,335,380	1,271,732	63,648
E.M.T.	378,926	378,926	392,297	(13,371)
Community planning	127,840	127,840	144,533	(16,693)
Drainage improvement	92,000	92,000	35,339	56,661
Capital outlay	202,500	202,500	1,017,036	(814,536)
Total expenditures	6,033,097	6,033,097	6,554,810	(521,713)
Excess (deficiency) of revenues over (under) expenditures	58,466	58,466	(403,666)	(462,132)
Other financing sources (uses):				
Interest income	21,510	21,510	38,793	17,283
Sale of assets	-	-	250	250
Transfers	(102,300)	(102,300)	4,537,050	4,639,350
Total other financing sources (uses)	(80,790)	(80,790)	4,576,093	4,656,883
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ (22,324)	$ (22,324)	$ 4,172,427	$ 4,194,751

CITY OF BURKBURNETT, TEXAS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-2

Schedules of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2012
Actuarial Value of Assets	$ 10,248,031
Actuarial Accrued Liability	$ 11,464,342
Percentage Funded	89.4%
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,216,311
Annual Covered Payroll	$ 2,652,901
UAAL as a Percentage of Covered Payroll	45.8%
Net Pension Obligation (NPO) at the Beginning of the Period	$ -
Annual Pension Cost:	
Annual Required Contribution (ARC)	$ 281,959
Contributions Made	$ (281,959)
NPO at the end of the Period	$ -
Two Preceding Years:	
12/31/2012:	
Annual Pension Cost	$ 299,010
Percentage of Annual Pension Cost Contributed	100%
NPO at the end of the Period	$ -
12/31/2011:	
Annual Pension Cost	$ 385,247
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Burkburnett, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Burkburnett, Texas' basic financial statements and have issued our report thereon dated March 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Burkburnett, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Burkburnett, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Burkburnett, Texas' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings, that we consider to be a significant deficiency. See finding 2013-1.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Burkburnett, Texas' financial statements are free from 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*.

Purpose of this Report

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

Respectfully submitted,

MWH GROUP, P.C.

March 13, 2013

CITY OF BURKBURNETT, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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 __X__ No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	__X__ Yes ____ No
Noncompliance material to financial statements noted?	____ Yes __X__ No

B. Financial Statement Finding

Finding 2013-1: Control Environment

Condition and Criteria: An ideal control environment provides structure and clear communication of responsibilities for the City and its employees. However, the City does not have an ideal control structure due to the limited number of personnel involved with the City's accounting and administrative function.

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

Effect: 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 always be aware of their weaknesses in internal control resulting from their small number of accounting and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves. Below we have listed several such areas to consider.

- Prepare a formal document that outlines policies and procedures for the City's accounting and administrative functions.
- Perform monthly reconciliations of the accounts receivable sub-ledgers to the general ledger.
- Perform supervisory reviews for all monthly reconciliations, including bank reconciliations, to ensure that control procedures are being performed as intended.
- Perform monthly reconciliations of the pooled cash fund to ensure that the claim on pooled cash accounts agree to the pooled cash balance.
- Periodically perform a physical inventory of all property, plant, and equipment.