

**City of Burkburnett, Texas**  
**Financial Statements**  
**September 30, 2010**

**City of Burkburnett, Texas  
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A Partnership of  
Professional Corporations

Independent Auditor's Report

The Board of Commissioners  
City of Burkburnett, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Burkburnett, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

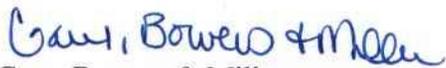
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burkburnett, Texas, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the City of Burkburnett, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and pension supplementary information on Pages 3-10 and 35-38 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Burkburnett, Texas' basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Gary, Bowers & Miller  
December 20, 2010

## CITY OF BURKBURNETT, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Burkburnett's 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, 2010. It is intended to provide a broad overview on 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 Supplemental Information.

### FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2010:

- The City's assets exceed its liabilities at September 30, 2010, by \$13,923,612 (net assets). Of this amount, \$2,852,783 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets decreased by \$90,181.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,302,676. Approximately 53 percent of this total amount, \$2,793,680, is unreserved fund balance available for use within the City's fund designation and fiscal policies.
- As of September 30, 2010, unreserved fund balance for the General Fund was \$2,793,680 or 52 percent of total general fund expenditures.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide Financial Statements.** The government-wide financial statements, which begin on page 11 of this report, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, library, culture and recreation, garbage collection, community development and storm water drainage. The business-type activities of the City include water distribution and wells and wastewater collection and treatment.

The government-wide financial statements can be found on pages 11-12 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for the specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the appropriated budget. Data for the other governmental funds are combined into a single, aggregated presentation.

**Proprietary Funds.** The City maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Funds to account for water and wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

**Component Units.** The City includes two other entities in its report, The Burkburnett Development Corporation and the Burkburnett Housing Finance Corporation, which issue their own financial statements. These two entities were created as instrumentalities of the city for specific purposes. The Burkburnett Development Corporation is charged with the responsibility of all facets of economic development in Burkburnett. This organization is funded with 4(B) sales tax dollars and specifically focuses on the creation, expansion, and retention of jobs and improving the quality of life for citizens of Burkburnett. The Burkburnett Housing Finance Corporation was created to facilitate the development of

affordable housing and multi-family housing in the city. The Burkburnett City Council appoints both organizations' Boards of Directors.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,923,612 as of September 30, 2010.

A large portion of the City's net assets (61 percent) reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure), less any outstanding debt used to acquire those assets. The investments in capital assets net of related debt increased by \$107,608 mainly due to the acquisition and depreciation of capital assets. The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF BURKBURNETT'S NET ASSETS

	Governmental Activities		Business-type activities		Totals		Component Units	
	2009	2010	2009	2010	2009	2010	2009	2010
<b>Assets</b>								
Cash and Investments	\$ 1,811,374	1,961,520	\$ 778,633	749,524	\$ 2,590,007	2,711,044	\$ 605,209	300,183
Receivables	1,176,733	1,242,464	(601,326)	(482,343)	575,407	760,121	-	59,253
Restricted Assets	3,035,606	2,508,996	-	0	3,035,606	2,508,996	-	-
Fixed Assets	11,768,883	11,568,141	6,843,820	6,711,963	18,612,703	18,280,104	728,648	710,666
Other Assets	1,155	-	24,000	21,333	25,155	21,333	-	-
<b>Total Assets</b>	<b>\$ 17,793,751</b>	<b>\$ 17,281,121</b>	<b>\$ 7,045,127</b>	<b>\$ 7,000,477</b>	<b>\$ 24,838,878</b>	<b>\$ 24,281,598</b>	<b>\$ 1,333,857</b>	<b>\$ 1,070,102</b>
<b>Liabilities</b>								
Due within One Year	\$ 1,102,118	\$ 1,087,085	\$ 445,634	\$ 304,890	\$ 1,547,752	1,391,975	\$ 32,658	\$ 5,710
Due in More than One Year	6,112,333	5,846,011	3,165,000	3,120,000	9,277,333	8,966,011	367,123	-
<b>Total Liabilities</b>	<b>\$ 7,214,451</b>	<b>\$ 6,933,096</b>	<b>\$ 3,610,634</b>	<b>\$ 3,424,890</b>	<b>\$ 10,825,085</b>	<b>\$ 10,357,986</b>	<b>\$ 399,781</b>	<b>\$ 5,710</b>
<b>Net Assets</b>								
Invested in Capital Assets	\$ 4,901,405	\$ 5,013,537	\$ 3,552,820	\$ 3,548,296	\$ 8,454,225	8,561,833	\$ 330,537	\$ 710,666
Restricted For:								
Future Development	3,035,606	2,508,996	-	-	\$ 3,035,606	2,508,996	-	-
Unrestricted	2,642,289	2,825,492	(118,327)	27,291	\$ 2,523,962	2,852,783	603,539	353,726
<b>Total Net Assets</b>	<b>\$ 10,579,300</b>	<b>\$ 10,348,025</b>	<b>\$ 3,434,493</b>	<b>\$ 3,575,587</b>	<b>\$ 14,013,793</b>	<b>\$ 13,923,612</b>	<b>\$ 934,076</b>	<b>\$ 1,064,392</b>

An additional portion of the City's assets (18 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,674,469, may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the previous year. Overall the City had a decrease in net assets of \$90,181.

**Governmental Activities.** Governmental activities decreased the City's net assets by \$231,275. The net assets invested in capital assets, net of related debt, increased by \$112,132. Unrestricted net assets increased by \$183,203, or 7 percent.

Total revenues increased for governmental activities from the previous year by \$261,210. General Fund revenue had a net increase of \$166,824, or 5.8 percent.

**Business-type activities.** Net assets from business-type activities increased by \$141,094, or 4 percent, from \$3,434,493 to \$3,537,587. This increase is primarily due to the excess of operating revenues over operating expenditures and net transfers.

The following table provides a summary of the City's operations for the year ended September 30, 2010, with comparative totals for the year ended September 30, 2009.

## CITY OF BURKBURNETT'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type activities		Totals		Component Units	
	2009	2010	2009	2010	2009	2010	2009	2010
<b>Revenues</b>								
<b>Operating Revenues</b>								
Charges for services	\$ 1,651,402	1,631,789	\$ 2,663,000	2,939,607	\$ 4,314,402	4,571,396	\$ -	-
Operating grants and contributions	34,125	34,125	-	-	34,125	34,125	-	-
Capital grants and contributions	74,857	361,626	-	-	74,857	361,626	-	-
<b>General Revenues</b>								
Property taxes	2,406,703	2,464,394	-	-	2,406,703	2,464,394	-	-
Franchise taxes	726,737	861,237	-	-	726,737	861,237	293,748	293,136
Sales taxes	881,613	884,683	-	-	881,613	884,683	-	-
Other taxes	72,164	88,771	-	-	72,164	88,771	3,902	3,075
Investment earnings	42,128	53,679	7,198	6,788	49,326	60,467	22,877	22,352
Miscellaneous	119,759	109,380	215,687	28,464	335,446	137,844	12,755	3,000
Intergovernmental Transfers	-	(218,986)	-	218,986	-	-	-	-
<b>Total Revenue</b>	<b>\$ 6,009,488</b>	<b>\$ 6,270,698</b>	<b>\$ 2,885,885</b>	<b>\$ 3,193,845</b>	<b>\$ 8,895,373</b>	<b>\$ 9,464,543</b>	<b>\$ 333,282</b>	<b>\$ 321,563</b>
<b>Expenses</b>								
General Government	\$ 169,966	\$ 190,456	\$ -	\$ -	\$ 169,966	\$ 190,456	\$ -	\$ -
Administration	236,443	224,992	-	-	236,443	224,992	-	-
Tax Assessing/Collecting	34,156	34,696	-	-	34,156	34,696	-	-
City Hall	194,464	202,339	-	-	194,464	202,339	-	-
Police Department	1,420,294	1,537,639	-	-	1,420,294	1,537,639	-	-
Municipal Court	67,492	79,020	-	-	67,492	79,020	-	-
Fire Department	99,601	97,809	-	-	99,601	97,809	-	-
Library	150,426	176,829	-	-	150,426	176,829	-	-
Streets and Public Works	1,690,686	1,618,682	-	-	1,690,686	1,618,682	-	-
Parks and Recreation	491,164	492,244	-	-	491,164	492,244	-	-
Community Center	61,095	99,334	-	-	61,095	99,334	-	-
Garbage Collection	1,157,966	1,253,392	-	-	1,157,966	1,253,392	-	-
EMT	353,221	367,593	-	-	353,221	367,593	-	-
Community Planning	122,250	148,411	-	-	122,250	148,411	-	-
Drainage Improvement	6,719	58,035	-	-	6,719	58,035	-	-
Grant Outlay	108,618	138,329	-	-	108,618	138,329	-	-
Water System	-	-	2,141,241	2,230,861	2,141,241	2,230,861	-	-
Wastewater System	-	-	855,866	821,890	855,866	821,890	-	-
Burkburnett Development Corp	-	-	-	-	-	-	188,618	245,699
Burkburnett Housing Finance Corp	-	-	-	-	-	-	-	5
<b>Total Expenses</b>	<b>\$ 6,364,561</b>	<b>\$ 6,719,800</b>	<b>\$ 2,997,107</b>	<b>\$ 3,052,751</b>	<b>\$ 9,361,668</b>	<b>\$ 9,772,551</b>	<b>\$ 188,618</b>	<b>\$ 245,704</b>
<b>Increase (Decrease) in Net Assets Before Special Items and Transfers</b>								
	\$ (355,073)	\$ (449,102)	\$ (111,222)	\$ 141,094	\$ (466,295)	\$ (308,008)	\$ 144,664	\$ 75,859
<b>Special Items and Transfers</b>								
Grant Matching Transfer	\$ 15,200	\$ -	\$ (15,200)	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Increase (Decrease) in Net Assets After Special Items and Transfers</b>	<b>\$ (339,873)</b>	<b>\$ (449,102)</b>	<b>\$ (126,422)</b>	<b>\$ 141,094</b>	<b>\$ (466,295)</b>	<b>\$ (308,008)</b>	<b>\$ 144,664</b>	<b>\$ 75,859</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 10,919,173</b>	<b>\$ 10,797,127</b>	<b>\$ 3,560,915</b>	<b>\$ 3,434,493</b>	<b>\$ 14,480,088</b>	<b>\$ 14,231,620</b>	<b>\$ 789,412</b>	<b>\$ 988,533</b>
<b>Net Assets - End of Year</b>	<b>\$ 10,579,300</b>	<b>\$ 10,348,025</b>	<b>\$ 3,434,493</b>	<b>\$ 3,575,587</b>	<b>\$ 14,013,793</b>	<b>\$ 13,923,612</b>	<b>\$ 934,076</b>	<b>\$ 1,064,392</b>

### FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,302,676. Approximately 53 percent of this amount, \$2,793,680, constitutes unreserved fund balances. Refer to page 13 of this report for a more detailed presentation of governmental fund balances.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the City's Enterprise Funds at the end of the year amounted to \$27,291. The increase in net assets was \$141,094. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference between the original budget and the final amended budget is \$61,500. This change is primarily related to fund engineering costs for potential community center renovations.

In the General Fund, the City budgeted for a decrease in the fund balance on a budget basis of \$221,105 but mainly due to not completing as much of the capital projects before last fiscal year-end the capital expenditures were \$428,286 higher than projected. Actual revenues collected were \$123,061 less than budgeted, actual expenditures were \$50,407 less than budgeted but with the increase in capital expenditures the fund balance decreased \$539,557 during the current fiscal year. Sales and franchise taxes were \$55,278, or 2.7 percent, lower than projected, property taxes were \$33,640, or 1.7 percent, less and fines and forfeitures taxes were \$35,643, or 28.9 percent, less. Expenditures were lower than budgeted mainly because fire department costs were \$26,014, or 23.9 percent, lower, parks and recreation expenses were \$24,446, or 6.2 percent lower and storm water drainage costs were \$36,615, or 38.7 percent lower than budgeted, even though garbage collection costs were \$62,531, or 5.2 percent higher than budgeted.

Even with these appropriations, the actual revenues were sufficient to cover the actual expenditures.

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$8,561,83 (net of accumulated depreciation). This investment includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

Major capital asset events occurring during the current fiscal year included the following:

- Acquired vehicles and equipment for approximately \$158,271;
- Continuation of street bond program- Cropper Rd/Kramer Rd- for \$551,530;
- Water line replacement- Roller Rd/Clark Rd- for \$30,403
- Water line replacement- - for \$218,986
- Mobile phone system- Police Department- for \$47,496
- Radio system upgrades- Police Department- for \$54,854
- Completion of reconstruction of Ameron Rd/County Rd intersection for \$22,675

## CITY OF BURKBURNETT'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type activities		Totals	
	2009	2010	2009	2010	2009	2010
Building and Improvements	\$ 813,719	\$ 759,581	\$ 150,560	\$ 150,560	964,279	910,141
Library Books	79,857	67,300	-	-	79,857	67,300
Streets and Curbs	9,347,258	9,851,593	-	-	9,347,258	9,851,593
Streets Construction in Progress	568,158	-	-	-	568,158	-
Golf Course	366,674	304,660	-	-	366,674	304,660
Golf Course Land	64,000	64,000	-	-	64,000	64,000
Equipment and Vehicles	520,748	512,538	380,463	623,900	901,211	1,136,438
Land	8,469	8,469	-	-	8,469	8,469
Water System	-	-	5,159,265	4,894,307	5,159,265	4,894,307
Sewer System	-	-	1,428,094	1,321,522	1,428,094	1,321,522
<b>Total capital assets</b>	<b>\$ 11,768,883</b>	<b>\$ 11,568,141</b>	<b>\$ 7,118,382</b>	<b>\$ 6,990,289</b>	<b>\$ 18,887,265</b>	<b>\$ 18,558,430</b>

Additional information on the City's capital assets can be found on pages 27-28 of this report.

### DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt of \$9,264,000. Of this amount \$8,554,000 represents bonded debt backed by the full faith and credit of the City. \$710,000 represents utility revenue bonds secured by water and sewer revenues.

### OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type activities		Totals	
	2009	2010	2009	2010	2009	2010
Street Bonds	\$ 6,319,000	\$ 6,079,000	\$ -	\$ -	6,319,000	6,079,000
Note Payable - Golf Course	498,478	441,581	-	-	498,478	441,581
Note Payable - Police Vehicles	50,000	34,023	-	-	50,000	34,023
General Obligation Refunding Bonds	-	-	-	2,475,000	-	2,475,000
Water and sewer system revenue bonds	-	-	3,315,000	710,000	3,315,000	710,000
<b>Total outstanding debt</b>	<b>\$ 6,867,478</b>	<b>\$ 6,554,604</b>	<b>\$ 3,315,000</b>	<b>\$ 3,185,000</b>	<b>\$ 10,182,478</b>	<b>\$ 9,739,604</b>

The City's Waterworks and Sewer System Surplus Revenue Certificates of Obligation bond ratings are listed below:

	Moody's Investor Service	Standard and Poor's
Waterworks and Sewer System Certificates	A3	A+

Additional information on the City's long-term debt can be found on pages 28-30 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In the fiscal year 2010-11 budget, because of the slower economic conditions of the area General Fund revenues are budgeted to decrease by \$38,173. Property valuations will be slightly lower than the previous year by \$2,113,399, from \$411,484,300 down to \$409,371,081. The City elected to adopt the calculated effective tax rate instead of increasing it therefore property revenues were lowered slightly from \$1,854,923 to \$1,852,303. Sales taxes were budgeted at only what was collected in the previous year at \$1,175,000. Factors that were considered in preparing the City's budget were no employee salary increases but there were increases in the City's contributions to employee's health care costs by 9.4%.

In the Water and Sewer Fund, no rate increases were requested. Water system revenues increased by \$118,354 to \$2,095,000 and sewer revenues were budgeted to remain the same as was collected in the previous year at \$874,141.

Budgeted major capital purchases are \$425,000 for the repainting of the North Water Tower, \$35,000 for the installation of new water lines on Gilbert/Carnes Streets, \$525,000 to drill two new exploratory water wells and \$553,000 for the installation of the TIF/I-44 sewer line project.

The city will be continuing to look for ways to improve the quality of life for our citizens through the use of state and federal grants. The continued overhaul of the water and sewer utility system will remain a capital improvement high priority.

### **Requests for Information**

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

**City of Burkburnett, Texas**  
**Statement of Net Assets**  
**September 30, 2010**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
<b>Cash and Investments</b>				
Cash	\$ 87,691	\$ -	\$ 87,691	\$ 300,183
Certificates of Deposits and Money Market Funds	1,871,002	672,026	2,543,028	-
Petty Cash	500	1,000	1,500	-
Inventory	2,327	76,498	78,825	-
<b>Receivables</b>				
Taxes (Net of Allowance)	97,630	-	97,630	-
Curb and Gutter Assessments	1,656	-	1,656	-
Garbage and Other Receivables (Net of Allowance)	106,035	-	106,035	-
Water and Sewer Charges (Net of Allowance)	-	285,977	285,977	-
Municipal Court Receivables (Net of Allowance)	31,810	-	31,810	-
Sales Tax Receivable	237,013	-	237,013	59,253
Internal Balances Due to/from Other Funds	768,320	(768,320)	-	-
<b>Restricted Assets</b>				
Cash	390,809	-	390,809	-
Certificates of Deposit and Money Market Funds	2,118,187	-	2,118,187	-
<b>Fixed Assets</b>				
Buildings and Improvements	1,740,829	150,560	1,891,389	-
Library Books	508,031	-	508,031	-
Streets and Curbs	16,457,455	-	16,457,455	-
Golf Course	644,030	-	644,030	-
Golf Course Land	64,000	-	64,000	-
Equipment and Vehicles	2,888,784	1,532,088	4,420,872	-
Water System	-	8,133,006	8,133,006	-
Sewer System	-	4,313,451	4,313,451	-
Land	8,469	-	8,469	284,472
Land Improvements	-	-	-	539,474
Furniture and Equipment	-	-	-	35,242
Accumulated Depreciation	(10,743,457)	(7,417,142)	(18,160,599)	(148,522)
<b>Other Assets</b>				
Certificates of Obligation Issuance Cost	-	40,000	40,000	-
Accumulated Amortization	-	(18,667)	(18,667)	-
<b>Total Assets</b>	<b>\$ 17,281,121</b>	<b>\$ 7,000,477</b>	<b>\$ 24,281,598</b>	<b>\$ 1,070,102</b>
<b>Liabilities</b>				
Accounts Payable	\$ 194,709	\$ 18,065	\$ 212,774	\$ 5,710
Accrued Compensated Absences	98,301	30,301	128,602	-
Payable to Other Governments	2,733	-	2,733	-
Interest Payable	82,749	7,816	90,565	-
Customer Deposits	-	183,708	183,708	-
Notes Payable and Certificates of Obligation				
Due Within One Year	708,593	65,000	773,593	-
Due in More Than One Year	5,846,011	3,120,000	8,966,011	-
<b>Total Liabilities</b>	<b>\$ 6,933,096</b>	<b>\$ 3,424,890</b>	<b>\$ 10,357,986</b>	<b>\$ 5,710</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	\$ 5,013,537	\$ 3,548,296	\$ 8,561,833	\$ 710,666
Restricted For:				
Future Development	2,508,996	-	2,508,996	-
Unrestricted	2,825,492	27,291	2,852,783	353,726
<b>Total Net Assets</b>	<b>\$ 10,348,025</b>	<b>\$ 3,575,587</b>	<b>\$ 13,923,612</b>	<b>\$ 1,064,392</b>

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

City of Burkburnett, Texas  
Statement of Activities  
For the Year Ended September 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government	\$ 190,456	\$ -	\$ -	\$ (183,190)	\$ -	\$ (183,190)	\$ -
Administration	224,992	-	-	(224,992)	-	(224,992)	-
Tax Assessing/Collecting	34,696	-	-	(34,696)	-	(34,696)	-
City Hall	202,339	-	-	(202,339)	-	(202,339)	-
Police Department	74,111	-	-	(1,463,528)	-	(1,463,528)	-
Municipal Court	1,537,639	-	-	(68,256)	-	(68,256)	-
Fire Department	97,809	34,125	-	(63,684)	-	(63,684)	-
Library	176,829	-	-	(172,807)	-	(172,807)	-
Streets and Public Works	1,618,682	-	-	(1,618,682)	-	(1,618,682)	-
Parks and Recreation	492,244	-	-	(351,755)	-	(351,755)	-
Community Center	99,334	-	-	(86,454)	-	(86,454)	-
Garbage Collection	1,253,392	-	-	8,314	-	8,314	-
E.M.T.	367,593	-	-	(367,593)	-	(367,593)	-
Community Planning	148,411	-	-	(120,632)	-	(120,632)	-
Drainage Improvement	38,035	-	-	34,737	-	34,737	-
Grant Outlay	138,329	-	361,626	223,297	-	223,297	-
<b>Total Governmental Activities</b>	<b>6,719,800</b>	<b>34,125</b>	<b>361,626</b>	<b>(4,692,260)</b>	<b>-</b>	<b>(4,692,260)</b>	<b>-</b>
<b>Business-Type Activities</b>							
Water Supply, Distribution and Wells	2,230,861	-	-	-	(189,604)	(189,604)	-
Waste Water Treatment	821,890	-	-	-	76,460	76,460	-
<b>Total Business-Type Activities</b>	<b>3,052,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(113,144)</b>	<b>(113,144)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 9,772,551</b>	<b>\$ 34,125</b>	<b>\$ 361,626</b>	<b>\$ (4,692,260)</b>	<b>\$ (113,144)</b>	<b>\$ (4,805,404)</b>	<b>\$ -</b>
<b>Component Units</b>							
Burkburnett Development Corp	\$ 245,699	-	-	-	-	-	\$ (245,699)
Burkburnett Housing Finance Corporation	\$ -	-	-	-	-	-	\$ -
<b>Total Component Units</b>	<b>\$ 245,704</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (245,704)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes, levied for general purposes				2,464,394	-	2,464,394	-
Franchise Taxes				861,237	-	861,237	-
Sales Tax				884,683	-	884,683	293,136
Other Tax				88,771	-	88,771	-
Unrestricted Investment Earnings				53,679	6,788	60,467	3,075
Advertising and Promotional Income				-	-	-	22,352
Miscellaneous				109,380	28,464	137,844	3,000
Intergovernmental Transfer				(218,986)	218,986	-	-
<b>Total General Revenues, Special Items, and Transfers</b>				<b>4,243,158</b>	<b>254,238</b>	<b>4,497,396</b>	<b>321,563</b>
<b>Change in Net Assets</b>				<b>(449,102)</b>	<b>141,094</b>	<b>(308,008)</b>	<b>75,859</b>
<b>Net Assets - Beginning</b>				<b>10,797,127</b>	<b>3,434,493</b>	<b>14,231,620</b>	<b>988,533</b>
<b>Net Assets - Ending</b>				<b>\$ 10,348,025</b>	<b>\$ 3,575,587</b>	<b>\$ 13,923,612</b>	<b>\$ 1,064,392</b>

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

**City of Burkburnett, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2010**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
<b>Cash and Investments</b>			
Cash in Bank	\$ 87,691	\$ -	\$ 87,691
Certificates of Deposit and Money Market	1,871,001	-	1,871,001
Petty Cash	500	-	500
Inventory	2,327	-	2,327
<b>Receivables</b>			
Taxes (Net of Allowance)	97,630	-	97,630
Curb and Gutter Assessments	1,655	-	1,655
Charges Receivable (Net of Allowance)	106,035	-	106,035
Sales Tax Receivable	237,013	-	237,013
Due From Other Funds	768,320	-	768,320
<b>Restricted Assets</b>			
Cash	383,821	6,988	390,809
Certificates of Deposit and Money Market	2,118,187	-	2,118,187
<b>Total Assets</b>	<b>\$ 5,674,180</b>	<b>\$ 6,988</b>	<b>\$ 5,681,168</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 194,709	\$ -	\$ 194,709
Accrued Compensated Absences	98,301	-	98,301
Payable to Other Governments	2,733	-	2,733
Interest Payable	82,749	-	82,749
<b>Total Liabilities</b>	<b>\$ 378,492</b>	<b>\$ -</b>	<b>\$ 378,492</b>
<b>Fund Balances</b>			
Reserved For:			
Future Development	\$ 2,502,008	\$ 6,988	\$ 2,508,996
Unreserved	2,793,680	-	2,793,680
<b>Total Fund Balances</b>	<b>\$ 5,295,688</b>	<b>\$ 6,988</b>	<b>\$ 5,302,676</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,674,180</b>	<b>\$ 6,988</b>	<b>\$ 5,681,168</b>

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

**City of Burkburnett, Texas**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2010**

Governmental Funds - Fund Balance	\$ 5,302,676
Amount reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,568,141
Some receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	31,812
Notes Payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,554,604)</u>
Net Assets of Governmental Activities	<u>\$ 10,348,025</u>

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

City of Burkburnett, Texas  
**Statement of Revenues, Expenditures, and Changes in  
Fund Balance  
Governmental Funds  
For the Year Ended September 30, 2010**

	General	Special Revenue	Total Governmental Type
<b>Operating Revenues</b>			
Property Taxes (Including Penalty and Interest)	\$ 2,464,394	\$ -	\$ 2,464,394
Non-Property Taxes	1,834,691	-	1,834,691
Fines and Forfeits	87,657	-	87,657
Licenses and Permits	29,271	-	29,271
Fees and Services	1,552,590	-	1,552,590
Miscellaneous	46,764	-	46,764
Intergovernmental Revenue	34,125	361,626	395,751
<b>Total Operating Revenues</b>	<b>\$ 6,049,492</b>	<b>\$ 361,626</b>	<b>\$ 6,411,118</b>
<b>Operating Expenditures</b>			
General Government	\$ 190,456	\$ -	\$ 190,456
Administration	220,739	-	220,739
Tax Assessing/Collecting	34,696	-	34,696
City Hall	200,973	-	200,973
Police Department	1,463,826	-	1,463,826
Municipal Court	79,020	-	79,020
Fire Department	82,837	-	82,837
Library	145,813	-	145,813
Streets and Public Works	701,549	-	701,549
Parks and Recreation	371,491	-	371,491
Community Center	94,951	-	94,951
Garbage Collection	1,252,535	-	1,252,535
E.M.T.	365,629	-	365,629
Community Planning	132,761	-	132,761
Drainage Improvement	58,035	-	58,035
Grant Outlay	-	138,329	138,329
<b>Total Operating Expenditures</b>	<b>\$ 5,395,311</b>	<b>\$ 138,329</b>	<b>\$ 5,533,640</b>
<b>Excess (Deficiency) of Operating Revenues Over (Under) Operating Expenditures</b>	<b>\$ 654,181</b>	<b>\$ 223,297</b>	<b>\$ 877,478</b>
<b>Capital Expenditures</b>			
Capital Outlay	\$ -	\$ -	\$ -
Capital Outlay - Capital Improvement Fund	661,982	-	661,982
<b>Total Capital Expenditures</b>	<b>\$ 661,982</b>	<b>\$ -</b>	<b>\$ 661,982</b>
<b>Other Financing Sources (Uses)</b>			
Transfer to Water Fund	\$ -	\$ (218,986)	\$ (218,986)
Interest Income	53,679	-	53,679
Interest Expense	(272,561)	-	(272,561)
Bond Payments	(240,000)	-	(240,000)
Note Payments	(72,874)	-	(72,874)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (531,756)</b>	<b>\$ (218,986)</b>	<b>\$ (750,742)</b>
<b>Excess of Operating Revenues and Other Sources Over (Under) Operating Expenditures, Capital Expenditures and Other Uses</b>	<b>\$ (539,557)</b>	<b>\$ 4,311</b>	<b>\$ (535,246)</b>
<b>Fund Balance, Beginning</b>	<b>\$ 5,835,245</b>	<b>\$ 2,677</b>	<b>\$ 5,837,922</b>
<b>Fund Balance, Ending</b>	<b>\$ 5,295,688</b>	<b>\$ 6,988</b>	<b>\$ 5,302,676</b>

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

**City of Burkburnett, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance - Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2010**

Net Change in Fund Balance - Total Governmental Funds \$ (535,246)

Amounts reported for governmental activities in the statement of activities are different because:

Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of the note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 312,874

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$932,871) exceeded capital outlays (\$732,129)\* in the current period and the amount of capital outlays removed due to asset disposition of (\$50,706) and the amount of accumulated depreciation due to asset disposition of (\$50,706). (200,743)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (25,987)

Change in Net Assets of Governmental Activities \$ (449,102)

*	Capital Outlay from Page 15	\$ 661,982
	Portion Included in Library Expenditures	19,126
	Contributed Assets	51,021
	Total Capital Outlays	<u><u>\$ 732,129</u></u>

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

**City of Burkburnett, Texas**  
**Statement of Net Assets**  
**Proprietary Funds**  
**Water and Sewer Fund**  
**September 30, 2010**

**Assets**

**Current Assets**

**Cash and Investments**

Certificates of Deposit and Money Market	\$ 672,026
Petty Cash	1,000
Inventory	76,498

**Receivables**

Water and Sewer Charges (Net of Allowance)	285,977
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**Total Current Assets**

\$ 1,035,501

**Fixed Assets**

Buildings and Improvements	\$ 150,560
Equipment and Vehicles	1,532,088
Water System	8,133,006
Sewer System	4,313,451
Accumulated Depreciation	(7,417,142)

**Net Fixed Assets**

\$ 6,711,963

**Other Assets**

Certificates of Obligation Issuance Cost	\$ 40,000
Accumulated Amortization	(18,667)

**Net Other Assets**

\$ 21,333

**Total Assets**

\$ 7,768,797

**Liabilities and Fund Equity**

**Liabilities**

**Current Liabilities**

Accounts Payable	\$ 18,065
Accrued Compensated Absences	30,301
Interest Payable	7,816
Customer Deposits	183,708
Due to Other Funds	768,320
Current Portion of Long-Term Liabilities	65,000

**Total Current Liabilities**

\$ 1,073,210

**Long-Term Liabilities**

Certificates of Obligation	\$ 2,475,000
Certificates of Obligation Water Projects Payable	710,000
Less: Current Portion of Long-Term Liabilities	(65,000)

**Total Long-Term Liabilities**

\$ 3,120,000

**Total Liabilities**

\$ 4,193,210

**Fund Equity**

Invested in Capital Assets, Net of Related Debt	\$ 3,548,296
Unreserved	27,291

**Total Fund Equity**

\$ 3,575,587

**Total Liabilities and Fund Equity**

\$ 7,768,797

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

**City of Burkburnett, Texas**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets - Proprietary Funds - Water and Sewer Fund**  
**For the Year Ended September 30, 2010**

<b>Operating Revenue</b>	
Water Revenue	\$ 2,041,257
Sewer Service	897,502
Industrial Charges	848
<b>Total Operating Revenue</b>	<u>\$ 2,939,607</u>
<b>Operating Expenses</b>	
Water Supply and Distribution	\$ 816,553
Billing and Collections	442,774
Waste Water Treatment	821,890
Water Wells	797,839
<b>Total Operating Expenses</b>	<u>\$ 2,879,056</u>
<b>Excess (Deficiency) of Revenues</b>	
<b>Over (Under) Expenditures</b>	\$ 60,551
<b>Non-Operating Revenue (Expenses)</b>	
Interest Income	\$ 6,788
Miscellaneous Revenue	28,464
Interest Expense	(173,695)
Capital Expenditure Reimbursements - Grant	218,986
<b>Total Non-Operating Revenue (Expenses)</b>	<u>\$ 80,543</u>
<b>Excess (Deficiency) of Revenues</b>	
<b>and Non-Operating Revenue Over (Under)</b>	
<b>Expenditures and Non-Operating Expenses</b>	\$ 141,094
<b>Net Assets, Beginning</b>	<u>\$ 3,434,493</u>
<b>Net Assets, Ending</b>	<u><u>\$ 3,575,587</u></u>

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

**City of Burkburnett, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Water and Sewer Fund**  
**For the Year Ended September 30, 2010**

<b>Cash Flow from Operating Activities</b>	
Receipts from Customers	\$ 2,954,771
Payments to Suppliers	(1,908,651)
Payments to Employees	(522,911)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 523,209</u>
<b>Cash Flow from Capital and Related Financing Activities</b>	
Purchases of Capital Assets	\$ (331,302)
Proceeds from Certificates of Obligation	710,000
Principal Paid on Capital Debt	(840,000)
Interest Paid on Capital Debt	(173,998)
Grant Matching Funds	218,986
Other Receipts	28,464
Internal Activity Payments from Other Funds	(159,749)
<b>Net Cash Used In Capital and Related Financing Activities</b>	<u>\$ (547,599)</u>
<b>Cash Flow from Investing Activities</b>	
Interest and Dividends	\$ 6,788
<b>Net Cash Flow Provided By Investing Activities</b>	<u>\$ 6,788</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ (17,602)
<b>Cash Balances - Beginning of Year</b>	<u>\$ 690,628</u>
<b>Cash Balances - End of Year</b>	<u><u>\$ 673,026</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ 60,551
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization Expense	465,826
Change in Assets and Liabilities	
Receivables	40,766
Inventories	11,507
Accounts and Others Payable	(55,441)
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 523,209</u></u>
<b>Cash Balances - End of Year - Detail</b>	
Certificates of Deposit and Money Market	\$ 672,026
Petty Cash	1,000
<b>Total Cash Balances - End of Year - Detail</b>	<u><u>\$ 673,026</u></u>

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

**City of Burkburnett, Texas**  
**Notes to the Financial Statements**  
**September 30, 2010**

Note 1 – Summary of Significant Accounting Policies

The City of Burkburnett, Texas, (the “City”) operates under a charter adopted in an election on May 8, 1923. The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, general administrative services, and water and sewer services.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in this note. The remainder of the notes are organized to provide explanations, including required disclosures of the City’s financial activities for the fiscal year ended September 30, 2010.

Component Units

The accompanying financial statements present the City’s primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Component units of the City issue separately audited financial statements. The City’s financial statements include the accounts of two discretely presented component units as follows (copies of audits of the component units can be obtained through the City Secretary’s Office):

*Burkburnett Development Corporation* – Burkburnett Development Corporation accomplishes the public purposes of the City 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.

*Burkburnett Housing Finance Corporation* – On March 29, 2001, the Burkburnett Housing Finance Corporation was chartered. The Board of Directors consists of five directors, each of whom is appointed by the City’s Board of Commissioners. The purpose of the Corporation is to carry out the purpose of the Texas Housing Finance Corporations Act Chapter 394, as amended.

Government-Wide and Fund Financial Statements

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

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

*Fund Financial Statements* – Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds, if any.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expense and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

## Fund Types and Major Funds

### *Governmental Funds*

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Special Revenue Fund – established to account for the City’s grant programs not reported in proprietary funds. Major grants include Community Development Block Grants.

### *Proprietary Funds*

The City reports the following major enterprise funds:

Water and Sewer Utilities Fund – accounts for the operating activities of the City’s water and sewer utilities services.

## Other Accounting Policies

### Cash and Investments

The City considers highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents. The City’s monetary assets can only be invested with the city depository bank as per the depository agreement and only in cash, money market accounts, or certificates of deposit.

### Inventories

Inventories in governmental funds consist of expendable supplies held for consumption and stated at cost. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at cost.

### Capital Assets, Depreciation, and Amortization

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit’s financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with 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 costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets

are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

Buildings	5-40
Improvements, Other than Buildings	5-40
Mobile Equipment	3-10
Furniture, Machinery, and Equipment	3-10

#### Long-Term Debt and Bond Discounts/Premiums

In the governmental-wide, proprietary, and component unit financial statements, outstanding debts are reported as liabilities. Bond issuance costs, bond discounts/premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

#### Fund Equity

The governmental fund financial statements report reserved fund balances for amounts not available for appropriation or amounts legally restricted for specified purposes. The general fund reserve for restricted purposes includes funds set aside for future capital projects.

#### 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 located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which they are imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The assessed value of the certified roll, upon which the levy for the 2010 fiscal year was based upon, was \$423,115,594.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended September 30, 2010, were 98.84% of the tax levy.

The combined tax rate assessed for the year ended September 30, 2010, was .573951 per \$100 valuation.

#### Liability for 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 and proprietary financial statements.

Sick leave accrues to employees in varying amounts to specified maximums, but under city policy, 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 caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Budget

##### Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with the City Charter, prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the departmental level.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- 4) The City Manager submits a monthly report to the City Council explaining any variance from the approved budget.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- 6) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with the cash basis of accounting.
- 7) The City Charter requires the adoption of a summary budget for proprietary funds.
- 8) Appropriations lapse at the end of each fiscal year.
- 9) The City Council may authorize supplemental appropriations during the year.

## Basis of Budgeting

The Budgetary Comparison Schedules include comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis for the general fund and business-type funds that have a budgetary basis that differs from GAAP. Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with GAAP. The difference in expenditures between GAAP and budgetary basis is reconciled in the table below.

### City of Burkburnett, Texas Reconciliation of Expenditures to Non-GAAP Budgetary Basis

	General Fund Expenditures				Budgetary Cash Basis
	Actual on Reporting Basis	Capital Outlay, Depreciation and Debt Service	Change in Compensated Absences Liability	Conversion to Modified Accrual Basis	
General Government	\$ 190,456	\$ -	\$ -	\$ 263,091	\$ 453,547
Administration	224,992	(4,252)	9,323	-	230,063
Tax Assessing/Collecting	34,696	-	-	-	34,696
City Hall	202,339	(1,366)	4,345	-	205,318
Police Department	1,537,639	(71,689)	(2,176)	-	1,463,774
Municipal Court	79,020	-	83	(8,931)	70,172
Fire Department	97,809	(14,972)	-	-	82,837
Library	176,829	(31,017)	381	-	146,193
Streets and Public Works	1,618,682	(656,801)	(2,455)	(266,201)	693,225
Parks and Recreation	492,244	(110,651)	534	(10,102)	372,025
Community Center	99,334	(4,383)	-	(7,668)	87,283
Garbage Collection	1,253,392	(1,000)	-	281	1,252,673
EMT	367,593	(1,964)	941	-	366,570
Community Planning	148,411	(15,651)	(947)	-	131,813
Drainage Improvement	58,035	-	-	-	58,035
Grant Outlay	138,329	-	-	(138,329)	-
Capital Outlay - Capital Improvement Fund	-	760,286	-	(760,286)	-
<b>Total</b>	<b>\$6,719,800</b>	<b>\$ (153,460)</b>	<b>\$ 10,029</b>	<b>\$ (928,145)</b>	<b>\$ 5,648,224</b>

	<b>Proprietary Fund Expenditures</b>			<b>Budgetary Cash Basis</b>
	<b>Actual on Reporting Basis</b>	<b>Conversion to Modified Accrual Basis</b>	<b>Change in Compensated Absences Liability</b>	
Water Supply, Distribution and Wells	\$2,230,861	\$ (362,521)	\$ (3,304)	\$ 1,865,036
Waste Water Treatment	821,890	(40,110)	(529)	781,251
<b>Total</b>	<b>\$3,052,751</b>	<b>\$ (402,631)</b>	<b>\$ (3,833)</b>	<b>\$ 2,646,287</b>

Note 2 – Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's bank's agent 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.

The carrying amount of deposits is separately displayed on the statement of net assets as "Cash in Bank", "Cash", or "Certificates of Deposit" and "Money Market". At September 30, 2010, the following deposits are carried:

	<b>Carrying Amount</b>	<b>Bank Balance</b>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized	4,731,466	5,079,231
Total Deposits	<u>\$ 4,981,466</u>	<u>\$ 5,329,231</u>

It is the City's policy for deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, plus the amount of FDIC insurance. The City's deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Deposits which are not collateralized or insured.

Based on these levels of risk, all of the City's cash deposits are classified as Category 2.

Collateral for deposits consists of \$3,000,000 in various municipal bonds (with ratings ranging from A to AAA) in the name of the First Bank - Burkburnett and marked as pledged to the City of Burkburnett, Texas. The securities are held by the Federal Home Loan Bank of Dallas that specifies the collateralizing of deposits in excess of FDIC coverage. In addition the First Bank-Burkburnett has executed an irrevocable letter of credit in the amount of \$3,000,000 in favor of the City of Burkburnett.

Note 3 – Accounts Receivable

Accounts Receivable are shown at net of an allowance for estimated uncollectable charges. The allowances are as follows:

Property Taxes	\$ 10,000
Municipal Court	\$ 13,500
Garbage Charges Receivable	\$ 39,392
Storm Drainage Receivable	\$ 1,697
Water and Sewer Charges	\$ 58,544

Note 4 - Capital Asset Activity

Capital Asset Activity for the City for the year ended September 30, 2010, was as follows:

	<b>Primary Government</b>		
	<b>Beginning Balance</b>	<b>Changes</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>			
Buildings and Improvements	\$ 1,740,829	\$ -	\$ 1,740,829
Library Books	539,611	(31,580)	508,031
Streets and Curbs	15,338,767	1,118,688	16,457,455
Streets Construction in Progress	568,158	(568,158)	-
Golf Course	644,030	-	644,030
Golf Course Land	64,000	-	64,000
Equipment and Vehicles	2,726,311	162,473	2,888,784
Land	8,469	-	8,469
<b>Total at Historical Cost</b>	<b>\$ 21,630,175</b>	<b>\$ 681,423</b>	<b>\$ 22,311,598</b>
<b>Less Accumulated Depreciation for:</b>			
Buildings and Improvements	\$ 927,110	\$ 54,138	\$ 981,248
Library Books	459,754	(19,023)	440,731
Streets and Curbs	5,991,509	614,353	6,605,862
Golf Course	277,356	62,014	339,370
Equipment and Vehicles	2,205,563	170,683	2,376,246
<b>Total Accumulated Depreciation</b>	<b>\$ 9,861,292</b>	<b>\$ 882,165</b>	<b>\$ 10,743,457</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 11,768,883</b>	<b>\$ (200,742)</b>	<b>\$ 11,568,141</b>

	<b>Proprietary Funds</b>		
	<u>Beginning Balance</u>	<u>Changes</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>			
Buildings and Improvements	\$ 150,560	\$ -	\$ 150,560
Equipment and Vehicles	1,201,928	330,160	1,532,088
Water System	8,131,864	1,142	8,133,006
Sewer System	4,313,451	-	4,313,451
<b>Total at Historical Cost</b>	<u>\$ 13,797,803</u>	<u>\$ 331,302</u>	<u>\$ 14,129,105</u>
<b>Less Accumulated Depreciation for:</b>			
Buildings and Improvements	\$ 79,044	\$ 3,764	\$ 82,808
Equipment and Vehicles	821,465	86,723	908,188
Water System	3,168,117	266,100	3,434,217
Sewer System	2,885,357	106,572	2,991,929
<b>Total Accumulated Depreciation</b>	<u>\$ 6,953,983</u>	<u>\$ 463,159</u>	<u>\$ 7,417,142</u>
<b>Business-Type Activities Capital Assets - Net</b>	<u>\$ 6,843,820</u>	<u>\$ (131,857)</u>	<u>\$ 6,711,963</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 4,252
City Hall	1,366
Police Department	71,689
Fire Department	14,972
Library	50,142
Street and Public Works	656,801
Parks and Recreation	110,651
Community Center	4,383
Garbage Collection	1,000
EMT	1,964
Community Planning	15,651
	<u>          </u>
<b>Total Depreciation Expense</b>	<u>\$ 932,871</u>

#### Note 5 – Certificates of Obligation and Notes Payable

##### General Government:

During the fiscal year ending September 30, 2010, 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 matures September 30, 2010.

During the fiscal year ending September 30, 2009, the City purchased police vehicles, which were financed with a note in the amount of \$50,000, bearing interest at the rate of 4.5% with fixed annual payments of \$18,102.

To finance certain street improvements, the City issued \$3,400,000 of Certificates of Obligation on August 22, 2006, and another \$3,375,000 on June 25, 2008. The Certificates are payable from ad valorem taxes of the City. The Certificates of Obligation bear interest at and average rate of 5.15%

**Proprietary Funds:**

To finance certain water and sewer improvements, the City issued \$3,055,000 of Certificates of Obligation on January 15, 2001. The Certificates are payable from ad valorem taxes of the City and are additionally payable from a lien on and pledge of the net revenues of the City's combined Water Works and Sewer System. The Certificates of Obligation bear interest at 4.875% to 5.125%. During the fiscal year ending September 30, 2010, these Certificates of Obligation were refunded, resulting in a gain of \$2,844. The new Certificates of Obligation bear interest at 2% to 3.5%. As a result of the refunding, the present value of savings from cash flow is \$95,477.

To finance certain water improvements, including new meters, the City issued \$1,040,000 of Certificates of Obligation on December 3, 2003. 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 Water Works and Sewer System. The Certificates of Obligation bear interest at 3.15% to 5%.

**Component Units:**

During the fiscal year ended September 30, 2004, the Burkburnett Development Corporation executed a line of credit, the proceeds of which were used to improve land and infrastructures at the Industrial Park. This note was paid in full during the fiscal year ended September 30, 2010.

The annual debt service requirements to maturity for debt as of September 30, 2010, are as follows:

Year Ending September 30,	General Government Notes Payable		Water and Sewer Certificates of Obligation	
	Principal	Interest	Principal	Interest
2011	708,593	261,969	65,000	139,550
2012	277,011	240,508	200,000	107,788
2013	270,000	226,296	200,000	102,563
2014	285,000	212,535	210,000	97,157
2015	295,000	198,714	215,000	91,094
2016-2020	1,695,000	758,565	1,120,000	334,791
2021-2025	2,105,000	411,457	960,000	142,800
2026-2030	919,000	46,599	215,000	4,300
Total	\$ 6,554,604	\$ 2,356,643	\$ 3,185,000	\$ 1,020,043

The following is a summary of long-term debt for the year ended September 30, 2010:

Description and Purpose	Balance September 30, 2009	Issued	Retired	Balance September 30, 2010
<b>Primary Government</b>				
<b>Governmental Activity</b>				
Note Payable-Golf Course Improvements	\$ 498,478	\$ -	\$ 56,897	\$ 441,581
Note Payable-Police Vehicles	50,000	-	15,977	34,023
Street Bonds	3,070,000	-	125,000	2,945,000
Street Bonds	3,249,000	-	115,000	3,134,000
<b>Total Governmental Activity</b>	<b>\$ 6,867,478</b>	<b>\$ -</b>	<b>\$ 312,874</b>	<b>\$ 6,554,604</b>
<b>Business-Type Activity</b>				
Certificates of Obligation	\$ 2,545,000	\$ -	\$ 70,000	\$ 2,475,000
Certificates of Obligation	770,000	-	60,000	710,000
<b>Total Business Type Activity</b>	<b>\$ 3,315,000</b>	<b>\$ -</b>	<b>\$ 130,000</b>	<b>\$ 3,185,000</b>

#### Note 6 – Retirement Funds

##### a. General

The City participates in funding two retirement plans. The Texas Municipal Retirement System Plan is a modified contribution plan; the Fireman's Relief and Retirement Plan is a contributing, defined contribution plan. The City's total retirement plan contributions for the year ended September 30, 2010, was \$395,175.

##### b. Texas Municipal Retirement System ("TMRS")

###### Plan Description

The City provides pension benefits for all of its eligible employees, other than firefighters 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 the System. This report may be obtained by writing to 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](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2009</u>	<u>Plan Year 2008</u>
Employee Deposit Rate	7%	7%
Matching Ratio (city to employee)	2 to 1	2 to 1
Years Required for Vesting	10	10
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

#### 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 that city. Both the normal cost and prior service contribution rates 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 actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know 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 annual pension cost is \$387,646 and net pension obligation (asset) is 2010.

#### Trend Information

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Actual Contribution Made</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation/ (Asset)</b>	<b>Amortization Factor</b>	<b>Annual Required Contribution Rate</b>
2007	\$ 304,772	\$ 304,772	100	-	N/A	14.28%
2008	\$ 351,555	\$ 351,555	100	-	N/A	15.59%
2009	\$ 358,513	\$ 358,513	100	-	15.627	15.56%
2010	\$ 387,646	\$ 387,646	100	-	14.788	15.43%

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	12/31/07	12/31/08	12/31/09
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
GASB 25 Equivalent Single Amortization Period	25 Years – Closed Period	24 Years – Closed Period	23 Years – Closed Period
Amortization Period for new Gains/Losses	25 Years	25 Years	25 Years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
<b>Actuarial Assumptions</b>			
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Includes Inflation at Cost-of-Living Adjustments	3.0% 2.1%	3.0% 0.0%	3.0% 0.0%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/09	\$4,473,099	\$7,056,818	63.4%	\$2,583,719	\$2,386,167	108.3%

#### Note 7 – Risk Management

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; and national disasters for which the City carries insurance through the Texas Municipal League.

#### Note 8 - Contract to Operate Wastewater Treatment Facility

The City has entered into a contract with US Filter to manage and operate the City's Wastewater Treatment Facility. The annual fees paid for September 30, 2010, were \$393,573. In addition, PSG is responsible for each separate major maintenance, repair, and/or replacement of capital equipment up to a maximum of \$5,000 for each individual item with a cap per contract year of \$25,000. The City is responsible for any increases in average electrical plant costs. The annual fees are renegotiated annually.

#### Note 9 - Contract for Garbage Collection Services

The City has entered into a contract with IESI, Inc. to provide garbage collection and disposal services. IESI, Inc. charges the City a fixed fee per month per residential unit, and various fees apply to commercial units depending upon size and needs. The City provides billing and collecting services for which it retains a five percent (5%) fee.

#### Note 10 - Municipal Solid Waste Landfill

The City has substantially closed its municipal solid waste landfill. As indicated in Note 9, garbage collection and disposal services have been contracted out. Since the City qualifies as a "small" landfill and has completed this process prior to October 8, 1995, the City will not be required to determine and record any post-closure care cost until such time as the expenses, if any, are incurred.

#### Note 11 – Federal and State Grant Projects

During the fiscal year ending September 30, 2010, the City expended \$132,397 for fire fighting, police, homeland security and solid waste improvements. The City expended \$218,986 of Texas Community Development Program grant funds. The City also expended \$5,932 from the Texas Infrastructure Fund and Lone Star Grant for library equipment and materials. Because federal funding did not exceed \$500,000, the City was not subject to OMB Circular A-133 Single Audit requirements.

#### Note 12 - Interfund Borrowing

The City Water Fund used pooled cash belonging to the General Fund to finance certain capital improvements pending receipt of funds from other investments and receivables.

#### Note 13 – Operating Leases on Equipment

The City leases three copiers under operating leases which began October, 2008. The leases require a monthly base lease totaling \$328 for 36 months with an additional charge for excess copies. The total base lease expense for the year ending September 30, 2010, was \$3,936. The minimum future lease payments for these leases are as follows:

Years ending September 30, 2011	\$ 3,936
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#### Note 14 – Unasserted Claims and Assessments

Since the close of the fiscal year ending September 30, 2010, certain claims have arisen. These claims are asserted against the City of Burkburnett growing out of dealings which the claimants had with the Burkburnett Police Department. The claims are for unliquidated amounts. These claims have been turned to the Texas Municipal League Intergovernmental Risk Pool which provides liability coverage for the City. The City and its insurance carrier are defending against these claims. Management and legal counsel believe the City has adequate

coverage through the City's insurance policy to pay any amounts that would be owed if any of these claims are established.

Note 15 – Subsequent Events and Date of Management Review

There are no subsequent events to report. Subsequent events were evaluated through December 20, 2010, which is the date the financial statements were available to be issued.

**Required Supplementary Information**  
**City of Burkburnett, Texas**  
**Budgetary Comparison Schedule - General Fund**  
**Non-GAAP Basis**  
**For the Year Ended September 30, 2010**

	<u>Proposed Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
<b>Operating Revenues</b>				
Property Taxes (Including Penalty and Interest)	\$ 1,926,173	\$ 1,926,173	\$ 1,892,533	\$ (33,640)
Non-Property Taxes	2,068,251	2,068,251	2,012,973	(55,278)
Fines and Forfeits	123,300	123,300	87,657	(35,643)
Licenses and Permits	26,267	26,267	29,271	3,004
Fees and Services	1,562,910	1,562,910	1,543,077	(19,833)
Miscellaneous	52,900	52,900	71,229	18,329
Intergovernmental Revenue	34,125	34,125	34,125	-
<b>Total Operating Revenues</b>	<u>\$ 5,793,926</u>	<u>\$ 5,793,926</u>	<u>\$ 5,670,865</u>	<u>\$ (123,061)</u>
<b>Operating Expenditures</b>				
General Government Administration	\$ 454,570	\$ 454,570	\$ 453,547	\$ 1,023
Tax Assessing/Collecting	236,531	236,531	230,063	6,468
City Hall	34,632	34,632	34,696	(64)
Police Department	206,045	206,045	205,318	727
Municipal Court	1,486,834	1,486,834	1,463,774	23,060
Fire Department	72,202	72,202	70,172	2,030
Library	108,851	108,851	82,837	26,014
Streets and Public Works	147,211	147,211	146,193	1,018
Parks and Recreation	710,809	710,809	693,225	17,584
Community Center	396,471	412,971	372,025	40,946
Garbage Collection	38,470	94,470	87,283	7,187
E.M.T.	1,190,142	1,190,142	1,252,673	(62,531)
Community Planning	373,447	373,447	366,570	6,877
Drainage Improvement	133,166	133,166	131,813	1,353
<b>Total Operating Expenditures</b>	<u>\$ 5,684,031</u>	<u>\$ 5,756,531</u>	<u>\$ 5,648,224</u>	<u>\$ 108,307</u>
<b>Excess of Operating Revenues Over (Under) Operating Expenditures</b>	<u>\$ 109,895</u>	<u>\$ 37,395</u>	<u>\$ 22,641</u>	<u>\$ (14,754)</u>
<b>Capital Improvement Fund Expenditures</b>	<u>\$ 332,000</u>	<u>\$ 332,000</u>	<u>\$ 760,286</u>	<u>\$ (428,286)</u>
<b>Excess of Operating Revenues and Other Sources Over (Under) Operating Expenditures, Capital Expenditures and Other Uses</b>			<u>\$ (737,645)</u>	

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

**Required Supplementary Information**  
**City of Burkburnett, Texas**  
**Budgetary Comparison Schedule - Water Fund**  
**Non-GAAP Basis**  
**For the Year Ended September 30, 2010**

	<u>Proposed Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
<b>Operating Expenditures</b>				
Water Supply	\$ 566,774	\$ 566,774	\$ 696,509	\$ (129,735)
Water Billing & Collection	596,979	596,979	394,041	202,938
Waste Water Treatment	755,210	755,210	781,251	(26,041)
Water Well	763,555	763,555	774,486	(10,931)
<b>Total Operating Expenditures</b>	<u>\$ 2,682,518</u>	<u>\$ 2,682,518</u>	<u>\$ 2,646,287</u>	<u>\$ 36,231</u>

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

**City of Burkburnett, Texas**  
**Notes to Required Supplementary Information**  
**September 30, 2010**

Note 1 – Budgetary Basis of Accounting

The City prepares its budget on a Non-GAAP basis of accounting, the modified cash basis. The information captioned “Budgetary Comparison Schedule” has been prepared on the basis which is more fully described below.

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified cash basis of accounting. Their revenues are recognized when they are received.

Expenditures are generally recognized under the cash basis of accounting when the related fund expenditure is paid.

All proprietary funds are accounted for using the modified cash basis of accounting. Their revenues are recognized when they are received, and their expenses are recognized when they are paid. Water Works and Sewer System Fund utility service receivables are recorded at year-end as a change in fund balances only and not as current revenue.

**City of Burkburnett, Texas**  
**Required Supplementary Information**  
**September 30, 2010**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/07	\$3,925,863	\$6,611,514	59.4%	\$2,685,651	\$2,255,767	
12/31/08	\$3,925,574	\$6,464,814	60.7%	\$2,539,240	\$2,244,869	
12/31/09	\$4,473,099	\$7,056,818	63.4%	\$2,583,719	\$2,386,167	108.3%

**City of Burkburnett, Texas**  
**Combining Statement of Net Assets**  
**Component Units**  
**September 30, 2010**

	<u>Burkburnett Development Corporation</u>	<u>Burkburnett Housing Finance Corporation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments	\$ 292,767	\$ 7,416	\$ 300,183
Sales Tax Receivable	59,253	-	59,253
Capital Assets			
Land	284,472	-	284,472
Land Improvements	539,474	-	539,474
Furniture and Office Equipment	35,242	-	35,242
Accumulated Depreciation	(148,522)	-	(148,522)
Total Capital Assets	<u>\$ 710,666</u>	<u>\$ -</u>	<u>\$ 710,666</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,062,686</u>	<u>\$ 7,416</u>	<u>\$ 1,070,102</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 5,710	\$ -	\$ 5,710
<b>TOTAL LIABILITIES</b>	<u>\$ 5,710</u>	<u>\$ -</u>	<u>\$ 5,710</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 710,666	\$ -	\$ 710,666
Unreserved	346,310	7,416	353,726
<b>TOTAL NET ASSETS</b>	<u>\$ 1,056,976</u>	<u>\$ 7,416</u>	<u>\$ 1,064,392</u>

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

**City of Burkburnett, Texas**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended September 30, 2010**

	<u>Burkburnett Development Corporation</u>	<u>Burkburnett Housing Finance Corporation</u>	<u>Total</u>
<b>ACTIVITIES</b>			
<b>GOVERNMENTAL</b>			
Salaries	\$ 39,429	\$ -	\$ 39,429
Employment Taxes and Benefits	11,436	-	11,436
Professional Fees	12,448	-	12,448
Security	300	-	300
Office Supplies and Postage	1,437	-	1,437
Friendship Park Festival	13,911	-	13,911
Friendship Park Festival Concert	2,000	-	2,000
Economic Development Incentives	64,442	-	64,442
Expansion/Retention/Attraction	12,500	-	12,500
Utilities and Telephone	12,085	-	12,085
Equipment Maintenance	1,109	-	1,109
Travel	3,809	-	3,809
Training	1,756	-	1,756
Advertising	28,870	-	28,870
Depreciation	17,982	-	17,982
Miscellaneous	1,021	-	1,021
Meals and Entertainment	200	-	200
Sheppard Military Affairs Dues	15,000	-	15,000
Interest Expense	5,964	-	5,964
Special Services	-	5	5
<b>TOTAL EXPENSES</b>	<u>\$ 245,699</u>	<u>\$ 5</u>	<u>\$ 245,704</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ (245,699)</u>	<u>\$ (5)</u>	<u>\$ (245,704)</u>
<b>GENERAL REVENUES</b>			
Taxes			
Sales Tax	\$ 293,136	\$ -	\$ 293,136
Earnings on Investments	3,075	-	3,075
Advertising and Promotional Income	22,352	-	22,352
Miscellaneous	3,000	-	3,000
<b>TOTAL REVENUE</b>	<u>\$ 321,563</u>	<u>\$ -</u>	<u>\$ 321,563</u>
<b>CHANGE IN NET ASSETS</b>	\$ 75,864	\$ (5)	\$ 75,859
<b>NET ASSETS - BEGINNING</b>	<u>\$ 981,112</u>	<u>\$ 7,421</u>	<u>\$ 988,533</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,056,976</u>	<u>\$ 7,416</u>	<u>\$ 1,064,392</u>

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

City of Burkburnett, Texas  
Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Assets  
Special Revenue Funds  
September 30, 2010

	<u>Library Grants</u>	<u>State Grants</u>	<u>TCDP Grant</u>	<u>Homeland Security Grant</u>	<u>Special Revenue Funds Total</u>
<b>Revenues</b>					
Grant Entitlements	\$ 16,189	\$ 57,496	\$ 170,587	\$ 54,854	\$ 299,126
<b>Total Revenues</b>	<u>\$ 16,189</u>	<u>\$ 57,496</u>	<u>\$ 170,587</u>	<u>\$ 54,854</u>	<u>\$ 299,126</u>
<b>Expenses</b>					
Fire Department Expenditures	\$ -	\$ 7,376	\$ -	\$ -	\$ 7,376
Police Department Expenditures	-	47,496	-	-	47,496
Homeland Security Expenditures	-	-	-	54,854	54,854
Library Equipment	5,932	-	-	-	5,932
Solid Waste Expenditures	-	22,671	218,986	-	241,657
<b>Total Expenses</b>	<u>\$ 5,932</u>	<u>\$ 77,543</u>	<u>\$ 218,986</u>	<u>\$ 54,854</u>	<u>\$ 357,315</u>
<b>Operating Income</b>	\$ 10,257	\$ (20,047)	\$ (48,399)	\$ -	\$ (58,189)
<b>Non-Operating Revenues (Expenses)</b>					
Burkburnett Development Corp - Matching	\$ -	\$ 12,500	\$ -	\$ -	12,500
City of Burkburnett - Matching	-	-	50,000	-	50,000
<b>Total Non-Operating Revenues (Expenses)</b>	<u>\$ -</u>	<u>\$ 12,500</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 62,500</u>
<b>Change in Net Assets</b>	\$ 10,257	\$ (7,547)	\$ 1,601	\$ -	\$ 4,311
<b>Net Assets - Beginning of Year</b>	<u>\$ 1,134</u>	<u>\$ (1,896)</u>	<u>\$ 3,439</u>	<u>\$ -</u>	<u>\$ 2,677</u>
<b>Net Assets - End of Year</b>	<u>\$ 11,391</u>	<u>\$ (9,443)</u>	<u>\$ 5,040</u>	<u>\$ -</u>	<u>\$ 6,988</u>

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

Steve Gary, C.P.A., PC  
James Bowers, C.P.A., PC  
Eric Miller, C.P.A., PC  
Melvin Eaker, C.P.A., PC



A Partnership of  
Professional Corporations

**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**

Honorable Mayor and City Council  
The 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, as of and for the year ended September 30, 2010, which collectively comprise the City of Burkburnett, Texas' basic financial statements and have issued our report thereon dated December 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Burkburnett, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Burkburnett, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Burkburnett, Texas' internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Burkburnett, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Gary Bowers & Miller*

Gary, Bowers & Miller

December 20, 2010