
THE TOWN OF JONES CITY
(Including the Jones City Public Works Authority)

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

BECKY FLEMING, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Jones City, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each fund of the Town of Jones City, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Jones City. 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 *Governmental 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each fund of the Town of Jones City, Oklahoma, as of June 30, 2012, 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 February 25, 2014, on our consideration of the internal control over financial reporting of the Town of Jones City, 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 important for assessing the results of our audit.

Management has omitted the management's discussion and analysis and budgetary comparison schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Jones City. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
February 25, 2014

**THE TOWN OF JONES CITY
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities	Business-type Activities	Total 2012
ASSETS			
Current Assets			
Cash and demand deposits	35,346	252,165	287,511
Certificates of deposit	211,111	0	211,111
Restricted cash	465,625	35,400	501,025
Revenue and accounts receivable	53,296	69,693	122,989
Allowance for doubtful accounts	0	(4,515)	(4,515)
Other receivables	0	13,427	13,427
Grants receivable	681,927	0	681,927
Internal balances	5,351	(5,351)	0
Prepaid expenses	8,442	6,170	14,612
Total current assets	1,461,098	366,989	1,828,087
Noncurrent Assets			
Depreciable property and equipment	1,254,229	2,881,056	4,135,285
Accumulated depreciation	(427,136)	(1,875,737)	(2,302,873)
Land	68,000	0	68,000
Construction in progress	326,036	30,915	356,951
Total noncurrent assets	1,221,129	1,036,234	2,257,363
TOTAL ASSETS	2,682,227	1,403,223	4,085,450
LIABILITIES			
Current Liabilities			
Accounts payable	23,208	20,937	44,145
Payroll taxes payable	1,292	2,911	4,203
Accrued leave payable	21,423	4,060	25,483
Deferred grant revenues	617,275	0	617,275
Capital leases payable, current portion	94,813	9,750	104,563
Total current liabilities	758,011	37,658	795,669
Noncurrent Liabilities			
Meter deposits refundable	0	35,400	35,400
Capital leases payable, less current portion	134,947	0	134,947
Total noncurrent liabilities	134,947	35,400	170,347
TOTAL LIABILITIES	892,958	73,058	966,016
NET ASSETS			
Invested in capital assets, net of related debt	991,369	1,026,484	2,017,853
Restricted for:			
Debt	195,855	0	195,855
Capital improvements	98,661	0	98,661
Police	6,253	0	6,253
Fire	32,085	0	32,085
Capital outlay	66,851	0	66,851
Library	3,251	0	3,251
Main street project	62,670	0	62,670
Unrestricted	332,274	303,681	635,955
TOTAL NET ASSETS	1,789,269	1,330,165	3,119,434

**THE TOWN OF JONES CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2012
Governmental activities:							
General government	(267,145)	18,910	3,850	13,750	(230,635)	0	(230,635)
Community building department	(11,603)	1,620	0	0	(9,983)	0	(9,983)
Police department	(427,784)	166,767	6,422	0	(254,595)	0	(254,595)
Fire department	(110,087)	0	42,041	0	(68,046)	0	(68,046)
Library department	(5,236)	0	0	36,720	31,484	0	31,484
Park department	(32,246)	0	20,542	0	(11,704)	0	(11,704)
Street department	(60,348)	0	23,625	0	(36,723)	0	(36,723)
Total governmental activities	(914,449)	187,297	96,480	50,470	(580,202)	0	(580,202)
Business-type activities:							
Administration	(82,464)	26,410	180	0	0	(55,874)	(55,874)
Sewer department	(164,753)	91,911	0	0	0	(72,842)	(72,842)
Trash department	(150,836)	272,150	0	0	0	121,314	121,314
Water department	(128,282)	109,819	0	0	0	(18,463)	(18,463)
Gas department	(329,295)	381,028	0	0	0	51,733	51,733
Total business-type activities	(855,630)	881,318	180	0	0	25,868	25,868
Total all activities	(1,770,079)	1,068,615	96,660	50,470	(580,202)	25,868	(554,334)
General revenues:							
Taxes:							
Sales taxes for general purposes					421,797	0	421,797
Sales taxes, restricted for capital expenses and debt service					127,765	0	127,765
Franchise and public service taxes					72,043	0	72,043
Investment income					1,150	303	1,453
Transfers					179,943	(179,943)	0
Total general revenues and transfers					802,698	(179,640)	623,058
Change in net assets					222,496	(153,772)	68,724
Beginning net assets					1,566,773	1,483,937	3,050,710
Ending net assets					1,789,269	1,330,165	3,119,434

* Interest expense of \$2,766 is included in the fire department

**THE TOWN OF JONES CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>
ASSETS	
Cash and demand deposits	35,346
Certificates of deposit	211,111
Restricted cash	465,625
Revenue receivable	53,296
Grants receivable	681,927
Due from other funds	5,351
Prepaid expenses	8,442
TOTAL ASSETS	<u><u>1,461,098</u></u>
LIABILITIES	
Accounts payable	23,208
Payroll taxes payable	1,292
Accrued leave payable	21,423
Deferred grant revenues	617,275
TOTAL LIABILITIES	<u>663,198</u>
FUND BALANCE	
Non-spendable	
Prepaid expenses	8,442
Restricted for:	
Debt	195,855
Capital improvements	98,661
Police	6,253
Fire	32,085
Capital outlay	66,851
Library	3,251
Main street project	62,670
Unrestricted	323,832
TOTAL FUND BALANCE	<u>797,900</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,461,098</u></u>

Reconciliation of fund balance to net assets of governmental activities:	
Fund balance	797,900
Depreciable capital assets	1,254,229
Accumulated depreciation	(427,136)
Land	68,000
Construction in progress	326,036
Capital lease payable	(229,760)
Net assets	<u><u>1,789,269</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	421,797
Sales taxes - restricted	127,765
Franchise taxes	72,043
Shared taxes	28,414
Fines and forfeitures	162,506
Licenses, permits, inspections	14,118
Rental revenues	1,620
Donations	66,600
Grants	50,435
Other revenues	10,554
Interest	<u>1,150</u>
TOTAL REVENUES	957,002
EXPENDITURES	
General government	259,212
Community building	6,723
Police department	406,927
Fire department	74,951
Library department	5,236
Park department	22,016
Street department	58,197
Debt service	46,756
Capital outlay	<u>286,543</u>
TOTAL EXPENDITURES	1,166,561
REVENUES OVER (UNDER) EXPENDITURES	(209,559)
OTHER FINANCING SOURCES (USES)	
Transfers-in (out)	<u>179,943</u>
TOTAL OTHER FINANCING SOURCES (USES)	179,943
NET CHANGE IN FUND BALANCES	(29,616)
BEGINNING FUND BALANCE	<u>827,516</u>
ENDING FUND BALANCE	<u><u>797,900</u></u>
Reconciliation of net change in fund balance to change in net assets of governmental activities:	
Net change in fund balances - governmental funds	(29,616)
Capital asset purchases capitalized	286,543
Depreciation expense	(78,421)
Principal payments on capital lease	<u>43,990</u>
Change in Net Assets of Governmental Activities	<u><u>222,496</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	<u>Jones City Public Works Authority</u>
ASSETS	
Current Assets	
Cash and demand deposits	252,165
Restricted cash	35,400
Accounts receivable	69,693
Allowance for doubtful accounts	(4,515)
Other receivables	13,427
Prepaid expenses	<u>6,170</u>
Total current assets	372,340
Noncurrent Assets	
Depreciable property and equipment	2,881,056
Accumulated depreciation	(1,875,737)
Construction in progress	<u>30,915</u>
Total noncurrent assets	<u>1,036,234</u>
TOTAL ASSETS	<u><u>1,408,574</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	20,937
Payroll taxes payable	2,911
Accrued leave payable	4,060
Due to other funds	5,351
Current portion of notes payable	<u>9,750</u>
Total current liabilities	43,009
Noncurrent Liabilities	
Meter deposits refundable	<u>35,400</u>
Total noncurrent liabilities	<u>35,400</u>
TOTAL LIABILITIES	78,409
NET ASSETS	
Invested in capital assets, net of related debt	1,026,484
Unrestricted	<u>303,681</u>
TOTAL NET ASSETS	<u><u>1,330,165</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Jones City Public Works Authority</u>
OPERATING REVENUES	
Sewer revenues	91,911
Trash revenues	272,150
Water revenues	109,819
Gas revenues	381,028
Late fees	19,700
Other income	<u>6,710</u>
TOTAL OPERATING REVENUES	881,318
OPERATING EXPENSES	
Administration department	82,464
Sewer department	164,753
Trash department	150,836
Water department	128,282
Gas department	<u>329,295</u>
TOTAL OPERATING EXPENSES	855,630
OPERATING INCOME	25,688
NON-OPERATING REVENUES	
Interest income	303
Donations	<u>180</u>
TOTAL NON-OPERATING REVENUES	483
INCOME BEFORE TRANSFERS	26,171
TRANSFERS	
Transfers-in (out)	<u>(179,943)</u>
NET TRANSFERS	(179,943)
DECREASE IN NET ASSETS	(153,772)
BEGINNING NET ASSETS	<u>1,483,937</u>
ENDING NET ASSETS	<u><u>1,330,165</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Jones City Public Works Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	857,254
Cash payments for:	
Goods and services	(549,571)
Employees	(206,713)
Net cash provided from operations	<u>100,970</u>
Cash flows from capital financing activities:	
Principal payments	(13,000)
Purchases of capital assets	(10,750)
Net cash from capital financing activities	<u>(23,750)</u>
Cash flows from non-capital financing activities:	
Donations	180
Transfers to general fund	(179,943)
Net cash from capital financing activities	<u>(179,763)</u>
Cash flows from investing activities:	
Interest income	303
Net cash from investing activities	<u>303</u>
Net (decrease) in cash	<u>(102,240)</u>
Beginning cash	<u>354,405</u>
Ending cash	<u><u>252,165</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income	25,688
Adjustments to income from operations:	
Depreciation	110,324
Bad debts	7,470
Change in assets and liabilities:	
(Increase) decrease in receivables	(22,003)
(Increase) decrease in prepaid expenses	(70)
(Increase) decrease in due from other funds	0
Increase (decrease) in payables	(20,439)
Net cash provided by operations	<u><u>100,970</u></u>

The accompanying notes are an integral part of these financial statements

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

The Town of Jones City, Oklahoma, was incorporated January 4, 1909, under the laws of the State of Oklahoma. The Town of Jones City (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. Sewer, trash, water, and gas utilities are provided by the Town's public works authority.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that does not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, it has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

For the fiscal year ended June 30, 2011, the Town implemented the new financial reporting requirements of GASB-54, which establishes new fund balance classifications for governmental funds. Fund balance will now be composed of three primary categories: Non-spendable, restricted, and unrestricted. Non-spendable fund balance reflects amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. Restricted amounts reflect amounts that are either restricted by external sources or imposed by law. Unrestricted balances consist of amounts that either have no restriction, or that have been internally restricted by the town board of trustees. Currently, the Town has no internally restricted resources.

1A. Financial Reporting Entity

These financial statements present the Town (the primary government) and its component unit in conformity with GASB-14. The financial statements of the Town's Title 60 Trust have been included in the financial reporting entity as a blended component unit because their operating and financial relationships are significant to the Town.

1B. Blended Component Units

The Jones City Public Works Authority (JCPWA) was established to finance, establish, and operate utility services for the citizens of the Town. JCPWA is a legally separate entity from the Town and is governed by the same board of trustees that governs the Town. For financial reporting purposes, the JCPWA is reported as if it were part of the Town's operations. The JCPWA does not present separate financial statements.

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

1C. Basic Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's police, fire, streets, community building, and general government administration are classified as governmental activities. The Town's sewer, trash, water, and gas utilities are classified as business-type activities.

1D. Government-wide Financial Statements

In the government wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, permits, and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

1E. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period.

**The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012**

Proprietary Funds

The measurement focus of proprietary funds is economic resources, the objectives of which involves the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town maintains one proprietary fund, which is an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

1F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

The governmental funds financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

1G. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statement of cash flows are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1H. Deposits and Investments

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1I. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

1J. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund 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/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1K. Capital Assets

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 to 40 years
Vehicles and equipment	5 to 25 years
Infrastructure	25 to 40 years

GASB-34 required the Town to report and depreciate new infrastructure assets effective with the 2004 year. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has been reported in the financial statements. Retroactive reporting is not required.

Since management did not maintain sufficient financial records to adequately support the valuation of capital assets prior to July 1, 2008, the cost of significant capital assets purchased or constructed prior to July 1, 2008, is estimated based on the recollection of past board members and current employees.

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

1L. Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment. Such amounts are accrued as earned and reported in the financial statements.

1M. Revenues and Expenditures

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. Program revenues in the government-wide statements include charges paid by the recipients of the 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 not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

2. Budgets and Budgetary Accounting

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for fund financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. Budget to actual comparisons have not been presented.

3. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. During the year just ended, no claims were made.

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

4. Deposits and Investments

At year end, the Town had insured deposits of \$500,000. Deposits of \$474,588 were not insured, but were collateralized with securities held by the bank's agent but not in the Town's name.

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

5. Restricted Cash and Investments

Restricted taxes, as discussed in note 6, and restricted donations, are maintained in separate bank accounts of the general fund of the Town. Customer meter deposits are maintained in separate bank accounts of the JCPWA.

6. Restricted Taxes

1 cent of the 4 cent sales tax of the town is restricted as follows: 60% for the payment of long-term debt; 20% for capital improvements of the Town and the JCPWA; and 20% for capital outlay for the Town and JCPWA. Currently, not all of the allowable expenses that could be paid from these accounts is being paid from them, causing excess funds of the town to be recorded as restricted.

7. Capital Assets

Capital asset activity for the year just ended is summarized as follows:

Governmental Activities	Beginning			Ending			Beginning			Ending			Book Value
	Balance	Additions	Disposals	Balance	Depreciation	Additions	Disposals	Depreciation	Additions	Disposals	Depreciation		
Non-depreciable													
Construction in progress	312,641	27,145	(13,750)	326,036	0	0	0	0	0	0	0	326,036	
Land	18,000	50,000	0	68,000	0	0	0	0	0	0	0	68,000	
Total non-depreciable	330,641	77,145	(13,750)	394,036	0	0	0	0	0	0	0	394,036	
Depreciable													
Land improvements	0	0	0	0	0	0	0	0	0	0	0	0	
Buildings & bldg equipment	255,983	124,783	0	380,766	90,683	17,728	0	108,411	272,355	0	0	272,355	
Equipment	651,322	71,171	0	722,494	225,747	53,322	0	279,069	443,425	0	0	443,425	
Roads, bridges, sidewalks	123,776	27,194	0	150,970	32,286	7,370	0	39,656	111,314	0	0	111,314	
Total depreciable	1,031,081	223,148	0	1,254,229	348,715	78,421	0	427,136	827,093	0	0	827,093	
Total governmental	1,361,722	300,293	(13,750)	1,648,265	348,715	78,421	0	427,136	1,221,129	0	0	1,221,129	

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

Business-type Activities	Beginning			Ending			Beginning			Ending			Book Value
	Balance	Additions	Disposals	Balance	Depreciation	Additions	Disposals	Depreciation	Additions	Disposals	Depreciation		
Non-depreciable													
Construction in progress	63,165	0	(32,250)	30,915	0	0	0	0	0	0	0	30,915	
Total non-depreciable	63,165	0	(32,250)	30,915	0	0	0	0	0	0	0	30,915	
Depreciable													
Buildings & bldg equipment	80,167	0	0	80,167	40,656	3,329	0	43,985	36,182				
Equipment	271,281	43,000	0	314,281	160,184	25,129	0	185,313	128,968				
Utility systems	2,486,608	0	0	2,486,608	1,564,573	81,866	0	1,646,439	840,169				
Total depreciable	2,838,056	43,000	0	2,881,056	1,765,413	110,324	0	1,875,737	1,005,319				
Total business-type	2,901,221	43,000	(32,250)	2,911,971	1,765,413	110,324	0	1,875,737	1,036,234				

Depreciation by department is as follows:

Governmental Activities		Business-type Activities	
General government	7,933	Sewer	65,292
Community building	4,880	Water	20,319
Police department	20,857	Gas	<u>24,713</u>
Fire department	32,370		<u>110,324</u>
Park department	10,230		
Street department	<u>2,151</u>		
	<u>78,421</u>		

8. Capital Leases

Debt outstanding at June 30, 2012, consisted of the following:

Fund		Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Governmental	Fire truck	4.25%	2/14/2015	177,000	54,760	Fire truck
Governmental	Streets	0	5/20/2015	250,000	175,000	Franchise tax
Business-type	Backhoe	0.00%	3/1/2013	52,000	9,750	Backhoe

Long-term debt activity for the year ended June 30, 2012, was as follows:

Fund	Capital Leases	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental	Fire Truck	73,750	0	(18,990)	54,760	19,813
Governmental	Streets	200,000	0	(25,000)	175,000	75,000
Business-type	Backhoe	22,750	0	(13,000)	9,750	9,750

The Town of Jones City
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As of and for the Year Ended June 30, 2012

Debt service requirements to maturity are as follows:

Governmental	Principal	Interest	Business-Type	Principal	Interest
2013	94,813	1,944	2013	9,750	0
2014	70,671	1,085		9,750	0
2015	64,276	228			
	<u>229,760</u>	<u>3,257</u>			

9. Pension Plans

Defined Benefit Pension Plans

Oklahoma Firefighters Pension and Retirement System – Defined Benefit Pension Plan

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2012, 2011, and 2010 were \$1,080, \$1,080 and \$1,140, equal to the required contribution for each year.

Oklahoma Police Pension and Retirement System - Defined Benefit Pension Plan

Plan Description. The city contributes to the Oklahoma Police Pension and Retirement System (OPPRS), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The OPPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Police are required to contribute 8% of eligible salary, while the city is required to contribute 13%. The contribution requirement of OPPRS is an established rate determined by Oklahoma Statute and is not based on actuarial calculations. The city and employee contributions to

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

OPPRS for 2012, 2011 and 2010 were as follows: \$22,454, \$20,494 and \$23,851; and \$13,787, \$12,612 and \$14,678, equal to the required contributions for each year. Eligible payroll was \$172,725, \$157,647 and \$183,472.

Defined Contribution Pension Plan

The Town employees participate in the Oklahoma Municipal Retirement System as authorized by Town ordinance. Title 11, Oklahoma Statutes 1981, section 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the System to the respective employer entities. All full-time and part-time employees of the Town are eligible to participate in the System and full-time employees are fully vested after 10 years. Covered employees are required to contribute from 1% to 4% of their gross payroll which the Town must match. Employee contributions over 4% are optional and are not matched by the Town. The payroll for Town employees for the year was \$460,629. The payroll for Town employees covered by the Fund for the year was \$232,588. Actual Town and employee contributions for the year were \$7,611 each, equal to the required contributions for the year.

10. Inter-fund Transactions

	General Fund	Utility Fund	Total Transfers
Operating	179,943	(179,943)	0
Equipment	0	0	0
	<u>179,943</u>	<u>(179,943)</u>	<u>0</u>

	General Fund	Utility Fund	Total Interfund
Operating	5,351	(5,351)	0

11. Subsequent Events

Management performed an evaluation of the Town's activity through February 25, 2014, the date the audit report was ready to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
The Town of Jones City, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, and each fund of the Town of Jones City, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the Town of Jones City, and have issued our report thereon, dated February 25, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Jones City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the internal control over financial reporting of the Town of Jones City 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 Town of Jones City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Jones City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.


A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-1 through 2012-8 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Jones City 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-7 through 2012-8.

The Town of Jones City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Jones City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
February 25, 2014

SCHEDULE OF FINDINGS AND RESPONSES

- 2012-1 The Town's general ledger is not being reviewed for posting errors or inappropriate account balances. We recommend that procedures be developed to make sure the general ledger is reviewed at least monthly for posting errors or inappropriate account balances. The prior year finding that the Town's general ledger did not provide sufficient detail in the expense accounts to reconcile the expense totals to the individual invoices has been cleared.
- Response We will establish procedures that provide for review of the general ledger at least monthly to make sure that any posting errors are corrected and that accounts are reconciled to subsidiary ledgers as required.
- 2012-2 There are no established procedures to ensure that capital assets are correctly recorded in the financial records; that subsidiary schedules of constructed capital assets are adequately maintained; or that donated capital assets are correctly recorded. We recommend that procedures be established to ensure that capital assets are correctly recorded in the financial records; that subsidiary schedules of constructed capital assets are adequately maintained; and that donated capital assets are correctly recorded. This finding was also reported in 2011, 2010 and 2009.
- Response We will establish procedures to make sure all capital expenditures are properly recorded in the financial records and that separate schedules are maintained for construction projects. We will also make sure that separate files are kept for donated capital assets.
- 2012-3 There are no established procedures to ensure that police fines are correctly recorded in the financial records and subsidiary schedules. We recommend that procedures be established to ensure that police fines are correctly recorded in the financial records and subsidiary schedules. This finding was also reported in 2011.
- Response We will establish procedures to make sure that all police fines are properly maintained in their subsidiary ledgers and in the financial records and that they are reconciled to each other monthly.
- 2012-4 There are no established procedures to ensure that meter deposits are correctly recorded in the utility billing system; that they are properly recorded in the financial records; or that the two are reconciled to each other monthly. We recommend that procedures be established to ensure that meter deposits are correctly recorded in the utility billing system; that they are properly recorded in the financial records; and that the two are reconciled monthly. This finding was also reported in 2011, 2010 and 2009.
- Response We will establish procedures to make sure that all meter deposits are correctly recorded in the utility billing system and the financial records and that they are reconciled monthly.

- 2012-5 There are no established procedures to ensure that utility billing reports are reconciled to the general ledger. We recommend that procedures be established to ensure that utility billing reports are reconciled to the general ledger at least monthly. This finding was also reported in 2011, 2010 and 2009.
- Response We will set up a schedule of reports that need to be printed every month and make sure that they are reconciled to the financial records.
- 2012-6 There is no segregation of duties between those maintaining the financial records and billing systems, performing reconciliations, or collecting payments. We recommend that duties be segregated between financial personnel so that better oversight over financial transactions can be achieved. This finding was also reported in 2011, 2010 and 2009. However, during 2011, the Town started requiring utility payments to be made at the bank providing some mitigation of this problem.
- Response We are working on allocating office tasks to various personnel in order to have better segregation of duties. However, since we are a small town with limited office personnel, we realize we will never be able to have adequate segregation of duties.
- 2012-7 There are no established procedures to adequately track restricted sales and shared taxes. We recommend that procedures be established to track restricted sales and shared taxes and that procedures be performed to verify the adequacy of net asset balances for those amounts. This finding was also reported in 2011, 2010 and 2009.
- Response We are working on establishing procedures to track all restricted deposits, to make sure that allowable expenditures are made from those funds, and to verify the balances in those accounts.
- 2012-8 There are no established procedures to adequately track grants. We recommend that procedures be established to track all grants, beginning with the application, through all cash receipts and disbursements, reporting, and close-out. This finding was also reported in 2011.
- Response We are working on establishing procedures to track all grants and make sure they are reported correctly in the general ledger.

**THE TOWN OF JONES CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**
(Accrual Basis)

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2011	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2012
U.S. Department of Housing and Urban Development <i>Oklahoma Department of Commerce</i> Community Development Block Grants/State's Program	14.228	14252-CDBG-CIP-10	13,750	13,750	13,750	0
U.S. Department Transportation <i>Oklahoma Department of Transportation</i> Federal Aid Highway Program	20.205	State Job #26886(04)	617,275	0	0	617,275
U.S. Department of Homeland Security <i>N/A</i> Hazard Mitigation Grant	97.039	FEMA-1718-DR-OK	26,764	26,764	26,764	0
TOTAL EXPENDITURES OF FEDERAL AWARDS			657,789	40,514	40,514	617,275

**THE TOWN OF JONES CITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**
(Accrual Basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2011	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2012
Oklahoma Department of Agriculture <i>N/A</i> Rural Fire Protection 80-20 Grant		0	4,413	4,413	0
		0	5,508	5,508	0
TOTAL EXPENDITURES OF STATE AWARDS			0	9,921	0