

**TOWN OF JET
OKLAHOMA**

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**PERIOD COVERING
JUNE 30, 2013**

***WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA***

TOWN OF JET
ELECTED OFFICIALS

JIM BLACKLEDGE

MAYOR

LINDEEN EVANS

TRUSTEE

PAUL BLACKLEDGE

TRUSTEE RESIGNED 12/31/12

WANDA CAMPBELL TOOK OVER TILL THE ELECTION IN APRIL
THEN HARVINA BRITAIN GOT ELECTED

MATT MORRIS

TRUSTEE

PAMELA SANDS

TRUSTEE

DONNA KELLER

CLERK/TREASURER

APRIL ELECTION STEPHANIE CARSON GOT ELECTED,
THEN RESIGNED ON AUGUST 27, 2013

BILL SHAW

ATTORNEY

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Jet, Oklahoma

We have audited the accompanying financial statements of Town of Jet, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis 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 Town of Jet, State of Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jet, State of Oklahoma's basic financial statements. The management's discussion and analysis, which has been omitted, and budgetary comparison information in the supplementary section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Watonga, Oklahoma
April 30, 2014

TOWN OF JET, OKLAHOMA
Statement of Net Position-Modified Cash Basis
Fiscal Year Ended June 30, 2013

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Unrestricted Assets: | | | |
| Cash and Cash Equivalents | \$ 198,587 | \$ 99,956 | \$ 298,543 |
| Certificate of Deposits | 20,208 | 35,000 | 55,208 |
| Due from other government | - | - | - |
| Total Unrestricted Assets | | | |
| Restricted Assets: | | | |
| Restricted Cash | 10,640 | 5,250 | 15,891 |
| Land and construction-in-process | - | - | - |
| Other capital assets, net | - | 332,578 | 332,578 |
| Total Restricted Assets | <u>229,435</u> | <u>472,785</u> | <u>702,220</u> |
| TOTAL ASSETS | | | |
| LIABILITIES | | | |
| Due to Other Funds | - | - | - |
| Deposits | - | 5,250 | 5,250 |
| Long-term Liabilities | | | |
| Due within one year | - | 13,282 | 13,282 |
| Due in more than one year | - | 26,197 | 26,197 |
| Total Liabilities | <u>-</u> | <u>44,728</u> | <u>44,728</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | - | 293,100 | 293,100 |
| Restricted | 30,032 | 0 | 30,033 |
| Unrestricted | 199,403 | 134,956 | 334,359 |
| Total Net Position | <u>\$ 229,435</u> | <u>\$ 428,057</u> | <u>\$ 657,492</u> |

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
Statement of Activities - Modified Cash Basis
Fiscal Year Ended June 30, 2013

| Functional Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 53,988 | \$ 466 | \$ - | \$ - | \$ (53,522) | \$ - | \$ (53,522) |
| Culture, parks and recreation | - | 1,745 | - | - | 1,745 | - | 1,745 |
| Public Safety | 7,272 | - | 4,484 | - | (2,787) | - | (2,787) |
| Highway and Streets | 7,589 | - | - | - | (7,589) | - | (7,589) |
| | - | - | - | - | - | - | - |
| Total governmental activities | <u>68,848</u> | <u>2,211</u> | <u>4,484</u> | <u>-</u> | <u>(62,153)</u> | <u>-</u> | <u>(62,153)</u> |
| Business-Type Activities: | | | | | | | |
| Water & Sewer | 97,074 | 128,456 | - | - | \$ - | 31,382 | 31,382 |
| Trash Collections | 18,591 | 25,173 | - | - | - | 6,582 | 6,582 |
| | - | - | - | - | - | - | - |
| Total business-type activities | <u>115,665</u> | <u>153,629</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,964</u> | <u>37,964</u> |
| Total Primary Government | <u>184,513</u> | <u>155,840</u> | <u>4,484</u> | <u>-</u> | <u>(62,153)</u> | <u>37,964</u> | <u>(24,189)</u> |
| Total Component Unit | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | |
| General Revenues: | | | | | | | |
| Taxes | | | | | 118,313 | - | 118,313 |
| Intergovernment revenue | | | | | 6,231 | - | 6,231 |
| Investment income | | | | | 276 | 347 | 624 |
| Miscellaneous | | | | | 6,544 | 476 | 7,020 |
| Transfers-Internal Activity | | | | | - | - | - |
| Total general revenues and transfers | | | | | <u>131,364</u> | <u>823</u> | <u>132,188</u> |
| Changes in Net Assets | | | | | 69,211 | 38,787 | 107,999 |
| Net Position - Beginning | | | | | 98,447 | 318,094 | 416,541 |
| Prio Period Correction | | | | | 61,777 | 71,176 | 132,952 |
| Net Position - Ending | | | | | <u>229,435</u> | <u>428,057</u> | <u>657,492</u> |

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
STATEMENT OF FUND BALANCE-MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2013

| | General Fund | Community Building Fund | Museum Fund | Total |
|---|----------------|----------------------------|---------------|-------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 188,762 | \$ 9,824 | \$ - | \$ 198,587 |
| Certificates of Deposit | - | 10,002 | 10,207 | 20,208 |
| Due from Other Funds | - | - | - | - |
| Total Current Assets | 188,762 | 19,826 | 10,207 | 218,795 |
| Restricted and non-current assets: | | | | |
| Restricted cash and cash equivalents | 10,640 | - | - | 10,640 |
| Capital Assets | | | | |
| Capital assets, net of accumulated depreciation | - | - | - | - |
| Total Restricted and Non-Current Assets | 10,640 | - | - | 10,640 |
| Total Assets | 199,403 | 19,826 | 10,207 | 229,435 |
| LIABILITIES | | | | |
| Accounts payable & accrued liabilities | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Total Liabilities | - | - | - | - |
| FUND BALANCE | | | | |
| Nonspendable: | | | | |
| Invested in Capital Assets, net of debt | - | - | - | - |
| Restricted : | | | | |
| Community Building | - | 19,826 | - | 19,826 |
| Museum Fund | - | - | 10,207 | 10,207 |
| Fire Department | 10,640 | - | - | 10,640 |
| Unrestricted: | | | | |
| General Government | 188,762 | - | - | 188,762 |
| Total Fund Balance | 199,403 | 19,826 | 10,207 | 229,435 |
| Reconciliation to Statement of Net Assets: | | | | |
| Amount reported for governmentall activities in the statement of net assets | | | | |
| Capital assets | | | | - |
| | | | | - |
| | | | | - |
| | | | | \$ 229,435 |

See accompanying notes to the basic financial statements,

TOWN OF JET, OKLAHOMA
STATEMENT OF NET POSITION-MODIFIED CASH BASIS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2013

| | Jet Utilities Authority | Total |
|---|----------------------------|------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 99,956 | \$ 99,956 |
| Certificate of Deposits | 35,000 | 35,000 |
| Inventory | - | - |
| Total Current Assets | 134,956 | 134,956 |
| Noncurrent Assets: | | |
| Restricted cash and cash equivalents | 5,250 | 5,250 |
| Restricted investments | - | - |
| Capital Assets, net of accumulated depreciation | 332,578 | 332,578 |
| Total noncurrent assets | 337,829 | 337,829 |
| Total Assets | 472,785 | 472,785 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Deposits subject to refund | 5,250 | 5,250 |
| Notes payable-current portion | 13,282 | 13,282 |
| Due to other funds | - | - |
| Total current liabilities | 18,532 | 18,532 |
| Noncurrent Liabilities: | | |
| Notes payable | 26,197 | 26,197 |
| Total noncurrent liabilities | 26,197 | 26,197 |
| Total Liabilities | 44,728 | 44,728 |
| NET POSITION | | |
| Invested in Capital Assets, net of debt | 293,100 | 293,100 |
| Restricted | 0 | 0 |
| Unrestricted | 134,956 | 134,956 |
| Total Net Position | \$ 428,057 | \$ 428,057 |

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
CASH BASIS
GOVERNMENTAL FUNDS

| | General Fund | Community Building Fund | Museum Fund | Total |
|---|----------------|----------------------------|---------------|-------------------|
| Revenues: | | | | |
| Taxes | \$ 118,313 | \$ - | \$ - | \$ 118,313 |
| Intergovernmental | 6,231 | - | - | 6,231 |
| Charges for Services | - | 1,745 | - | 1,745 |
| Fines and forfeitures | - | - | - | - |
| Licenses and permits | 466 | - | - | 466 |
| Grants | 4,484 | - | - | 4,484 |
| Interest | 218 | 58 | - | 276 |
| Miscellaneous | 1,203 | 5,341 | - | 6,544 |
| Total Revenues | <u>130,916</u> | <u>7,144</u> | <u>-</u> | <u>138,060</u> |
| Expenditures: | | | | |
| General Government | 47,927 | 6,061 | - | 53,988 |
| Police Department | - | - | - | - |
| Fire Department | 7,272 | - | - | 7,272 |
| Street & Alley | 7,589 | - | - | 7,589 |
| Total Expenditures | <u>62,788</u> | <u>6,061</u> | <u>-</u> | <u>68,848</u> |
| Excess (deficiency) of revenues over expenditures | 68,128 | 1,083 | - | 69,211 |
| Other Financing Sources | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Changes in Fund Balance | 68,128 | 1,083 | - | 69,211 |
| Fund Balance - Beginning | 66,537 | 21,703 | 10,207 | 98,447 |
| Prior Period Correction | 64,738 | (2,961) | - | 61,777 |
| Fund Balance - Ending | <u>199,403</u> | <u>19,826</u> | <u>10,207</u> | <u>\$ 167,658</u> |

Reconciliation to the Statement of Activities:

Net change in fund balances

69,211

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:
Capital assets transferred to Enterprise Fund
Depreciation

Change in net assets of governmental activities

\$ 69,211

TOWN OF JET, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS

| | Jet Utilities Authority | Total |
|---|----------------------------|-----------|
| Revenues: | | |
| Charges for services: | | |
| Water | \$ 94,633 | \$ 94,633 |
| Sewer | 20,708 | \$ 20,708 |
| Sanitation | 25,173 | \$ 25,173 |
| Other | 13,115 | 13,115 |
| Total Revenues | 153,629 | 153,629 |
| Expenses: | | |
| Personnel Services | 32,876 | 32,876 |
| Maintenance & Operations | 51,571 | 51,571 |
| Trash | 18,591 | 18,591 |
| Depreciation | 12,098 | 12,098 |
| Total Expenses | 115,136 | 115,136 |
| Operating Income (Loss) | 38,493 | 38,493 |
| Non-operating revenues (expenses): | | |
| Investment Income | 347 | 347 |
| Interest expense | (529) | (529) |
| Grant Receipts | - | - |
| Other-Transfers In | - | - |
| Other-Transfers Out | - | - |
| Total Non-operating Revenues (Expenses) | (181) | (181) |
| Changes in Net Assets | 38,311 | 38,311 |
| Net Position - Beginning | 358,386 | 358,386 |
| Prior Period Correction | 31,359 | 31,359 |
| Net Position - Ending | 428,057 | 428,057 |

See Accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
 STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS-MODIFIED CASH BASIS
 Fiscal Year Ended June 30, 2013

| | Jet Utilities Authority | Total |
|--|----------------------------|---------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 153,629 | \$ 153,629 |
| Payments to suppliers | (70,162) | (70,162) |
| Payments to employees | (32,876) | (32,876) |
| Total Revenues | <u>50,591</u> | <u>50,591</u> |

| | | |
|--|----------|----------|
| CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Reclass to Certificates of Deposit | - | - |
| Transfers to General Fund | <u>-</u> | <u>-</u> |

| | | |
|--|-----------------|-----------------|
| CASH FLOW FROM CAPITAL RELATED ACTIVITIES | | |
| Capital Expenditures | (31,359) | (31,359) |
| Interest Paid | (529) | (529) |
| Principal Paid | <u>(17,115)</u> | <u>(17,115)</u> |

| | | |
|--|----------------------|----------------------|
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Interest Receipts | <u>347</u> | <u>347</u> |
| Net Change in cash and cash equivalents | 1,936 | 1,936 |
| Beginning Balance | 98,020 | 98,020 |
| Ending Balance | <u><u>99,956</u></u> | <u><u>99,956</u></u> |

| | | |
|--|-------------------------|-------------------------|
| Reconciliation of operating income (loss) to net cash from operating activities: | | |
| Operating Income (Loss) | 38,493 | 38,493 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 12,098 | 12,098 |
| Net cash provided by operating activities | <u><u>\$ 50,591</u></u> | <u><u>\$ 50,591</u></u> |

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Jet, Oklahoma (the "Town") is incorporated as a statutory town under the laws of the State of Oklahoma. The Town provides the following services: public safety (fire), streets, sanitation, utilities, and general administration.

The Town prepares its financial statements on the modified cash basis of accounting. Under this basis, revenues are recognized when collected and expenses and expenditures are recognized when paid. Accordingly, the Town's financial statements are not intended present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America (GAAP). Discussed further in Note 3.

1. THE REPORTING ENTITY

The Town's financial reporting entity is composed of the following:

Primary government – Town of Jet
Blended component unit – Town of Jet Utilities Authority

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town's trustees, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

Jet Utilities Authority – The Town trustees serve as trustees of the Jet Utilities Authority. The operations of the Jet Utilities Authority are reported as an enterprise fund.

2. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories, governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within governmental and proprietary categories. A fund is considered major if it's the primary operating fund of the Town or meets the following criteria.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial entity are as described below:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund

Special Revenue Funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Community Building Fund and Museum Fund are the Town's Special Revenue Funds.

PROPRIETARY FUND TYPES

Enterprises Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes, (Utilities Authority Fund).

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statements of Activities and the fund financial statements, governmental and business-like are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses when they result from cash transactions with a provision for depreciation on business-type activities in the government-wide statements and proprietary fund statements. Accordingly, capital assets and infrastructure assets in the governmental activities are not recorded as assets by are reported as current expenditures in the year of purchase. Therefore no depreciation is taken on these assets. This basis in a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are *not recorded* in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

4. CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation only in the business-type activities (proprietary fund). The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

GOVERNMENT-WIDE STATEMENTS

In the government-wide financial statements, capital assets arising from cash transactions in the Proprietary funds only are accounted for assets in the Statement of Net Assets. These capital assets are valued at historical cost or estimated historical cost or estimated historical cost if actual is unavailable. Governmental funds' infrastructure assets are not capitalized. Governmental fund capital expenditures are recorded as a current year expense.

Depreciation of only proprietary fund capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

FUND FINANCIAL STATEMENTS

In the fund financial statements, capital assets arising from cash transactions for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

5. EQUITY CLASSIFICATION

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets and displayed in three components:

- a) Invested in Capital assets, net related debt -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable—resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted—resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed—resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned—resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes.

Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Proprietary fund equity is classified the same as the government-wide statements.

6. BUDGETED AND BUDGETARY ACCOUNTING

The budgetary data reflected in the accompanying financial statements reflected the Town's legally adopted budgets. The Town's budget is adopted by the town's governing board in accordance with the Oklahoma Municipal Budget Act. Budgets are adopted for all funds.

7. CASH AND INVESTMENTS

Statuses authorized the Town to place public funds in checking accounts, certificates of deposit, passbooks, and other available bank investments provided that the deposits and investments are federally insured or secured by approved securities pledged with the State Treasurer.

8. USE OF ESTIMATES

The preparation of financial statements is conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE B – GRANTS

- Oklahoma State Fire Department grant – The town received a \$4,484 grant for the town's fire department capital outlay and operations.

NOTE C – BUDGETARY NONCOMPLIANCE

For the period ended June 30, 2013, there were no expenditures that exceeded appropriation at the legal level of control in individual funds.

NOTE D – CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the period ended June 30, 2013, was as follows:

See Figure 1: Capital Assets

Government Type Activities:

Capital assets purchased during the year recorded as capital outlay, (not depreciated).

NONE

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE E – CASH & INVESTMENTS

CUSTODIAL CREDIT RISK – DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the town based upon how its deposits were insured or secured with collateral at June 30, 2010. The comparison related to the primary government only. The categories of custodial credit risk are defined as follows:

Category 1 – Insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in name.

Category 2 – Uninsured by collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department of agent buy not in the Town's name; or properly collateralized with no written and approved collateral agreement

All funds held by the Town and its related authority were covered by FDIC insurance (Category 1).

Primary Government

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

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

During the year ended June 30, 2012, the Town's investments consisted solely of certificates and deposits.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE F – RESTRICTED NET ASSETS

The amount reported as restricted net assets is as follows:

| | |
|--------------------------|-----------|
| Governmental Activities: | \$ 19,826 |
| Community Building | \$ 10,207 |
| Museum | |

NOTE G – LONG TERM DEBT

Long Term Debt

The reporting entity's debt consist of notes payable with the Cleo State Bank with an original amount of \$44,110; payable in 84 monthly payments of \$631.29 with interest at 5.35% and a maturity of May 2016.

| As of | Balance Due | Due in Fiscal Year |
|---------------|-------------|--------------------|
| June 30, 2013 | 6,866 | 6,866 |
| June 30, 2014 | 0 | 0 |

During June 2012, the Town purchased a 2005 Silverado in the amount of \$13,560 and financed this purchase with a one year note at Cleo State Bank, payable June 25, 2013 and accruing interest at 5.75%.

This note was paid in full during the fiscal year under audit.

The entity also has notes payable to the Oklahoma Department of Commerce with an original amount borrowed of \$128,300; payable in monthly installments of \$534.59 with no interest.

| As of | Balance Due | Due in Fiscal Year |
|---------------|-------------|--------------------|
| June 30, 2013 | 32,612 | 6,415 |
| June 30, 2014 | 26,197 | 6,415 |
| June 30, 2015 | 19,782 | 6,415 |
| June 30, 2016 | 13,367 | 6,415 |
| June 30, 2017 | 6,952 | 6,415 |
| June 30, 2018 | 537 | 537 |
| June 30, 2019 | -0- | |

NOTE H – COMMITMENTS AND CONTINGENCIES

Grants:

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. (See Note B) The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent of the granting funds. Any liability for reimbursement, which may arise as a result of these audits is not believed to be material.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE I – PRIOR YEAR ADJUSTMENTS

For the Governmental Funds a prior period adjustment was made to correct the cash balance reported on prior years.

For the proprietary funds a correction was made to both the Capital Assets shown and the cash balances previously reported.

NOTE J – SUBSEQUENT EVENTS

On August 23, 2103 the Newly elected Town Clerk Resigned. Donna Keller has served as interim clerk for both the Town and The Utility Authority.

WILLIAM K. GAUER

CERTIFIED PUBLIC ACCOUNTANT

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**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 Honorable Board of Trustees
Town of Jet

To the Honorable Board of Trustees
Jet Utility Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Jet, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Jet, State of Oklahoma's basic financial statements and have issued our report thereon dated April 30, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first

paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

1. The Town had the Auditor prepare or draft the basic financial statements and the accompanying notes.

Compliance and Other Matters

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

Purpose of this Report

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



Watonga, Oklahoma
April 30, 2014

SUPPLEMENTAL

TOWN OF JET, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
Fiscal Year Ended June 30, 2013

| | Original | Final | Actual | Variance Over (Under) |
|---|----------|--------|---------|--------------------------|
| | \$ | \$ | \$ | \$ |
| Beginning Budgetary Fund Balance | - | - | 66,537 | 66,537 |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales Tax | 75,000 | 75,000 | 98,199 | 23,199 |
| Franchise Tax | 10,320 | 10,320 | 9,525 | (795) |
| Use Tax | - | - | 7,390 | 7,390 |
| Cigarette Tax | 1,000 | 1,000 | 1,298 | 298 |
| Lodging Tax | 1,700 | 1,700 | 1,901 | 201 |
| Total Taxes | 88,020 | 88,020 | 118,313 | 30,293 |
| Intergovernmental: | | | | |
| Motor Vehicle Tax | 1,650 | 1,650 | 1,514 | (136) |
| Alcoholic Beverage Tax | 5,040 | 5,040 | 4,334 | (706) |
| Gas Excise Tax | 500 | 500 | 383 | (117) |
| Grants | - | - | 4,484 | 4,484 |
| Investment Income | - | - | 218 | 218 |
| Miscellaneous Income: | | | | |
| Permits | - | - | 466 | 466 |
| Rentals | - | - | - | - |
| Fire | - | - | 500 | 500 |
| Donations | - | - | 55 | 55 |
| Other Miscellaneous | - | - | 703 | 703 |
| Other Financing Sources | | | | |
| Transfer from Other Funds | - | - | - | - |
| Amounts Available for Appropriations | 95,210 | 95,210 | 197,508 | 102,243 |
| Budgeted Expenditures | | | | |
| GENERAL GOVERNMENT: | | | | |
| Personnel Service | 25,380 | 25,380 | 17,006 | (8,374) |
| Maintenance & Operation: | 13,250 | 13,250 | 18,849 | 5,599 |
| Contracted Services: | 12,780 | 12,780 | 11,862 | (918) |
| Capital Outlay | - | - | 210 | 210 |
| TOTAL GENERAL GOVERNMENT | 51,410 | 51,410 | 47,927 | (3,483) |
| POLICE DEPARTMENT: | | | | |
| Personnel Service | - | - | - | - |
| Maintenance & Operation: | - | - | - | - |
| Capital Outlay | - | - | - | - |
| TOTAL POLICE DEPARTMENT | - | - | - | - |
| FIRE DEPARTMENT: | | | | |
| Personnel Services: | 1,620 | 1,620 | - | (1,620) |
| Maintenance & Operation: | 6,500 | 6,500 | 7,272 | 772 |
| Capital Outlay | - | - | - | - |
| TOTAL FIRE DEPARTMENT | 8,120 | 8,120 | 7,272 | (848) |
| STREET & ALLEY: | | | | |
| Personnel Service | - | - | - | - |
| Maintenance & Operations | 14,500 | 14,500 | 7,589 | (6,911) |
| Capital Outlay | - | - | - | - |
| TOTAL STREET & ALLEY | 14,500 | 14,500 | 7,589 | (6,911) |
| Other Financing Uses: | | | | |
| Transfers to Other Funds | - | - | - | - |
| Total Charges to Appropriations | 74,030 | 74,030 | 62,788 | (11,242) |
| Ending Budgetary Fund Balance | 21,180 | 21,180 | 134,720 | 113,485 |

See Accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
JET UTILITY AUTHORITY
 Fiscal Year Ended June 30, 2013

| | Original | Final | Actual | Variance Over (Under) |
|---|-----------------|-----------------|------------------|--------------------------|
| REVENUES: | | | | |
| Water | \$ 69,120 | \$ 69,120 | \$ 94,633 | \$ (25,513) |
| Sewer | 22,000 | 22,000 | 20,708 | 1,292 |
| Sanitation | 24,000 | 24,000 | 25,173 | (1,173) |
| Other | 14,000 | 14,000 | 10,193 | 3,807 |
| | <u>129,120</u> | <u>129,120</u> | <u>150,708</u> | <u>(21,588)</u> |
| EXPENSES: | | | | |
| Personnel Services | 34,500 | 34,500 | 28,818 | 5,682 |
| Contract Labor | - | - | - | - |
| Cell Phone | 1,600 | 1,600 | 1,236 | 364 |
| Dues | 3,000 | 3,000 | 3,523 | (523) |
| Equipment Rental | 3,500 | 3,500 | 3,820 | (320) |
| Fuel | 6,000 | 6,000 | 3,344 | 2,656 |
| Insurance | - | - | 4,888 | (4,888) |
| Legal Fees | 8,000 | 8,000 | 11,727 | (3,727) |
| Materials & Supplies | 7,300 | 7,300 | 4,258 | 3,042 |
| Other Services | 4,000 | 4,000 | 2,350 | 1,650 |
| Parts & Repairs | 4,500 | 4,500 | 14,726 | (10,226) |
| Postage | 600 | 600 | 535 | 65 |
| Testing | 2,300 | 2,300 | 1,756 | 544 |
| Training | 750 | 750 | 520 | 230 |
| Trash Contract | 19,000 | 19,000 | 22,650 | (3,650) |
| Utilities | 13,000 | 13,000 | 13,344 | (344) |
| Capital Outlay | 1,000 | 1,000 | - | 1,000 |
| | <u>109,050</u> | <u>109,050</u> | <u>117,494</u> | <u>(8,444)</u> |
| OPERATING INCOME | <u>20,070</u> | <u>20,070</u> | <u>33,214</u> | <u>(13,144)</u> |
| NON-OPERATING REVENUE (EXPENSES) | | | | |
| Interest Income | 570 | 570 | 347 | 223 |
| Interest Expense (Debt Service) | (14,000) | (14,000) | (17,643) | 3,643 |
| Grant Receipts | - | - | - | - |
| Transfer In | - | - | - | - |
| Transfer Out | - | - | - | - |
| | <u>(13,430)</u> | <u>(13,430)</u> | <u>(17,296)</u> | <u>3,866</u> |
| NET REVENUES (EXPENSES) | 6,640 | 6,640 | 15,918 | (9,278) |
| BEGINNING RETAINED EARNINGS | | | | |
| | - | - | - | - |
| ENDING RETAINED EARNINGS | | | | |
| | <u>\$ 6,640</u> | <u>\$ 6,640</u> | <u>\$ 15,918</u> | <u>\$ (9,278)</u> |

See Accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
 Schedule of Grant Awards,
 Revenues and Expenditures
 For Year Ended June 30, 2012

| Grant Description | Contract Number | Grant Award | Revenue Collected | Total Expenditures |
|--|-----------------|-------------------|-------------------|--------------------|
| Fire Department Department of Agriculture | | \$4,484.35 | \$4,484.35 | \$4,484.35 |
| | | <u>\$4,484.35</u> | <u>\$4,484.35</u> | <u>\$4,484.35</u> |

The notes to the financial statements are an integral part of this statement.
 See the accompanying independent auditors' report.