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

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jones City, 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 accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's Responsibility

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 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 opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Jones City, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison schedule 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jones City's basic financial statements. 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. Those schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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* in considering the Town of Jones City's internal control over financial reporting and compliance.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
March 31, 2014

**THE TOWN OF JONES CITY
STATEMENT OF NET POSITION
JUNE 30, 2013**

	(Memo Only)			
	Governmental Activities	Business-type Activities	Total 2013	Total 2012
ASSETS				
Current Assets				
Cash and demand deposits	324,863	232,696	557,559	287,511
Certificates of deposit	0	0	0	211,111
Restricted cash	257,564	28,700	286,264	501,025
Revenue and accounts receivable	81,087	62,931	144,018	122,989
Allowance for doubtful accounts	0	(5,460)	(5,460)	(4,515)
Other receivables	0	10,721	10,721	13,427
Grants receivable	380,321	0	380,321	681,927
Internal balances	2,434	(2,434)	0	0
Prepaid expenses	5,519	6,561	12,080	14,612
Total current assets	1,051,788	333,715	1,385,503	1,828,087
Noncurrent Assets				
Depreciable property and equipment	1,476,664	2,907,218	4,383,882	4,135,285
Accumulated depreciation	(482,268)	(1,987,459)	(2,469,727)	(2,302,873)
Land	68,000	0	68,000	68,000
Construction in progress	845,243	56,855	902,098	356,951
Total noncurrent assets	1,907,639	976,614	2,884,253	2,257,363
TOTAL ASSETS	2,959,427	1,310,329	4,269,756	4,085,450
LIABILITIES				
Current Liabilities				
Accounts payable	16,524	20,418	36,942	44,145
Payroll taxes payable	1,867	0	1,867	4,203
Accrued leave payable	20,952	8,087	29,039	25,483
Construction accounts payable	95,425	0	95,425	0
Deferred grant revenues	199,835	0	199,835	617,275
Capital leases payable, current portion	95,671	0	95,671	104,563
Total current liabilities	430,274	28,505	458,779	795,669
Noncurrent Liabilities				
Meter deposits refundable	0	28,700	28,700	35,400
Capital leases payable, less current portion	64,276	0	64,276	134,947
Total noncurrent liabilities	64,276	28,700	92,976	170,347
TOTAL LIABILITIES	494,550	57,205	551,755	966,016
NET POSITION				
Net investment in capital assets	1,747,692	976,614	2,724,306	2,017,853
Restricted for:				
Debt	171,811	0	171,811	195,855
Capital improvements	18,240	0	18,240	98,661
Police	6,253	0	6,253	6,253
Fire	32,085	0	32,085	32,085
Capital outlay	25,924	0	25,924	66,851
Library	3,251	0	3,251	3,251
Main street project	0	0	0	62,670
Unrestricted	459,621	276,510	736,131	635,955
TOTAL NET POSITION	2,464,877	1,253,124	3,718,001	3,119,434

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			(Memo Only)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2013	Total 2012
Governmental activities:								
General government	(247,350)	16,038	0	0	(231,312)	0	(231,312)	(230,635)
Community building department	(13,762)	1,385	0	0	(12,377)	0	(12,377)	(9,983)
Police department	(424,104)	107,915	500	0	(315,689)	0	(315,689)	(254,595)
Fire department	(126,289)	0	14,970	0	(111,319)	0	(111,319)	(68,046)
Library department	(7,110)	0	0	3,638	(3,472)	0	(3,472)	31,484
Park department	(51,619)	0	0	0	(51,619)	0	(51,619)	(11,704)
Street department	(74,908)	0	24,408	439,180	388,680	0	388,680	(36,723)
Total governmental activities	(945,142)	125,338	39,878	442,818	(337,108)	0	(337,108)	(580,202)
Business-type activities:								
Sewer department	(192,001)	144,496	0	0	0	(47,505)	(47,505)	(93,458)
Trash department	(176,760)	293,882	0	0	0	117,122	117,122	100,698
Water department	(157,592)	184,751	0	0	0	27,159	27,159	(39,079)
Gas department	(351,502)	412,013	0	0	0	60,511	60,511	31,117
Total business-type activities	(877,855)	1,035,142	0	0	0	157,287	157,287	(722)
Total all activities	(1,822,997)	1,160,480	39,878	442,818	(337,108)	157,287	(179,821)	(580,924)
		General revenues:						
		Taxes:						
					454,660	0	454,660	421,797
					137,303	0	137,303	127,765
					68,187	0	68,187	72,043
					73,467	43,318	116,785	26,590
					1,235	218	1,453	1,453
					0	0	0	0
					277,864	(277,864)	0	0
					1,012,716	(234,328)	778,388	649,648
					675,608	(77,041)	598,567	68,724
					1,789,269	1,330,165	3,119,434	3,050,710
					2,464,877	1,253,124	3,718,001	3,119,434

* Interest expense of \$1,944 is included in the fire department

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>
ASSETS	
Cash and demand deposits	324,863
Restricted cash	257,564
Revenue receivable	81,087
Grants receivable	380,321
Due from other funds	2,434
Prepaid expenses	5,519
TOTAL ASSETS	<u><u>1,051,788</u></u>

LIABILITIES	
Accounts payable	16,524
Payroll taxes payable	1,867
Accrued leave payable	20,952
Construction accounts payable	95,425
Deferred grant revenues	199,835
TOTAL LIABILITIES	<u>334,603</u>

FUND BALANCE	
Non-spendable	
Prepaid expenses	5,519
Restricted for:	
Debt	171,811
Capital improvements	18,240
Police	6,253
Fire	32,085
Capital outlay	25,924
Library	3,251
Unrestricted	454,102
TOTAL FUND BALANCE	<u>717,185</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,051,788</u></u>

Reconciliation of fund balance to net assets of governmental activities:	
Fund balance	717,185
Depreciable capital assets	1,476,664
Accumulated depreciation	(482,268)
Land	68,000
Construction in progress	845,243
Capital lease payable	(159,947)
Net assets	<u><u>2,464,877</u></u>

**THE TOWN OF JONES CITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	454,660
Sales taxes - restricted	137,303
Franchise taxes	68,187
Shared taxes	29,336
Fines and forfeitures	100,980
Licenses, permits, inspections	16,038
Rental revenues	1,385
Donations	35,500
Grants	421,924
Other revenues	76,337
Interest	<u>1,235</u>
TOTAL REVENUES	1,342,885
EXPENDITURES	
General government	234,657
Community building	7,284
Police department	401,099
Fire department	85,696
Library department	7,110
Park department	31,757
Street department	69,886
Debt service	71,756
Capital outlay	<u>792,219</u>
TOTAL EXPENDITURES	1,701,464
REVENUES (UNDER) EXPENDITURES	(358,579)
OTHER FINANCING SOURCES (USES)	
Transfers-in (out)	<u>277,864</u>
TOTAL OTHER FINANCING SOURCES (USES)	277,864
NET CHANGE IN FUND BALANCE	(80,715)
BEGINNING FUND BALANCE	<u>797,900</u>
ENDING FUND BALANCE	<u><u>717,185</u></u>
Reconciliation of net change in fund balance to change in net assets of governmental activities:	
Net change in fund balances - governmental funds	(80,715)
Capital asset purchases capitalized	792,219
Depreciation expense	(105,709)
Principal payments on capital lease	<u>69,813</u>
Change in Net Assets of Governmental Activities	<u><u>675,608</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	<u>Jones City Public Works Authority</u>
ASSETS	
Current Assets	
Cash and demand deposits	232,696
Restricted cash	28,700
Accounts receivable	62,931
Allowance for doubtful accounts	(5,460)
Other receivables	10,721
Prepaid expenses	6,561
Total current assets	<u>336,149</u>
Noncurrent Assets	
Depreciable property and equipment	2,907,218
Accumulated depreciation	(1,987,459)
Construction in progress	56,855
Total noncurrent assets	<u>976,614</u>
TOTAL ASSETS	<u><u>1,312,763</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	20,418
Accrued leave payable	8,087
Due to other funds	2,434
Total current liabilities	<u>30,939</u>
Noncurrent Liabilities	
Meter deposits refundable	28,700
Total noncurrent liabilities	<u>28,700</u>
TOTAL LIABILITIES	<u>59,639</u>
NET POSITION	
Net investment in capital assets	976,614
Unrestricted	276,510
TOTAL NET POSITION	<u><u>1,253,124</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Jones City Public Works Authority</u>
OPERATING REVENUES	
Sewer revenues	144,496
Trash revenues	293,882
Water revenues	184,751
Gas revenues	412,013
Late fees	28,701
Other income	<u>14,617</u>
TOTAL OPERATING REVENUES	1,078,460
 OPERATING EXPENSES	
Sewer department	192,001
Trash department	176,760
Water department	157,592
Gas department	<u>351,502</u>
TOTAL OPERATING EXPENSES	877,855
 OPERATING INCOME	200,605
 NON-OPERATING REVENUES	
Interest income	<u>218</u>
TOTAL NON-OPERATING REVENUES	218
 INCOME BEFORE TRANSFERS	200,823
 TRANSFERS	
Transfers-in (out)	<u>(277,864)</u>
NET TRANSFERS	(277,864)
 CHANGE IN NET POSITION	(77,041)
 BEGINNING NET POSITION	<u>1,330,165</u>
ENDING NET POSITION	<u><u>1,253,124</u></u>

**THE TOWN OF JONES CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Jones City Public Works Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	1,085,222
Cash payments for:	
Goods and services	(539,943)
Employees	(225,250)
Net cash provided from operations	<u>320,029</u>
Cash flows from capital financing activities:	
Principal payments	(9,750)
Purchases of capital assets	(52,102)
Net cash from capital financing activities	<u>(61,852)</u>
Cash flows from non-capital financing activities:	
Transfers to general fund	(277,864)
Net cash from capital financing activities	<u>(277,864)</u>
Cash flows from investing activities:	
Interest income	218
Net cash from investing activities	<u>218</u>
Net (decrease) in cash	<u>(19,469)</u>
Beginning cash	<u>252,165</u>
Ending cash	<u><u>232,696</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income	200,605
Adjustments to income from operations:	
Depreciation	111,722
Bad debts	11,797
Change in assets and liabilities:	
(Increase) decrease in receivables	6,762
(Increase) decrease in prepaid expenses	(391)
(Increase) decrease in due from other funds	(2,917)
Increase (decrease) in payables	(7,549)
Net cash provided by operations	<u><u>320,029</u></u>

**The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013**

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, 2013, the Town implemented the new financial reporting requirements of the following GASB statements:

GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in other pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, relating to proprietary fund accounting, eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

GASB 63 provides financial reporting guidance for deferred outflows and inflows of resources and identifies net position as the residual of all other elements presented in the statement of financial position. This Statement amends the net asset reporting requirements of other pronouncements by incorporating deferred outflows and inflows into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows and inflows of resources; and recognizes certain items currently being reported as assets and liabilities as outflows and inflows of 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.

**The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013**

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.

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 – net investment in capital assets; 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:

**The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013**

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.

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.

**The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013**

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.

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.

**The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013**

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.

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 inflows 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

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013

claims, but for which none have been reported, are considered. During the year just ended, claims were made in the amount of \$37,325 for hail and flood damage to City property.

4. Deposits and Investments

At year end, the Town had insured deposits of \$750,000. Deposits of \$254,318 were not insured, but were collateralized with securities held by the bank's agent but not in the Town's name, in accordance with state statutes.

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 accounts of the general fund of the Town. Customer meter deposits are maintained in separate 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.

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	Balance	Depreciation	Additions	Disposals	
Non-depreciable													
Construction in progress	339,431	528,389	(9,182)	845,243	0	0	0	0	845,243	0	0	0	845,243
Land	118,000	0	0	68,000	0	0	0	0	68,000	0	0	0	68,000
Total non-depreciable	457,431	528,389	(9,182)	913,243	0	0	0	0	913,243	0	0	0	913,243
Depreciable													
Land improvements	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings & bldg equipment	505,549	27,240	0	408,006	108,411	25,733	0	134,144	273,862	0	0	0	273,862
Equipment	793,665	111,391	(50,577)	783,307	279,069	67,013	(50,577)	295,505	487,802	0	0	0	487,802
Roads, bridges, sidewalks	178,163	134,381	0	285,351	39,656	12,963	0	52,619	232,732	0	0	0	232,732
Total depreciable	1,477,377	273,012	(50,577)	1,476,664	427,136	105,709	(50,577)	482,268	994,396	0	0	0	994,396
Total governmental	1,934,809	801,401	(59,759)	2,389,907	427,136	105,709	(50,577)	482,268	1,907,639	0	0	0	1,907,639

The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013

Business-type Activities	Beginning			Ending			Book Value
	Balance	Additions	Disposals	Balance	Depreciation	Disposals	
Non-depreciable							
Construction in progress	30,915	25,940	0	56,855	0	0	56,855
Total non-depreciable	30,915	25,940	0	56,855	0	0	56,855
Depreciable							
Buildings & bldg equipment	80,167	0	0	80,167	43,985	3,329	32,853
Equipment	314,281	0	0	314,281	185,313	25,584	103,384
Utility systems	2,486,608	26,162	0	2,512,769	1,646,439	82,809	783,522
Total depreciable	2,881,056	26,162	0	2,907,218	1,875,737	111,722	919,759
Total business-type	2,911,971	52,102	0	2,964,073	1,875,737	111,722	976,614

Depreciation by department is as follows:

Governmental Activities		Business-type Activities	
General government	12,693	Sewer	65,444
Community building	6,478	Water	21,170
Police department	23,005	Gas	25,108
Fire department	38,649		<u>111,722</u>
Park department	19,863		
Street department	5,021		
	<u>105,709</u>		

8. Capital Leases

Debt outstanding at June 30, 2013, consisted of the following:

Fund	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Governmental Fire truck	4.25%	2/14/2015	177,000	34,947	Fire truck
Governmental Streets	0	5/20/2015	250,000	125,000	Franchise tax

Long-term debt activity for the year ended June 30, 2013, was as follows:

Fund	Capital Leases	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental Fire Truck		54,760	0	(19,813)	34,947	20,671
Governmental Streets		175,000	0	(50,000)	125,000	75,000

The Town of Jones City
Notes to the Basic Financial Statements
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Debt service requirements to maturity are as follows:

Governmental	Principal	Interest
2014	95,671	1,085
2015	64,276	228
	<u>159,947</u>	<u>1,313</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, 2013, 2012, and 2011 were \$1,080, \$1,080 and \$1,080, 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 OPPRS for 2013, 2012 and 2011 were as follows: \$23,349, \$22,454 and \$20,494; and \$14,369,

**The Town of Jones City
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2013**

\$13,787 and \$12,612, equal to the required contributions for each year. Eligible payroll was \$179,607, \$172,725 and \$157,647.

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 \$455,056. The payroll for Town employees covered by the Fund for the year was \$260,383. Actual Town and employee contributions for the year were \$8,640 each, equal to the required contributions for the year.

10. Inter-fund Transactions

	General Fund	Utility Fund	Total Transfers
Operating	277,864	(277,864)	0

	General Fund	Utility Fund	Total Interfund
Operating	2,434	(2,434)	0

11. Subsequent Events

Management performed an evaluation of the Town’s activity through March 31, 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 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Jones City, and have issued our report thereon, dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting of the Town of Jones City 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 the Town of Jones City's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Jones City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 following deficiencies in the Town's internal control to be material weaknesses:

2013-1 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. This finding was also reported in 2012.

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.

2013-2 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 2012, 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.

2013-3 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 2012 and 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.

2013-4 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 2012, 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.

2013-5 There are no established procedures to make sure that utility billings are correctly recorded in the general ledger or to ensure that utility billing reports are reconciled to the general ledger. We recommend that procedures be established to ensure that utility billings are recorded correctly in the general ledger and that utility billing reports are reconciled to the general ledger at least monthly. This finding was also reported in 2012, 2011, 2010 and 2009.

Response We will establish procedures to make sure utility billings are recorded correctly in the general ledger and set up a schedule of reports that need to be printed every month and make sure that they are reconciled to the financial records.

2013-6 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 2012, 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.

2013-7 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 2012 and 2011.

Response We are working on establishing procedures to track all grants and make sure they are reported correctly in the general ledger.

A significant deficiency is a deficiency, or 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. We consider the following deficiencies to be significant deficiencies:

2013-8 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 2012, 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.

2013-9 The general fund budget is not being prepared according to state statutes. We recommend that the board, clerk, and treasurer review state statutes pertaining to the preparation and submission of annual budgets and establish procedures for the preparation and submission of budgets in accordance with state statutes.

Response We will review state statutes pertaining to budgets and establish policies and procedures to make sure budgets are prepared and submitted correctly.

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 the following

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2013-9 The general fund budget is not being prepared according to state statutes. We recommend that the board, clerk, and treasurer review state statutes pertaining to the preparation and submission of annual budgets and establish procedures for the preparation and submission of budgets in accordance with state statutes.

Response We will review state statutes pertaining to budgets and establish policies and procedures to make sure budgets are prepared and submitted correctly.

The Town of Jones City's Response to Findings

The Town of Jones City's response to the findings identified in our audit is described above. The Town of Jones City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
March 31, 2014

**THE TOWN OF JONES CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

(Accrual Basis)

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2012	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2013
U.S. Department Transportation <i>Oklahoma Department of Transportation</i> Highway Planning and Construction (Federal Aid Highway Program)	20.205	State Job #26886(04)	407,401	275,510	275,510	131,891
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>407,401</u>	<u>275,510</u>	<u>275,510</u>	<u>131,891</u>

**THE TOWN OF JONES CITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

(Accrual Basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2012	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2013
Oklahoma Department of Agriculture <i>N/A</i> Rural Fire Protection		0	4,484	4,484	0
Oklahoma Department of Transportation <i>N/A</i> Highway Planning and Construction (34% Soft Match Credit)	State Job #26886(04)	209,873	141,929	141,929	67,944
TOTAL EXPENDITURES OF STATE AWARDS			<u>209,873</u>	<u>146,413</u>	<u>67,944</u>