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

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**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

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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 modified cash basis 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, 2020, 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 1; 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 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 modified cash basis 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, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 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 opinions are not modified with respect to this matter.


## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Jones City's basic financial statements. The budgetary comparison schedule on page 25 and the schedule of state awards on page 26, 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2021, 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.  
May 31, 2021

**THE TOWN OF JONES CITY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2020**

	Governmental Activities	Business-type Activities	Total 2020
<b>ASSETS</b>			
Current Assets			
Cash and demand deposits	266,506	609,979	876,485
Restricted cash	92,596	58,800	151,396
Internal balances	5,399	(5,399)	0
Total current assets	364,501	663,380	1,027,881
Noncurrent Assets			
Depreciable property and equipment	4,747,257	4,518,588	9,265,845
Accumulated depreciation	(1,442,092)	(2,788,477)	(4,230,569)
Land	182,689	0	182,689
Construction in progress	393,696	104,952	498,648
Total noncurrent assets	3,881,550	1,835,063	5,716,613
<b>TOTAL ASSETS</b>	<b>4,246,051</b>	<b>2,498,443</b>	<b>6,744,494</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	0	391	391
Payroll withholding payable	2,814	0	2,814
Current portion of capital leases	80,923	0	80,923
Current portion of notes payable	0	42,000	42,000
Total current liabilities	83,737	42,391	126,128
Noncurrent Liabilities			
Meter deposits refundable	0	58,800	58,800
Capital leases, less current portion	220,158	0	220,158
Notes payable, less current portion	0	211,452	211,452
Total noncurrent liabilities	220,158	270,252	490,410
<b>TOTAL LIABILITIES</b>	<b>303,895</b>	<b>312,643</b>	<b>616,538</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,580,469	1,835,063	5,415,532
Restricted for:			
Debt	28,118	0	28,118
Capital improvements	25,165	0	25,165
Capital outlay	13,795	0	13,795
Splash pad	23,824	0	23,824
Police equipment	1,694	0	1,694
Unrestricted	269,091	350,737	619,828
<b>TOTAL NET POSITION</b>	<b>\$3,942,156</b>	<b>\$2,185,800</b>	<b>\$6,127,956</b>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2020
Governmental activities:							
General government	(273,124)	12,794	0	3,077	(257,253)	0	(257,253)
Code enforcement	(61,564)	33,619	0	0	(27,945)	0	(27,945)
Police department*	(763,443)	224,880	20,069	0	(518,494)	0	(518,494)
Fire department**	(120,740)	6,264	8,379	55,000	(51,097)	0	(51,097)
Emergency management department	(9,506)	0	0	0	(9,506)	0	(9,506)
Library department	(28,005)	0	0	746	(27,259)	0	(27,259)
Park department***	(53,353)	7,091	0	0	(46,262)	0	(46,262)
Street department	(106,398)	5,500	16,713	0	(84,185)	0	(84,185)
Total governmental activities	(1,416,133)	290,148	45,161	58,823	(1,022,001)	0	(1,022,001)
Business-type activities:							
Sewer department	(309,635)	144,610	0	0	0	(165,025)	(165,025)
Trash department	(279,807)	396,707	0	0	0	116,900	116,900
Water department	(207,716)	179,190	0	0	0	(28,526)	(28,526)
Gas department	(309,300)	378,830	0	0	0	69,530	69,530
Total business-type activities	(1,106,458)	1,099,337	0	0	0	(7,121)	(7,121)
Total all activities	(2,522,591)	1,389,485	45,161	58,823	(1,022,001)	(7,121)	(1,029,122)
		General revenues:					
		Taxes:					
		Sales taxes for general purposes			811,365	0	811,365
		Sales taxes, restricted for capital expenses and debt service			203,344	0	203,344
		Franchise and public service taxes			71,028	0	71,028
		Other general revenues			3,594	89,978	93,572
		Investment income			671	884	1,555
		Transfers			91,972	(91,972)	0
		Total general revenues and transfers			1,181,974	(1,110)	1,180,864
		Change in net position			159,973	(8,231)	151,742
		Beginning net position			3,400,653	1,879,031	5,279,684
		Capital contributions			383,250	315,000	698,250
		Prior period adjustments			(1,720)	0	(1,720)
		Ending net position			\$3,942,156	\$2,185,800	\$6,127,956
* Interest expense of \$5,974 is included in the police department							
** Interest expense of \$5,560 is included in the fire department							
*** Interest expense of \$1,553 is included in the park department							
**** Interest expense of \$1,580 is included in each of the sewer, trash, water, and gas departments							

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and demand deposits	266,506
Restricted cash	92,596
Due from other funds	5,399
<b>TOTAL ASSETS</b>	<u><u>\$364,501</u></u>
<b>LIABILITIES</b>	
Payroll liabilities payable	2,814
<b>TOTAL LIABILITIES</b>	<u>2,814</u>
<b>FUND BALANCE</b>	
Restricted for:	
Debt	28,118
Capital improvements	25,165
Capital outlay	13,795
Splash pad	23,824
Police equipment	1,694
Unassigned	269,091
<b>TOTAL FUND BALANCE</b>	<u>361,687</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$364,501</u></u>

Reconciliation of fund balance to net position of governmental activities:

Fund balance	361,687
Depreciable capital assets	4,747,257
Accumulated depreciation	(1,442,092)
Land	182,689
Construction in progress	393,696
Capital lease payable	(301,081)
<b>Net position</b>	<u><u>\$3,942,156</u></u>

**THE TOWN OF JONES CITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	811,365
Sales taxes - restricted	203,344
Franchise taxes	71,028
Shared taxes	20,307
Fines and fees	214,043
Licenses, permits, inspections	33,619
Donations	16,698
Grants	77,664
Other revenues	35,395
Interest	671
TOTAL REVENUES	<u>1,484,134</u>
EXPENDITURES	
General government department	260,798
Code enforcement department	54,043
Police department	702,412
Fire department	71,629
Emergency management department	9,506
Park department	32,845
Street department	72,630
Debt service	120,032
Capital outlay	221,455
TOTAL EXPENDITURES	<u>1,545,350</u>
REVENUES OVER (UNDER) EXPENDITURES	(61,216)
OTHER FINANCING SOURCES (USES)	
Loan proceeds	54,297
Transfers-in (out)	91,972
TOTAL OTHER FINANCING SOURCES (USES)	<u>146,269</u>
NET CHANGE IN FUND BALANCES	85,053
BEGINNING FUND BALANCE	<u>276,634</u>
ENDING FUND BALANCE	<u><u>\$361,687</u></u>
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balances - governmental funds	85,053
Capital asset purchases capitalized	221,455
Depreciation expense	(199,184)
Loan proceeds	(54,297)
Principal payments on capital leases	106,946
Change in Net Position of Governmental Activities	<u><u>\$159,973</u></u>

The accompanying notes are an integral part of these financial statements



**THE TOWN OF JONES CITY  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	<u>Jones City Public Works Authority</u>
<b>ASSETS</b>	
Current Assets	
Cash and demand deposits	609,979
Restricted cash	<u>58,800</u>
Total current assets	668,779
Noncurrent Assets	
Depreciable property and equipment	4,518,588
Accumulated depreciation	(2,788,477)
Construction in progress	<u>104,952</u>
Total noncurrent assets	<u>1,835,063</u>
<b>TOTAL ASSETS</b>	<b>2,503,842</b>
<b>LIABILITIES</b>	
Current Liabilities	
Sales tax payable	391
Due to other funds	5,399
Current portion of notes payable	<u>42,000</u>
Total current liabilities	47,790
Noncurrent Liabilities	
Meter deposits refundable	58,800
Notes payable, less current portion	<u>211,452</u>
Total noncurrent liabilities	<u>270,252</u>
<b>TOTAL LIABILITIES</b>	<b>318,042</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,581,611
Unrestricted	<u>604,189</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$2,185,800</u></u></b>

**THE TOWN OF JONES CITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Jones City Public Works Authority</u>
OPERATING REVENUES	
Sewer revenues	144,610
Trash revenues	396,707
Water revenues	179,190
Gas revenues	378,830
Late fees	19,196
Other income	<u>70,782</u>
TOTAL OPERATING REVENUES	1,189,315
OPERATING EXPENSES	
Administration	104,184
Sewer department	250,105
Storm water department	31,905
Trash department	252,182
Water department	180,090
Gas department	<u>281,674</u>
TOTAL OPERATING EXPENSES	1,100,140
OPERATING INCOME	89,175
NON-OPERATING REVENUES (EXPENSES)	
Interest income	884
Interest expense	<u>(6,318)</u>
NET NON-OPERATING REVENUES (EXPENSES)	(5,434)
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	83,741
Transfers-in (out)	(91,972)
Capital contributions	315,000
CHANGE IN NET POSITION	306,769
BEGINNING NET POSITION	<u>1,879,031</u>
ENDING NET POSITION	<u><u>\$2,185,800</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF JONES CITY  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Jones City Public Works Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	1,189,315
Cash payments for:	
Goods and services	(676,900)
Employees	<u>(250,048)</u>
Net cash provided from operations	262,367
Cash flows from capital financing activities:	
Principal payments	(42,000)
Interest payments	(6,318)
Purchases of capital assets	(101,765)
Inter-fund transfers	<u>23,028</u>
Net cash from capital financing activities	(127,055)
Cash flows from non-capital financing activities:	
Interfund transfers	<u>(115,000)</u>
Net cash from non-capital financing activities	(115,000)
Cash flows from investing activities:	
Interest income	<u>884</u>
Net cash from investing activities	<u>884</u>
Net (decrease) in cash	<u>21,196</u>
Beginning cash	<u>588,783</u>
Ending cash	<u><u>\$609,979</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income	89,175
Adjustments to income from operations:	
Depreciation	123,041
Change in assets and liabilities:	
(Increase) decrease in due from other funds	58,103
Increase (decrease) in payables	317
Increase (decrease) in due to other funds	<u>(8,269)</u>
Net cash provided by operations	<u><u>\$262,367</u></u>

**The Town of Jones City**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2020**

**1. Summary of Significant Accounting Policies**

**1A. Introduction**

The Town's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

**1B. Financial Reporting Entity**

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.

**1B1. 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. Basis of Presentation**

**1C1. Fund Accounting**

The Town uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures/expenses. The Town's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The Town has one governmental fund and one business-type fund.

**1C2. Basis of Accounting and Measurement Focus**

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. Measurement focus is a term used to describe which transactions are recorded.

**The Town of Jones City**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2020**

**1C2a. Modified Cash Basis of Accounting**

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting *as a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;
2. have substantial support in GAAP or other accounting literature; and
3. be logical.

**1C3. Government-wide Financial Statements**

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets, are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

**1C4. Governmental Fund Financial Statements**

The general fund of the Town is a governmental fund. The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received, and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

**1C5. Proprietary Fund Financial Statements**

The utility fund of the Town is a proprietary fund. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The

**The Town of Jones City  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2020**

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.

**1D. 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.

**1E. 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. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

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.

**1F. 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.

**1G. 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, 2020**

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.

**1H. Equity Classifications**

In the government-wide statements, equity is classified as net position and reported in three components as follows:

1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.
2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision-making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the Town, this intent is expressed by a vote of the board of trustees encumbering amounts for assigned purposes.
5. Unassigned – remaining fund balance in excess of all other classifications.

**1I. Revenues and Expenditures**

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

**The Town of Jones City**  
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transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**1J. Use of Restricted Resources**

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. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

**2. Deposits and Investments**

Custodial credit risk relates to deposits that are uninsured and uncollateralized; collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Town's name; or collateralized without a written or approved collateral agreement. The Town's policy is to comply with state law and secure its uninsured deposits with collateral. 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.

At year end, the Town had deposits of \$585,478 that were collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Town's name.

**3. 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.

**4. Capital Assets**

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

	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Depreciation	Additions	Disposals	Ending Depreciation	Book Value
<b>Governmental Activities</b>									
Construction in progress	340,997	80,500	(27,801)	393,696	0	0	0	0	393,696
Land	68,000	114,689	0	182,689	0	0	0	0	182,689
Total non-depreciable	408,997	195,189	(27,801)	576,385	0	0	0	0	576,385
Buildings & bldg equipment	1,472,651	16,017	0	1,488,668	259,982	50,749	0	310,731	1,177,936
Equipment	1,617,019	48,300	0	1,665,319	745,296	106,877	0	852,173	813,146
Roads, bridges, sidewalks	1,215,270	378,000	0	1,593,270	237,630	41,557	0	279,188	1,314,082
Total depreciable	4,304,940	442,317	0	4,747,257	1,242,909	199,184	0	1,442,092	3,305,164
<b>Total governmental</b>	<b>4,713,937</b>	<b>637,506</b>	<b>(27,801)</b>	<b>5,323,642</b>	<b>1,242,909</b>	<b>199,184</b>	<b>0</b>	<b>1,442,092</b>	<b>3,881,550</b>
<b>Business-type Activities</b>									
Construction in progress	36,597	68,355	0	104,952	0	0	0	0	104,952
Total non-depreciable	36,597	68,355	0	104,952	0	0	0	0	104,952
Buildings & bldg equipment	80,167	0	0	80,167	67,288	3,329	0	70,617	9,550
Equipment	381,180	0	0	381,180	280,534	22,956	0	303,490	77,690
Utility systems	3,708,831	348,410	0	4,057,241	2,317,613	96,756	0	2,414,369	1,642,872
Total depreciable	4,170,178	348,410	0	4,518,588	2,665,436	123,041	0	2,788,476	1,730,111
<b>Total business-type</b>	<b>4,206,775</b>	<b>416,765</b>	<b>0</b>	<b>4,623,540</b>	<b>2,665,436</b>	<b>123,041</b>	<b>0</b>	<b>2,788,476</b>	<b>1,835,063</b>



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Depreciation (including amortization of equipment under capital leases) by department is as follows:

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government	12,325	Sewer	59,653
Code enforcement	7,521	Water	48,564
Police department	55,058	Gas	14,824
Fire department	43,552		<u>123,041</u>
Library department	28,005		
Park department	18,955		
Street department	33,768		
	<u>199,183</u>		

	Gross	Accumulated	Net
Capital assets under capital leases	Amount	Amortization	Amount
Governmental	465,909	(115,225)	350,684

**5. Long-term Debt**

Outstanding debt at June 30, 2020, consists of the following:

**Direct Borrowings - Lease purchases**

<b>Governmental</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount Issued</b>	<b>Outstanding</b>	<b>Security</b>
Tanker	3.720%	3/14/24	306,848	129,910	Tanker truck
Lights	4.022%	12/22/19	178,715	0	Ballfield lights
Police vehicles	4.469%	1/25/24	159,061	117,535	Police vehicles
			<u>\$644,624</u>	<u>\$247,445</u>	

**Direct Borrowings - Notes**

<b>Governmental</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount Issued</b>	<b>Outstanding</b>	<b>Security</b>
Police tasers	0.000%	9/26/23	7,988	5,040	Police tasers
IT equipment	7.109%	7/31/22	54,297	48,596	IT equipment
			<u>\$62,285</u>	<u>\$53,636</u>	

**Direct Borrowings - Note**

<b>Proprietary</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount Issued</b>	<b>Outstanding</b>	<b>Security</b>
Library building	Variable	3/10/28	\$484,624	\$253,452	Building and 1% sales tax 2.25% until June 1, 2017, and then at a fixed rate equal to the then 5-Year CMT (Constant Maturity Treasury) rate plus 250 basis points with said rate to be reset on June 1, 2022 and June 1, 2027

The Town's outstanding lease-purchases from direct borrowings related to governmental activities contain a provision that in the event funds are not appropriated for a subsequent fiscal year the lease will be terminated and the equipment will be returned.

**The Town of Jones City  
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The Town's outstanding note from direct borrowings related to business-type activities contains a provision that in the event of default, the 1% sales tax will be paid directly to the lender and the note becomes immediately due and payable.

Changes in long-term debt for the year ended June 30, 2020, are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
<b>Governmental activities:</b>					
Notes from direct borrowings	\$353,729	\$54,297	(\$106,945)	\$301,081	\$80,923
<b>Business-type activities:</b>					
Notes from direct borrowings	\$295,452	\$0	(\$42,000)	\$253,452	\$42,000

Debt service requirements on long-term debt at June 30, 2020 are as follows:

<b>Year Ending June 30:</b>	<b>Direct Borrowings</b>		<b>Direct Borrowings</b>	
	<b>Governmental Activities Principal</b>	<b>Interest</b>	<b>Business-Type Activities Principal</b>	<b>Interest</b>
2021	80,923	11,445	42,000	5,270
2022	83,728	8,641	42,000	4,325
2022	87,630	4,739	42,000	3,380
2024	48,800	769	42,000	2,435
2025	0	0	42,000	1,490
2026-2028	0	0	43,452	564
	<b>\$301,081</b>	<b>\$25,594</b>	<b>\$253,452</b>	<b>\$17,461</b>

**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. 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

**The Town of Jones City**  
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Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2021, 2019, and 2018 were \$0, \$2,310, and \$4,320, respectively. Required contributions were not made in 2020 while the Town and the pension system updated and corrected the pension records.

**Oklahoma Police Pension and Retirement System - Defined Benefit Pension Plan**

Plan Description. The Town 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 Town 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 Town and employee contributions to OPPRS for 2020, 2019, and 2018 were as follows: \$29,121, \$26,353, and \$35,395; and \$17,921, \$16,217, and \$21,782, equal to the required contributions for each year. Eligible payroll was \$224,008, \$202,718, and \$272,269.

**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 \$746,185. The payroll for Town employees covered by the Fund for the year was \$215,916. Actual Town and employee contributions for the year were \$8,637 each, equal to the required contributions for the year.

**8. Inter-fund Transactions**

	General	Utility	Net
Transfers	Fund	Fund	Transfers
Operating	115,000	(115,000)	0
Debt	(48,318)	48,318	0
Capital assets	25,290	(25,290)	0
	<u>91,972</u>	<u>(91,972)</u>	<u>0</u>

Inter-fund	General	Utility	Net
Loans	Fund	Fund	Interfund
Operating	5,399	(5,399)	0
	<u>5,399</u>	<u>(5,399)</u>	<u>0</u>

**The Town of Jones City  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2020**

**9. Budgets**

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. No budget amendments were approved during the year.

**10. Risk Management**

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. During the year just ended, claims totaling \$11,555 were made for police vehicles.

**11. Subsequent Events**

Management performed an evaluation of the Town's activity through May 31, 2021, the date the audit report was ready to be released and concluded there were no significant subsequent events requiring disclosure through that date.

**12. Prior Period Adjustments**

	General Fund
Building code	5,000
PD tasers	(6,720)
Total prior period adjustments	<u>(1,720)</u>

**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 modified cash basis 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, 2020, 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 May 31, 2021.

**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 described in the accompanying schedule of findings and responses, 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 deficiencies 2020-1, 2020-2, 2020-3, 2020-6, and 2020-7 described in the accompanying schedule of findings and responses to be material weaknesses.

*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 deficiencies 2020-4 and 2020-5 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Town of Jones City are free of material misstatement, we performed tests of its compliance with certain provisions of laws,


regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-6 and 2020-7.

### **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 in the accompanying schedule of findings and responses. 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.  
May 31, 2021

**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2020**

2020-1

Criteria: Segregation of duties or other compensating procedures to provide oversight and review between those maintaining the court records, performing reconciliations, and collecting payments should be established to make deliberate fraud more difficult to enact and make it more likely that innocent errors will be found and corrected.

Condition: The same employees maintain the court records, perform reconciliations, and collect payments, with no compensating procedures to provide for oversight or review of those transactions.

Cause: There is not sufficient segregation of duties between those maintaining the court records, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions.

Effect: Because there is not sufficient segregation of duties between those maintaining the court records, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions, discrepancies between the recording of police fines and fees and the collections relating to those fines and fees have been discovered.

Recommendation: We recommend that procedures be established to provide segregation of duties between those maintaining the court records, performing reconciliations, and collecting payments, or, where that is not possible, establish other compensating procedures to provide for oversight and review of those transactions.

Response: We have instituted an investigation of all of our court records, including tracing all tickets to court dockets, payment receipts and/or time payment agreements and to our ODIS software for the last 3 years. Once that investigation is completed, we will determine what additional policies and procedures we need to institute to prevent future defalcations and discrepancies. We are working with ODIS to determine why their reports and ours do not reconcile and have found some of the issues that we can correct and some that they need to correct and some that they have recently corrected.

2020-2

Criteria: Segregation of duties or other compensating procedures to provide oversight and review between those maintaining the general ledger and billing systems, performing reconciliations, and collecting payments should be established to make deliberate fraud more difficult to enact and make it more likely that innocent errors will be found and corrected.

Condition: The same employees maintain the general ledger, billing systems, perform reconciliations, and collect payments, with no compensating procedures to provide for oversight or review of those transactions.

Cause: There is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions.

Effect: Because there is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and

no compensating procedures to provide for oversight or review of those transactions, posting or other errors are occurring and not being found and corrected on a timely basis.

Recommendation: We recommend that procedures be established to provide segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, or, where that is not possible, establish other compensating procedures to provide for oversight or review of those transactions.

Response: Since we are a small town, we will never be able to have sufficient segregation of duties. However, we are working on allocating office tasks to various personnel in order to develop better reconciling and oversight procedures for our accounting records. To help with the internal control, a camera has been installed over the counter where payments are made. A cash register has replaced the cash drawer and all clerks have their own number that has to be entered into the cash register for all transactions. Cash register reports are reconciled to the handwritten receipts at the end of each day; the receipts are numbered; and copies are kept in a binder. All copies of a voided receipt are also kept in the binder. Receipt books are not allowed to leave the counter for any reason and must be kept in view of the camera at all times.

2020-3

Criteria: Procedures should be established to ensure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances so that any errors or inappropriate account balances are corrected on a timely basis.

Condition: The general ledger is not being reviewed at least monthly for posting errors and inappropriate account balances.

Cause: There are no established procedures to ensure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances.

Effect: Because there are no established procedures to ensure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances, the general ledger contains posting errors and inappropriate account balances, causing the board financial statements to be misstated and town departments to be out of compliance with adopted budgets once the corrections are made.

Recommendation: We recommend that procedures be established to make sure the general ledger is reviewed at least monthly for posting errors and inappropriate account balances.

Response: We will establish procedures to ensure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances.

2020-4

Criteria: Procedures should be established to ensure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.

Condition: Capital assets are not being correctly recorded in the general ledger; subsidiary schedules of capital assets are not being adequately maintained; and capital assets are not being reconciled to the general ledger or to insurance policies at least annually.

Cause: There are no established procedures to ensure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; or that capital assets are reconciled to the general ledger and to insurance policies at least annually.



Effect: Because there are no established procedures to ensure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; or that capital assets are reconciled to the general ledger and insurance policies at least annually, errors in either the general ledger, subsidiary schedules, or insurance policies may exist and not be corrected on a timely basis.

Recommendation: We recommend that procedures be established to make sure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.

Response: We will establish procedures to ensure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.

2020-5

Criteria: Policies and procedures should be established to ensure that grants are adequately administered; that grant records are adequately maintained; and that grant revenues and expenditures are correctly recorded in the general ledger.

Condition: Grants are not being adequately administered; grant records are not being adequately maintained; and grant revenues and expenditures are not being correctly recorded in the general ledger.

Cause: There are no established policies or procedures to ensure that grants are adequately administered; that grant records are adequately maintained; or that grant revenues and expenditures are correctly recorded in the general ledger.

Effect: Because there are no established policies or procedures to ensure that grants are adequately administered, grant revenues and expenditures are not being correctly recorded in the general ledger and grant records are not organized in a consistent and clear manner.

Recommendation: We recommend that policies and procedures be established to ensure that grants are adequately administered; grant records are adequately maintained; and grant revenues and expenditures are correctly recorded in the general ledger.

Response: We will establish policies and procedures to ensure that grants are adequately administered; grant records are adequately maintained; and that grant revenues and expenditures are correctly recorded in the general ledger.

Findings 2020 -1 through 2020-5 are repeat findings.

2020-6

Criteria: Reserve police officers are required to volunteer 16 hours per month. Hours over 16 in a month may be submitted on a time sheet for payment. Each reserve officer's hours per shift are to be logged on a yellow timecard and submitted to the police chief to be recorded by the police chief on each reserve officer's time record. Each reserve officer's hours that qualify for payroll are recorded on a regular time sheet and submitted through the regular payroll process. The police chief is to review each reserve officer time record and verify the volunteer hours, hours eligible for payroll, and total hours worked for each pay period.

Condition: Reserve officer yellow timecards are not being recorded on each reserve officer's time record in a timely manner so that there is a way to verify the volunteer hours, hours eligible for payroll, and total hours worked.

Cause: Established policies or procedures to ensure that reserve officer hours are maintained adequately are not being followed.

Effect: Because the established policies or procedures to ensure reserve officer hours are maintained adequately are not being followed, there is no way to verify whether or not reserve officers are fulfilling their volunteer hours and being paid only for their hours over 16 in a month.

Recommendation: We recommend that at least one other officer be included in the reserve officer timekeeping function to make sure all hours are recorded in a timely manner and verified before payroll timesheets are submitted through the regular payroll process.

Response: As of June 1, 2021, all reserve officer timecards shall be reviewed and logged by the second in command of the Jones Police Department. Timecards shall be reviewed and logged daily, with the exception of Saturday, Sunday, and holidays, which shall be reviewed and logged the following business day. It will be the responsibility of the chief of police to review the reserve officer timecards and assure that the 16 volunteer hours were worked prior to receiving payment for subsequent hours.

2020-7

Criteria: Article 10 Section 26(a) of the Oklahoma Constitution states that "Except as herein otherwise provided, no county, city, town, township, school district, or other political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose."

Condition: Two separate contracts were issued during fiscal year 2020 for terms exceeding the fiscal year end without obtaining three-fifths of the voters' consent.

Cause: In the first instance, the procedures established by the Town for purchases were not followed. In the second instance, the Town's procedures were followed, the purchase was intended to be a lease-purchase, but the contract was written as a loan.

Effect: The Town is violating the Oklahoma Constitution.

Recommendation: In the first instance, we recommend that the loan be paid in full. In the second instance, we recommend that the loan either be paid in full or be refinanced as a lease-purchase agreement which is authorized under 62 O.S. Section 430.1.

Response: We will pay off the first loan before the end of this fiscal year. For the second loan, the vendor and our attorneys are in the process of amending the agreement as a lease-purchase.

**THE TOWN OF JONES CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use taxes	807,227	807,227	811,365	4,138
Sales taxes - restricted	219,768	219,768	203,344	(16,424)
Franchise taxes	77,642	77,642	71,028	(6,614)
Shared taxes	5,239	5,239	20,307	15,068
Fines and fees	184,663	184,663	214,043	29,380
Licenses, permits, inspections	25,375	25,375	33,619	8,244
Donations	0	0	16,698	16,698
Grants	55,000	55,000	77,664	22,664
Other revenues	0	0	35,395	35,395
Interest	1,323	1,323	671	(652)
<b>TOTAL REVENUES</b>	<b>1,376,237</b>	<b>1,376,237</b>	<b>1,484,134</b>	<b>107,897</b>
<b>EXPENDITURES</b>				
General government department	316,938	316,938	260,798	56,140
Code enforcement department	30,807	30,807	54,043	(23,236)
Police department	696,880	696,880	702,412	(5,532)
Fire department	70,252	70,252	71,629	(1,377)
Emergency management department	15,244	15,244	9,506	5,738
Park department	29,387	29,387	32,845	(3,458)
Street department	64,339	64,339	72,630	(8,291)
Debt service	162,651	162,651	120,032	42,619
Capital outlay	209,000	209,000	221,455	(12,455)
<b>TOTAL EXPENDITURES</b>	<b>1,595,498</b>	<b>1,595,498</b>	<b>1,545,350</b>	<b>50,148</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(219,261)</b>	<b>(219,261)</b>	<b>(61,216)</b>	<b>158,045</b>
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	0	0	54,297	(54,297)
Transfers-in (out)	219,261	219,261	91,972	(127,289)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>219,261</b>	<b>219,261</b>	<b>146,269</b>	<b>(181,586)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>0</b>	<b>0</b>	<b>85,053</b>	<b>(23,541)</b>
<b>BEGINNING FUND BALANCE</b>	<b>276,634</b>	<b>276,634</b>	<b>276,634</b>	<b>0</b>
<b>ENDING FUND BALANCE</b>	<b>\$276,634</b>	<b>\$276,634</b>	<b>\$361,687</b>	<b>(\$23,541)</b>

Notes to the budgetary comparison schedule:

1. The budget is prepared on the modified cash basis.
2. No budget amendments were adopted during the year.

**THE TOWN OF JONES CITY  
 SCHEDULE OF STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2020**  
 (Modified Cash Basis)

<i>STATE GRANTOR/            PASS-THROUGH GRANTOR</i>	GRANTOR'S NUMBER	RECEIPTS
PROGRAM TITLE		
Oklahoma Department of Agriculture <i>N/A</i>		
Rural Fire Protection		4,642
Oklahoma Department of Commerce <i>Association of Central Oklahoma Governments</i>		
Rural Economic Action Plan	ED-2019-04	55,000
TOTAL STATE AWARDS		<u>\$59,642</u>