

TOWN OF BLUEJACKET, OKLAHOMA
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND
SUPPLEMENTAL DATA FOR THE
TWELVE MONTHS ENDED JUNE 30, 2012

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Eufaula, Oklahoma 74432

**TOWN OF BLUEJACKET
BLUEJACKET, OKLAHOMA
JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Town of Bluejacket
Bluejacket, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bluejacket as of and for the year ending June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bluejacket's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bluejacket as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 thru 9, and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information; however, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 10, 2013 on my consideration of the Town of Bluejacket's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of this audit.

Cynthia L. Warren CPA, P.C.

Cynthia L Warren CPA, P.C.
January 10, 2013

Town of Bluejacket
P.O. Box 59
Bluejacket, Oklahoma 74333

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012

The discussion and analysis of the Town of Bluejacket's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2012. The information contained in this MD&A should be read in conjunction with the accompanying basic financial statements.

Financial Highlights

The assets of the Town of Bluejacket exceeded its liabilities at the close of the fiscal year ending June 30, 2012 by \$636,431. Of this amount, \$60,873 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town of Bluejacket's net assets decreased by \$26,292. This decrease is attributable to excesses of expenditures over revenues.

The Town of Bluejacket's total debt decreased by \$12,979 during the current fiscal year including a decrease in restricted assets.

Revenues of the Town decreased \$35,540 and expenses decreased \$40,308 for a change in net assets of \$4,768.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Town of Bluejacket's basic financial statements. The Town of Bluejacket's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. The basic statements provide readers with a broad overview of the Town's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Bluejacket's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the Town of Bluejacket's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Town of Bluejacket is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration such as economic factors. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. Both the statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting and economic resources measurement focus.

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012

Fund Financial Statements

Fund financial statements focus separately on governmental funds and proprietary funds. Governmental fund statements report only current financial resources on the modified accrual basis of accounting. As a result, capital assets and long-term debt are not reported in government fund financial statements. Proprietary fund financial statements are presented, similar to the government-wide financial statements, on the economic resources measurement focus and accrual basis of accounting, and include all assets and liabilities. The Town's major funds are presented in their own column and the remaining funds are combined into a column titled "Non-major".

Notes to the Financial Statements

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

Supplementary Information

As required by generally accepted accounting principles, a budgetary comparison is presented for the general fund which is the only major governmental fund for which a budget is legally adopted.

Town as a Whole

Government-wide Financial Statements

The following is a condensed version of the Statement of Net Assets as of June 30, 2012 as compared to the Statement of Net Assets as of June 30, 2011:

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>
Current Assets :			
Governmental Activities	\$ 48,239	\$ 44,967	\$ 3,272
Business-type Activities	<u>13,446</u>	<u>15,388</u>	<u>(1,942)</u>
	<u>61,685</u>	<u>60,355</u>	<u>1,330</u>
Noncurrent Assets:			
Governmental Activities	35,863	43,683	(7,820)
Business-type Activities	<u>724,802</u>	<u>761,827</u>	<u>(37,025)</u>
	<u>760,665</u>	<u>805,510</u>	<u>(44,845)</u>
Total Assets	<u>\$ 822,350</u>	<u>\$ 865,865</u>	<u>\$ (43,515)</u>
Current Liabilities:			
Governmental Activities	\$ 2,460	\$ 2,496	\$ (36)
Business-type Activities	<u>18,642</u>	<u>21,851</u>	<u>(3,209)</u>
	<u>21,102</u>	<u>24,347</u>	<u>(3,245)</u>
Noncurrent Liabilities:			
Governmental Activities	-	-	-
Business-type Activities	<u>164,817</u>	<u>178,795</u>	<u>(13,978)</u>
	<u>164,817</u>	<u>178,795</u>	<u>(13,978)</u>
Total Liabilities	<u>185,919</u>	<u>203,142</u>	<u>(17,223)</u>

Net Assets:			
Invested in Capital Assets, Net:			
Governmental Activities	24,507	32,450	(7,943)
Business-type Activities	<u>543,480</u>	<u>560,783</u>	<u>(17,303)</u>
	<u>567,987</u>	<u>593,233</u>	<u>(25,246)</u>
Restricted Net Assets:			
Governmental Activities	-	-	-
Business-type Activities	<u>7,571</u>	<u>9,495</u>	<u>(1,924)</u>
	<u>7,571</u>	<u>9,495</u>	<u>(1,924)</u>
Unrestricted Net Assets:			
Governmental Activities	57,135	53,704	3,431
Business-type Activities	<u>3,738</u>	<u>6,291</u>	<u>(2,553)</u>
	<u>60,873</u>	<u>59,995</u>	<u>878</u>
Net Assets	<u>\$ 636,431</u>	<u>\$ 662,723</u>	<u>\$ (26,292)</u>

The Town had a decrease in total assets when compared to the previous year in the amount of \$43,515. Total liabilities decreased as a result of principal payments on long-term debt.

Total net assets decreased \$26,292, the difference between revenues and expenses.

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012

A condensed version of the Statement of Activities follows:

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>
Governmental Activities:			
Program Revenues:			
General Government	\$ 2,499	\$ 53,351	\$ (50,852)
Street and Alley	2,309	2,511	(202)
Public Safety - Traffic	11,048	21,015	(9,967)
Fire	<u>16,488</u>	<u>17,966</u>	<u>(1,478)</u>
	<u>32,344</u>	<u>94,843</u>	<u>(62,499)</u>
General Revenues:			
Taxes	26,497	21,304	5,193
Investment Earnings	179	245	(66)
State Alcohol Beverage Tax	2,913	2,872	41
Miscellaneous	<u>19,495</u>	<u>6,043</u>	<u>13,452</u>
	<u>49,084</u>	<u>30,464</u>	<u>18,620</u>
Business-Type Activities:			
Program Revenues:			
Public Works - Water	67,416	56,403	11,013
Public Works - Sewer	<u>30,380</u>	<u>48,296</u>	<u>(17,916)</u>
	<u>97,796</u>	<u>104,699</u>	<u>(6,903)</u>
General Revenues:			
Investment Earnings	36	46	(10)
Miscellaneous	<u>15,252</u>	<u>-</u>	<u>15,252</u>
	<u>15,288</u>	<u>46</u>	<u>15,242</u>
Total Revenues	<u>194,512</u>	<u>230,052</u>	<u>(35,540)</u>
Governmental Activities:			
Expenses:			
General Government	\$ 32,601	\$ 81,459	\$ (48,858)
Emergency Management	615	626	(11)
Park	6,372	6,822	(450)
Street and Alley	4,185	6,210	(2,025)
Cemetery	4,493	4,200	293
Public Safety - Traffic	13,312	15,226	(1,914)
Fire	<u>24,362</u>	<u>18,871</u>	<u>5,491</u>
	<u>85,940</u>	<u>133,414</u>	<u>(47,474)</u>
Business-Type Activities:			
Expenses:			
Public Works - Water	\$ 79,483	\$ 62,945	\$ 16,538
Public Works - Sewer	<u>55,381</u>	<u>64,753</u>	<u>(9,372)</u>
	<u>134,864</u>	<u>127,698</u>	<u>7,166</u>
Total Program Expenses	<u>220,804</u>	<u>261,112</u>	<u>(40,308)</u>
Change in Net Assets	(26,292)	(31,060)	4,768
Net Assets, Beginning	<u>662,723</u>	<u>693,783</u>	<u>(31,060)</u>
Net Assets, Ending	<u>\$ 636,431</u>	<u>\$ 662,723</u>	<u>\$ (26,292)</u>

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The above Statement of Activities remains similar to prior year; however, there are some variations. The change in net assets is a \$26,292 decrease from the prior year.

Fund Financial Information and Budgetary Highlights

The Town of Bluejacket operates under the Budget Act statutes of Oklahoma. Over the course of the year, there were no budget revisions. At the end of the year, the general fund had a favorable variance over its budget of \$7,569.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2012, the Town has \$736,591 invested in capital assets, including machinery and equipment, buildings, the water system and the sewer system. Infrastructures prior to July 1, 2003 are not included in these amounts.

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2012</u>
Construction in Progress	\$ 95,642	\$ -	\$ (95,642)	\$ -
Buildings	58,940	-	-	58,940
Water and Sewer System	1,235,119	95,642	-	1,330,761
Machinery and Equipment	<u>65,789</u>	<u>-</u>	<u>-</u>	<u>65,789</u>
	1,455,490	95,642	(95,642)	1,455,490
Less: Accumulated Depreciation	<u>680,674</u>	<u>38,225</u>	<u>-</u>	<u>718,899</u>
	<u>\$ 774,816</u>	<u>\$ 57,417</u>	<u>\$ (95,642)</u>	<u>\$ 736,591</u>

Debt Outstanding

The Town of Bluejacket has not incurred any new debt during the current year. There are two outstanding debts owed by the Bluejacket Public Works Authority, a note to Rural Development in the amount of \$152,694 and a note to GMAC in the amount of \$15,910. During the year ending June 30, 2012, principal payments of \$12,979 and interest of \$9,104 were paid.

See Note 5 on page 27 for additional information on long-term debt activity and balances.

Economic Factors and Next Year's Budgets

The Town of Bluejacket budgeted \$50,025 in estimated revenues for the general fund for the year June 30, 2013. This budget estimates total expenditures budget allowable of \$50,025. This budget is a decrease from the year ending June 30, 2012 in the amount of \$8,675.

Financial Contact

The Town's financial statements are designed to present users with a general over view of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Mayor or Town Clerk at Town Hall, Bluejacket, Oklahoma, 74333.

TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 46,473	\$ 3,348	\$ 49,821
Accounts Receivable, Net	<u>1,766</u>	<u>10,098</u>	<u>11,864</u>
Total Current Assets	<u>48,239</u>	<u>13,446</u>	<u>61,685</u>
Noncurrent Assets:			
Investments	11,356	-	11,356
Restricted Cash, Debt Reserve	-	7,571	7,571
Restricted Cash and Cash Equivalents,			
Customer Deposits	-	5,147	5,147
Capital Assets, Net of Depreciation	<u>24,507</u>	<u>712,084</u>	<u>736,591</u>
Total Assets	<u>\$ 84,102</u>	<u>\$ 738,248</u>	<u>\$ 822,350</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	\$ 2,460	\$ 3,873	\$ 6,333
Accrued Interest Payable	-	937	937
Notes Payable, Current	<u>-</u>	<u>13,832</u>	<u>13,832</u>
Total Current Liabilities	<u>2,460</u>	<u>18,642</u>	<u>21,102</u>
Noncurrent Liabilities:			
Customer Deposits Payable	-	10,045	10,045
Notes Payable	<u>-</u>	<u>154,772</u>	<u>154,772</u>
Total Noncurrent Liabilities	<u>-</u>	<u>164,817</u>	<u>164,817</u>
Total Liabilities	<u>2,460</u>	<u>183,459</u>	<u>185,919</u>
Net Assets:			
Invested in Capital Assets, Net of			
Related Debt	24,507	543,480	567,987
Restricted Net Assets	-	7,571	7,571
Unrestricted Net Assets	<u>57,135</u>	<u>3,738</u>	<u>60,873</u>
Total Net Assets	<u>81,642</u>	<u>554,789</u>	<u>636,431</u>
Total Liabilities and Net Assets	<u>\$ 84,102</u>	<u>\$ 738,248</u>	<u>\$ 822,350</u>

See accompanying notes to the basic financial statements.

Exhibit B

TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012

	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 32,601	\$ -	\$ 2,499	\$ -	\$ (30,102)	\$ -	\$ (30,102)
Emergency Management	615	-	-	-	(615)	-	(615)
Park	6,372	-	-	-	(6,372)	-	(6,372)
Street and Alley	4,185	-	2,309	-	(1,876)	-	(1,876)
Cemetery	4,493	-	-	-	(4,493)	-	(4,493)
Public Safety - Traffic	13,312	11,048	-	-	(2,264)	-	(2,264)
Fire	<u>24,362</u>	<u>9,079</u>	<u>7,409</u>	<u>-</u>	<u>(7,874)</u>	<u>-</u>	<u>(7,874)</u>
Total Governmental Activities	<u>85,940</u>	<u>20,127</u>	<u>12,217</u>	<u>-</u>	<u>(53,596)</u>	<u>-</u>	<u>(53,596)</u>
Business-type Activities:							
Public Works - Water	79,483	67,416	-	-	-	(12,067)	(12,067)
Public Works - Sewer	<u>55,381</u>	<u>30,236</u>	<u>144</u>	<u>-</u>	<u>-</u>	<u>(25,001)</u>	<u>(25,001)</u>
Total Business-type Activities	<u>134,864</u>	<u>97,652</u>	<u>144</u>	<u>-</u>	<u>-</u>	<u>(37,068)</u>	<u>(37,068)</u>
Total	<u>\$ 220,804</u>	<u>\$ 117,779</u>	<u>\$ 12,361</u>	<u>\$ -</u>	<u>\$ (53,596)</u>	<u>\$ (37,068)</u>	<u>\$ (90,664)</u>

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF ACTIVITIES, CONTINUED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012**

	Net (Expenses) Revenue and Changes in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program Revenues:			
Expenses (Over) Under Revenues	<u>(53,596)</u>	<u>(37,068)</u>	<u>(90,664)</u>
General Revenues:			
Taxes:			
Sales Tax	17,452	-	17,452
Franchise Tax	9,045	-	9,045
Intergovernmental - State Alcohol Beverage Tax	2,913	-	2,913
Investments Earnings	179	36	215
Miscellaneous	<u>19,495</u>	<u>15,252</u>	<u>34,747</u>
Total General Revenues	<u>49,084</u>	<u>15,288</u>	<u>64,372</u>
Changes in Net Assets	(4,512)	(21,780)	(26,292)
Net Assets at Beginning of Year	<u>86,154</u>	<u>576,569</u>	<u>662,723</u>
Net Assets at End of Year	<u>\$ 81,642</u>	<u>\$ 554,789</u>	<u>\$ 636,431</u>

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 17,248	\$ 15,436	\$ 13,789	\$ 46,473
Accounts Receivable, Net	1,591	-	175	1,766
Investments	<u>-</u>	<u>11,356</u>	<u>-</u>	<u>11,356</u>
Total Current Assets	<u>\$ 18,839</u>	<u>\$ 26,792</u>	<u>\$ 13,964</u>	<u>\$ 59,595</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts Payable	<u>602</u>	<u>1,454</u>	<u>404</u>	<u>2,460</u>
Total Current Liabilities	<u>602</u>	<u>1,454</u>	<u>404</u>	<u>2,460</u>
Fund Balances:				
Unreserved Fund Balance	<u>18,237</u>	<u>25,338</u>	<u>13,560</u>	<u>57,135</u>
Total Fund Balances	<u>18,237</u>	<u>25,338</u>	<u>13,560</u>	<u>57,135</u>
Total Liabilities and Fund Balances	<u>\$ 18,839</u>	<u>\$ 26,792</u>	<u>\$ 13,964</u>	
Capital Assets, net of accumulated depreciation, used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds.				<u>24,507</u>
Net Assets of Governmental Activities				<u>\$ 81,642</u>

See accompanying notes to the basic financial statements.

Exhibit D

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

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 29,410	\$ -	\$ -	\$ 29,410
Intergovernmental -				
State Gas Excise and Vehicle Tax	-	-	2,309	2,309
Dues	-	9,079	-	9,079
Traffic Fines	11,048	-	-	11,048
Miscellaneous	10,323	3,712	5,460	19,495
Operating Grants	2,499	7,409	-	9,908
Interest	<u>14</u>	<u>161</u>	<u>4</u>	<u>179</u>
Total Revenues	<u>53,294</u>	<u>20,361</u>	<u>7,773</u>	<u>81,428</u>
Current Expenditures:				
General Government				
Personal Services	13,972	-	-	13,972
Maintenance and Operations	11,237	-	-	11,237
Operating Grant Expenditures	217	-	-	217
Emergency Management				
Maintenance and Operations	615	-	-	615
Park				
Maintenance and Operations	6,372	-	-	6,372
Street and Alley				
Maintenance and Operations	-	-	4,185	4,185
Cemetery				
Maintenance and Operations	-	-	4,425	4,425
Public Safety				
Traffic Fine Expense	13,312	-	-	13,312
Fire Department				
Personal Services	-	1,000	-	1,000
Maintenance and Operations	-	15,253	-	15,253
Operating Grant Expenditures	<u>-</u>	<u>7,409</u>	<u>-</u>	<u>7,409</u>
Total Expenditures	<u>45,725</u>	<u>23,662</u>	<u>8,610</u>	<u>77,997</u>
Net Change in Fund Balance	7,569	(3,301)	(837)	3,431
Fund Balance, Beginning	<u>10,668</u>	<u>28,639</u>	<u>14,397</u>	
Fund Balance, Ending	<u>\$ 18,237</u>	<u>\$ 25,338</u>	<u>\$ 13,560</u>	
Adjustments for the Statement of Activities:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of capital outlay less capital disposals and depreciation expense in the current period.				<u>(7,943)</u>
Change in Net Assets				<u>\$ (4,512)</u>

See accompanying notes to the basic financial statements.

TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

	Public Works	Public Works	Total
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>
<u>ASSETS</u>			<u>Funds</u>
Current Assets:			
Cash	\$ 756	\$ 2,592	\$ 3,348
Accounts Receivable, Net	2,539	7,559	10,098
Due from Other Programs	<u>-</u>	<u>2,846</u>	<u>2,846</u>
Total Current Assets	<u>3,295</u>	<u>12,997</u>	<u>16,292</u>
Noncurrent Assets:			
Restricted Cash, Debt Reserve	1,504	6,067	7,571
Restricted Cash, Meter Funds	-	5,147	5,147
Fixed Assets, Net of Depreciation	<u>574,343</u>	<u>137,741</u>	<u>712,084</u>
Total Assets	<u>\$ 579,142</u>	<u>\$ 161,952</u>	<u>\$ 741,094</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	\$ 1,243	\$ 2,630	\$ 3,873
Accrued Interest Payable	230	707	937
Due to Other Programs	2,846	-	2,846
Notes Payable, Current Portion	<u>5,155</u>	<u>8,677</u>	<u>13,832</u>
Total Current Liabilities	<u>9,474</u>	<u>12,014</u>	<u>21,488</u>
Noncurrent Liabilities:			
Customer Deposits Payable	-	10,045	10,045
Notes Payable, Less Current Maturities	<u>147,540</u>	<u>7,232</u>	<u>154,772</u>
Total Noncurrent Liabilities	<u>147,540</u>	<u>17,277</u>	<u>164,817</u>
Total Liabilities	<u>157,014</u>	<u>29,291</u>	<u>186,305</u>
Net Assets:			
Invested in Capital Assets, Net of			
Related Debt	421,648	121,832	543,480
Restricted for Debt Service	1,504	6,067	7,571
Unrestricted Net Assets	<u>(1,024)</u>	<u>4,762</u>	<u>3,738</u>
Total Net Assets	<u>422,128</u>	<u>132,661</u>	<u>554,789</u>
Total Liabilities and Net Assets	<u>\$ 579,142</u>	<u>\$ 161,952</u>	<u>\$ 741,094</u>

See accompanying notes to the basic financial statements.

TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Public Works	Public Works	Total
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>
			<u>Funds</u>
Operating Revenues:			
Charges for services - Utilities	\$ 30,236	\$ 67,416	\$ 97,652
Miscellaneous	-	15,252	15,252
Operating Grant Income	<u>144</u>	<u>-</u>	<u>144</u>
Total Revenues	<u>30,380</u>	<u>82,668</u>	<u>113,048</u>
Operating Expenses:			
Salaries and Wages	6,600	22,302	28,902
Trash Service	-	12,877	12,877
Operating Grant Expense	-	-	-
Repairs and Maintenance	8,753	12,147	20,900
Materials and Supplies	2,990	12,024	15,014
Testing and Fees	1,795	1,002	2,797
Other Services and Charges	1,210	2,137	3,347
Insurance	400	1,274	1,674
Utilities	1,979	7,988	9,967
Depreciation	<u>23,885</u>	<u>6,397</u>	<u>30,282</u>
Total Expenditures	<u>47,612</u>	<u>78,148</u>	<u>125,760</u>
Net Operating Income	<u>(17,232)</u>	<u>4,520</u>	<u>(12,712)</u>
Nonoperating Revenue(Expense)			
Investment Income	19	17	36
Interest Expense	<u>(7,769)</u>	<u>(1,335)</u>	<u>(9,104)</u>
Total Nonoperating Revenue(Expense)	<u>(7,750)</u>	<u>(1,318)</u>	<u>(9,068)</u>
Increase (Decrease) in Net Assets	(24,982)	3,202	(21,780)
Net Assets, Beginning	<u>447,110</u>	<u>129,459</u>	<u>576,569</u>
Net Assets, Ending	<u>\$ 422,128</u>	<u>\$ 132,661</u>	<u>\$ 554,789</u>

See accompanying notes to the basic financial statements.

TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Public Works	Public Works	Total
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>
			<u>Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 30,091	\$ 67,582	97,673
Receipt of Other Income	-	15,252	15,252
Receipt of Operating Grants	144	-	144
Payments to Employees	(11,286)	(22,302)	(33,588)
Payments to Suppliers and Vendors	<u>(13,424)</u>	<u>(52,270)</u>	<u>(65,694)</u>
Net Cash Provided (Used) by Operating Activities	<u>5,525</u>	<u>8,262</u>	<u>13,787</u>
Cash Flows from Capital and Related Financing Activities:			
Receipts of Capital Grants	-	-	-
Purchase of Capital Assets	-	-	-
Principal Paid on Long-term Debt	(4,902)	(8,077)	(12,979)
Interest Paid on Long-term Debt	<u>(7,769)</u>	<u>(1,414)</u>	<u>(9,183)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(12,671)</u>	<u>(9,491)</u>	<u>(22,162)</u>
Cash Flows from Investing Activities:			
Receipts of Interest Income	<u>19</u>	<u>17</u>	<u>36</u>
Net Cash Provided (Used) from Investing Activities	<u>19</u>	<u>17</u>	<u>36</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,127)	(1,212)	(8,339)
Cash and Cash Equivalents, Beginning	<u>9,387</u>	<u>15,018</u>	<u>24,405</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,260</u>	<u>\$ 13,806</u>	<u>\$ 16,066</u>

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Public Works <u>Sewer</u>	Public Works <u>Water</u>	Total Enterprise <u>Funds</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (17,232)	4,520	\$ (12,712)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	23,885	6,397	30,282
Change in Assets and Liabilities:			
Accounts Receivable	(145)	(2,355)	(2,500)
Accounts Payable	3,703	(300)	3,403
Accrued Liabilities	<u>(4,686)</u>	<u>-</u>	<u>(4,686)</u>
Total Adjustments	<u>22,757</u>	<u>3,742</u>	<u>26,499</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,525</u>	<u>\$ 8,262</u>	<u>\$ 13,787</u>

See accompanying notes to the basic financial statements.

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town of Bluejacket (the Town) relating to the fund types included in the financial statements conform to generally accepted accounting principles prescribed by the Governmental Accounting Standards Board. The following represent the more significant accounting and reporting policies and practices of the Town.

Reporting Entity

The Town of Bluejacket, for financial reporting purposes, includes all funds and authorities over which the Town council exercises oversight responsibility. Oversight responses defined by NCGA, Statement 3, was determined on the basis of the Town's ability to significantly influence operations, select the governing authority, and participate in fiscal management and scope of public service. On this basis, the reporting entity of the Town of Bluejacket includes all its funds as well as the accounts of the blended component unit; the Bluejacket Public Works Authority (the Authority).

The Bluejacket Public Works Authority is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, and Sections 176 to 180, for the use and benefit of the Town of Bluejacket. The trust has as its purpose to budget, construct, plan, establish, install, enlarge, improve, equip, operate, control and regulate facilities, whether water, sewer, gas, electric or other forms or types of public and municipal services within and without the corporate boundaries of the Town of Bluejacket. The Town council members of the Town of Bluejacket act as trustees of the Authority.

Basis of Presentation

Management's Discussion and Analysis:

GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of management's discussion and analysis (MD&A).

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the fiduciary funds of which the Town has none. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The general fund is the primary operating fund of the Town and always classified as a major fund. This fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund - These funds are used to account for the revenues derived from specific taxes, governmental grants, or other revenue sources which are designated to finance particular functions or activities of the Town. The Town's special revenue funds consist of the following funds: Street & Alley, Fire and Cemetery funds.

Proprietary Fund Types:

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town's Enterprise fund consists of the following funds: Bluejacket Public Works Authority.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Capital assets and long-term debt are not reported in governmental fund financial statements because they do not involve current financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Budget Process

Annually a legally adopted budget is prepared for the General Fund and other governmental funds and an operating budget forecast is prepared for the Public Works Authority Funds. The budgets are formally approved by the Board of Trustees before filing with the State of Oklahoma. Actual expenditures within the General Fund may not legally exceed the adopted budget appropriations at the object category level within the department of a fund.

Assets, Liabilities, and Equity

Cash and Cash Equivalents:

For the purpose of the Statement of Net Assets, and the proprietary funds Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit with an original maturity of three months or less.

Investments:

Investments consist of long-term certificates of deposits and are stated at cost, which approximates market unless otherwise indicated with a maturity at the time of purchase of more than three months.

Receivables:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivables.

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted Assets:

Under the terms of the loan agreements, the Bluejacket Public Works Authority must maintain certain "funds". These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts; they merely represent mandatory asset segregation. The primary restricted assets are related to loan reserves and utility meter deposits.

Capital Assets:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. It is the policy of the Town to capitalize all assets with a cost of \$1,000 or greater.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follow:

Buildings	30 - 40 years
Improvements	15 - 20 years
Machinery and Equipment	3 - 20 years
Infrastructure	15 - 40 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in the following components:

- A. Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- B. Restricted Net Assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- C. Unrestricted Net Assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund Balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues, Expenditures, and Expenses

Sales Tax:

The Town is currently receiving sales tax on each dollar. This is deposited into the general fund for the purpose of paying the operation and maintenance costs incurred by the Town.

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued*Expenditures/Expenses:*

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Government Funds - By Character
 Current
 Capital Outlay
 Proprietary Fund - By Operating and Nonoperating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Interfund receivables and payables arise from Interfund transactions and are recorded by all programs affected in the period in which the transactions are executed. These receivables and payables within the same fund type are eliminated for presentation of the financial statements in the government-wide statements. Net receivables and payables between governmental activities and business-type activities are reported as internal balances and internal transfers.

NOTE 2 - CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS

The Town of Bluejacket is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2012, and reported at fair value are as follow:

<u>TYPE</u>	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 62,539
Investments:	
Certificates of Deposit	11,356
Total Deposits and Investments	<u>\$ 73,895</u>
Reconciliation to Statement of Net Assets:	
Cash and Cash Equivalents	\$ 49,821
Investments	11,356
Restricted Cash and Cash Equivalents, Customer Deposits	5,147
Restricted Investments, Debt Reserve	7,571
	<u>\$ 73,895</u>

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS, Continued

Custodial Credit Risk - State law governs the requirements for managing custodial credit risk. Such law requires uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$77,232 at June 30, 2012, which was fully insured by depository insurance or secured with collateral held by the Town's agent in its name. All investments, evidenced by individual securities, are registered in the name of the Town or one of its component units.

Investment Interest Rate Risk - The Town has no formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2012 are provided in the schedule above. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

Investment Credit Risk - The Town has no investment policy which limits its investment choices other than the limitation of state law as follows:

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

Concentration of Investment Credit Risk - The Town places no limit on the amount it may invest in any one issuer. At June 30, 2012, the Town had limited concentration of credit risk.

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable in the enterprise fund represent utility billings at June 30, 2012. As of this date, no allowance is considered necessary. In the governmental funds, accounts receivable represents receivables for taxes.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is as follows:

	Balance			Balance
	<u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2012</u>
<i>Governmental Activities:</i>				
Buildings	\$ -	\$ -	\$ -	\$ -
Machinery and Equipment	<u>54,645</u>	<u>-</u>	<u>-</u>	<u>54,645</u>
	<u>54,645</u>	<u>-</u>	<u>-</u>	<u>54,645</u>
Less: Accumulated Depreciation				
Buildings	-	-	-	-
Machinery and Equipment	<u>22,195</u>	<u>7,943</u>	<u>-</u>	<u>30,138</u>
Total Accumulated Depreciation	<u>22,195</u>	<u>7,943</u>	<u>-</u>	<u>30,138</u>
	<u>32,450</u>	<u>(7,943)</u>	<u>-</u>	<u>24,507</u>
<i>Business-type Activities:</i>				
Non-depreciation Assets:				
Construction in Progress	<u>95,642</u>	<u>-</u>	<u>(95,642)</u>	<u>-</u>
Depreciable Assets:				
Machinery and Equipment	11,144	-	-	11,144
Buildings	58,940	-	-	58,940
Water System	196,971	95,642	-	292,613
Sewer System	<u>1,038,148</u>	<u>-</u>	<u>-</u>	<u>1,038,148</u>
	<u>1,305,203</u>	<u>95,642</u>	<u>-</u>	<u>1,400,845</u>
	<u>1,400,845</u>	<u>95,642</u>	<u>(95,642)</u>	<u>1,400,845</u>
Less: Accumulated Depreciation				
Buildings	21,717	1,473	-	23,190
Water and Sewer System	625,619	28,809	-	654,428
Machinery and Equipment	<u>11,143</u>	<u>-</u>	<u>-</u>	<u>11,143</u>
Total Accumulated Depreciation	<u>658,479</u>	<u>30,282</u>	<u>-</u>	<u>688,761</u>
	<u>742,366</u>	<u>65,360</u>	<u>(95,642)</u>	<u>712,084</u>
	<u>\$ 774,816</u>	<u>\$ 57,417</u>	<u>\$ (95,642)</u>	<u>\$ 736,591</u>

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following debts owed by the Bluejacket Public Works Authority. A summary of long-term debt follows:

Rural Development:

Note payable to Rural Development at 5% interest rate, payable in monthly installments of \$1,056, including interest until March 19, 2031 with a balance due of \$152,694.

GMAC Commercial Mortgage:

Loan balance to GMAC at 5% interest rate, payable in annual installments of \$9,491 until January 1, 2014 with a balance due of \$15,910.

	<u>6/30/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2012</u>	<u>One Year</u>
<i>Business-type Activities:</i>					
Rural Development Notes	\$ 157,597	\$ -	\$ 4,903	\$ 152,694	\$ 5,155
GMAC	<u>23,986</u>	<u>-</u>	<u>8,076</u>	<u>15,910</u>	<u>8,677</u>
	<u>\$ 181,583</u>	<u>\$ -</u>	<u>\$ 12,979</u>	<u>\$ 168,604</u>	<u>\$ 13,832</u>

Maturities of long-term debt are as follow:

<u>Year Ending June 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2013	13,832	8,332	22,164
2014	12,472	7,624	20,096
2015	5,695	6,977	12,672
2016	5,987	6,685	12,672
2017	6,293	6,379	12,672
2018 to 2022	36,638	26,722	63,360
2023 to 2027	47,020	16,340	63,360
2028 to 2031	<u>40,488</u>	<u>3,717</u>	<u>44,205</u>
	<u>\$ 168,425</u>	<u>\$ 82,776</u>	<u>\$ 251,201</u>

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - LITIGATION

Neither the Town nor the Authority has any pending claims or lawsuits against them as of June 30, 2012, the outcome of which would result in a material liability or damage claim.

NOTE 7 - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

NOTE 8 - RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions injuries to employees; and natural disasters for which the Housing Authority purchases commercial insurance.

Management believes this coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded coverage in any of the past three fiscal years.

**TOWN OF BLUEJACKET, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

GENERAL FUND	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 26,000	\$ 26,000	\$ 29,410	\$ 3,410
Traffic Fines	25,000	25,000	11,048	(13,952)
Grant Income	5,000	5,000	2,499	(2,501)
Miscellaneous	2,500	2,500	10,323	7,823
Interest	<u>200</u>	<u>200</u>	<u>14</u>	<u>(186)</u>
Total Revenues	<u>58,700</u>	<u>58,700</u>	<u>53,294</u>	<u>(5,406)</u>
Expenditures:				
General Government				
Personal Services	7,500	7,500	13,972	(6,472)
Maintenance and Operations	21,200	21,200	11,237	9,963
Operating Grant Expenditures	5,000	5,000	217	4,783
Emergency Maintenance				
Maintenance and Operations	500	500	615	(115)
Park				
Maintenance and Operations	5,000	5,000	6,372	(1,372)
Street and Alley				
Maintenance and Operations	-	-	-	-
Public Safety				
Traffic Fine Expense	19,000	19,000	13,312	5,688
Capital Outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Expenditures	<u>58,700</u>	<u>58,700</u>	<u>45,725</u>	<u>12,975</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,569</u>	<u>\$ 7,569</u>

STREET AND ALLEY	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ 2,309</u>	<u>\$ (1,191)</u>
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>2,309</u>	<u>(1,191)</u>
Expenditures:				
Maintenance and Operations	<u>3,500</u>	<u>3,500</u>	<u>4,185</u>	<u>(685)</u>
Total Expenditures	<u>3,500</u>	<u>3,500</u>	<u>4,185</u>	<u>(685)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,876)</u>	<u>\$ (1,876)</u>

**TOWN OF BLUEJACKET, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

FIRE DEPARTMENT	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Dues	\$ 10,000	\$ 10,000	\$ 9,079	\$ (921)
Operating Grants	5,000	5,000	7,409	2,409
Interest	300	300	161	(139)
Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>3,712</u>	<u>212</u>
Total Revenues	<u>18,800</u>	<u>18,800</u>	<u>20,361</u>	<u>1,561</u>
Expenditures:				
Personal Service	1,500	1,500	1,000	500
Maintenance and Operations	12,100	12,100	15,253	(3,153)
Miscellaneous	200	200	-	200
Operating Grant Expenditures	<u>5,000</u>	<u>5,000</u>	<u>7,409</u>	<u>(2,409)</u>
Total Expenditures	<u>18,800</u>	<u>18,800</u>	<u>23,662</u>	<u>(4,862)</u>
Net Change in Fund				
Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,301)</u>	<u>\$ (3,301)</u>
CEMETERY	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Donations	\$ 2,500	\$ 2,500	\$ 3,160	\$ 660
Interest	20	20	4	(16)
Miscellaneous	<u>500</u>	<u>500</u>	<u>2,300</u>	<u>1,800</u>
Total Revenues	<u>3,020</u>	<u>3,020</u>	<u>5,464</u>	<u>2,444</u>
Expenditures:				
Maintenance and Operations	2,500	2,500	3,925	(1,425)
Miscellaneous	<u>520</u>	<u>520</u>	<u>500</u>	<u>20</u>
Total Expenditures	<u>3,020</u>	<u>3,020</u>	<u>4,425</u>	<u>(1,405)</u>
Net Change in Fund				
Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039</u>	<u>\$ 1,039</u>

CYNTHIA L WARREN CPA, P.C.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Town of Bluejacket
Bluejacket, Oklahoma

I have audited the financial statements of the Town of Bluejacket, as of and for the year ended June 30, 2012, and have issued my report thereon dated January 10, 2013. *Management's Discussion and Analysis* on pages 5 through 9 and Budgetary Comparison are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. I did not audit the information and express no opinion on it. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Bluejacket's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of 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 statements amounts. However providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Bluejacket's response to the findings identified in my audit is described in the accompanying schedule of responses and corrective actions. I did not audit the Town's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management, the board of commissioners, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cynthia L Warren CPA, P.C.

Cynthia L Warren CPA, P.C.
January 10, 2013

**TOWN OF BLUEJACKET, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

#2012-01 *Lack of Segregation of Duties*

Criteria: The Town should have a sufficient and properly designed internal control structure. This structure relies greatly on a proper segregation of duties between individuals. In the perfect situation, duties relating to initiating, authorizing, recording, processing and reporting financial data would be segregated to provide a less than remote likelihood that a misstatement of the authority's financial statements which is more than inconsequential would be prevented or detected.

Condition: The Town has one administrative employee and as a result does not have the personnel to assign duties and responsibilities in such a way which would segregate duties as mentioned above. The limited number of employees results in an inadequate overall internal control structure design. This employee does not have the qualifications for review of the audited financial statements to ensure accuracy. Specific areas affected are described below:

Cash and Cash transactions - Only one individual, the Town Clerk, controls the initiating, recording, processing and reporting of cash transactions.

Revenues and Receivables - The Town Clerk has sole control over the processing of revenues and receivables.

Expenditures/Expenses and Accounts Payable - The Town Clerk controls the recording, processing and reporting of expenditures/expenses.

Cause: Due to cost restrictions, the Town has limited staff. Resources are not currently available for additional employees for the appropriate segregation of duties.

Effect: The lack of segregation of duties related to controls as stated above are significant deficiencies that could result in the likelihood that a material misstatement of the financial statements may occur and not be prevented or detected.

Recommendation: As the Town has limited resources available, at the current time, additional segregation of duties is not financially feasible. The Town should review its procedures and controls to determine additional controls which can be implemented in order to achieve the control objectives related to segregation of duties. The cost effectiveness of these actions should be considered in the implementation of additional controls.

**TOWN OF BLUEJACKET, OKLAHOMA
RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

The following are the responses and corrective actions of the Town concerning the findings reported in the accompanying Schedule of Findings and Questioned Costs for the year ending June 30, 2012:

#2012-01 The management of the Town has reviewed and discussed the Town's responsibilities over internal controls. As a result of this review, management has considered the cost effectiveness of additional segregation of duties for compliance of the application of generally accepted accounting principles. Due to the limitations of resources available at the current time, it has been determined that it is not feasible to increase the segregation of duties.

Contact Person: *Mayor, Town of Bluejacket*