

TOWN OF BLUEJACKET, OKLAHOMA
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND
SUPPLEMENTAL DATA FOR THE
TWELVE MONTHS ENDED JUNE 30, 2015

CYNTHIA L WARREN CPA, P.C.

Eufaula, Oklahoma 74432

**TOWN OF BLUEJACKET
BLUEJACKET, OKLAHOMA
JUNE 30, 2015**

Table of Contents

FINANCIAL SECTION:

Independent Auditor's Report	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Exhibit A - Statement of Net Position	10
Exhibit B - Statement of Activities	11
Exhibit C - Balance Sheet - Governmental Funds	13
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Exhibit E - Statement of Net Position - Proprietary Funds	15
Exhibit F - Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	16
Exhibit G - Statement of Cash Flows - Proprietary Funds	17
Notes to the Financial Statements	18

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule - General Fund	27
Budgetary Comparison Schedule – Street and Alley	27
Budgetary Comparison Schedule – Fire Department	28
Budgetary Comparison Schedule – Cemetery	28

INTERNAL CONTROL & COMPLIANCE SECTION:

Independent Auditor's Report on the Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	29
Schedule of Findings	31
Schedule of Responses and Corrective Actions	31

CYNTHIA L WARREN CPA, P.C.

=====

P.O. Box 189
Eufaula, OK 74432

(918) 452-2116
Fax (918) 452-3509

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Town of Bluejacket
Bluejacket, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Town of Bluejacket as of and for the year ended June 30, 2015, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion 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 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 Town's preparation and fair presentation of the financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Bluejacket as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 through 10 and the Budgetary Comparison on page 31 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated December 15, 2015 on my consideration of the Town of Bluejacket's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.

Cynthia L Warren CPA, P.C.

Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
December 15, 2015

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

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. 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, 2015 by \$584,990. Of this amount, \$62,447 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town of Bluejacket's net position decreased by \$2,985. This decrease is attributable to excesses of expenditures over revenues.

The Town of Bluejacket's total debt decreased by \$5,921 during the current fiscal year including a decrease in restricted assets.

Revenues of the Town decreased \$7,440 and expenses decreased \$18,482.

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 Position 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 Position 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 Position and the Statement of Activities are prepared utilizing the accrual basis of accounting and economic resources measurement focus.

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015

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 Position as of June 30, 2015 as compared to the Statement of Net Position as of June 30, 2014:

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Variance</u>
Current Assets :			
Governmental Activities	\$ 50,161	\$ 33,871	\$ 16,290
Business-type Activities	<u>20,143</u>	<u>19,586</u>	<u>557</u>
	<u>70,304</u>	<u>53,457</u>	<u>16,847</u>
Noncurrent Assets:			
Governmental Activities	32,564	28,263	4,301
Business-type Activities	<u>640,035</u>	<u>667,177</u>	<u>(27,142)</u>
	<u>672,599</u>	<u>695,440</u>	<u>(22,841)</u>
Total Assets	<u><u>742,903</u></u>	<u><u>748,897</u></u>	<u><u>(5,994)</u></u>
Current Liabilities:			
Governmental Activities	2,806	2,473	333
Business-type Activities	<u>13,681</u>	<u>11,102</u>	<u>2,579</u>
	<u>16,487</u>	<u>13,575</u>	<u>2,912</u>
Noncurrent Liabilities:			
Governmental Activities	0	0	0
Business-type Activities	<u>141,426</u>	<u>147,347</u>	<u>(5,921)</u>
	<u>141,426</u>	<u>147,347</u>	<u>(5,921)</u>
Total Liabilities	<u><u>157,913</u></u>	<u><u>160,922</u></u>	<u><u>(3,009)</u></u>
Net Position:			
Net Investment in Capital Assets:			
Governmental Activities	28,239	16,794	11,445
Business-type Activities	<u>489,526</u>	<u>511,754</u>	<u>(22,228)</u>
	<u>517,765</u>	<u>528,548</u>	<u>(10,783)</u>

Restricted for Debt Service:			
Governmental Activities	0	0	0
Business-type Activities	<u>4,778</u>	<u>4,968</u>	<u>(190)</u>
	<u>4,778</u>	<u>4,968</u>	<u>(190)</u>
Unrestricted:			
Governmental Activities	51,680	42,867	8,813
Business-type Activities	<u>10,767</u>	<u>11,592</u>	<u>(825)</u>
	<u>62,447</u>	<u>54,459</u>	<u>7,988</u>
Total Net Position	\$ <u><u>584,990</u></u>	\$ <u><u>587,975</u></u>	\$ <u><u>(2,985)</u></u>

The Town had a decrease in total assets when compared to the previous year in the amount of \$5,994. Total liabilities decreased as a result of principal payments on long-term debt.

Total net position decreased \$2,985 the difference between revenues and expenses.

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015

A condensed version of the Statement of Activities follows:

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Variance</u>
Governmental Activities:			
Program Revenues:			
General Government	\$ 0	\$ 10,536	\$ (10,536)
Street and Alley	3,521	2,613	908
Public Safety - Traffic	14,486	25,620	(11,134)
Fire	<u>32,872</u>	<u>18,306</u>	<u>14,566</u>
	<u>50,879</u>	<u>57,075</u>	<u>(6,196)</u>
General Revenues:			
Taxes	26,814	20,798	6,016
Investment Earnings	30	79	(49)
State Alcohol Beverage Tax	4,403	4,302	101
Miscellaneous	<u>6,004</u>	<u>6,538</u>	<u>(534)</u>
	<u>37,251</u>	<u>31,717</u>	<u>5,534</u>
Business-Type Activities:			
Program Revenues:			
Public Works - Water	67,422	73,350	(5,928)
Public Works - Sewer	<u>30,793</u>	<u>31,343</u>	<u>(550)</u>
	<u>98,215</u>	<u>104,693</u>	<u>(6,478)</u>
General Revenues:			
Investment Earnings	16	16	0
Miscellaneous	<u>500</u>	<u>800</u>	<u>(300)</u>
	<u>516</u>	<u>816</u>	<u>(300)</u>
Total Revenues	<u>186,861</u>	<u>194,301</u>	<u>(7,440)</u>
Governmental Activities:			
Expenses:			
General Government	28,705	45,039	(16,334)
Emergency Management	661	618	43
Park	3,085	4,876	(1,791)
Street and Alley	3,468	3,264	204
Cemetery	3,189	4,966	(1,777)
Public Safety - Traffic	14,867	15,253	(386)
Fire	<u>13,897</u>	<u>15,727</u>	<u>(1,830)</u>
	<u>67,872</u>	<u>89,743</u>	<u>(21,871)</u>
Business-Type Activities:			
Expenses:			
Public Works - Water	73,689	70,777	2,912
Public Works - Sewer	<u>48,285</u>	<u>47,808</u>	<u>477</u>
	<u>121,974</u>	<u>118,585</u>	<u>3,389</u>
Total Program Expenses	<u>189,846</u>	<u>208,328</u>	<u>(18,482)</u>
Change in Net Position	(2,985)	(14,027)	11,042
Net Position, Beginning	<u>587,975</u>	<u>602,002</u>	<u>(14,027)</u>
Net Position, Ending	<u>\$ 584,990</u>	<u>\$ 587,975</u>	<u>\$ (2,985)</u>

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The above Statement of Activities remains similar to prior year; however, there are some variations. The change in net position is an \$11,042 increase from the change in net position of 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 \$5,413.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the Town has \$654,193 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>6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2015</u>
Buildings	\$ 58,940	\$ 0	\$ 0	\$ 58,940
Water and Sewer System	1,330,761	0	0	1,330,761
Machinery and Equipment	<u>71,587</u>	<u>19,000</u>	<u>0</u>	<u>90,587</u>
	1,461,288	19,000	0	1,480,288
Less: Accumulated Depreciation	<u>790,617</u>	<u>35,478</u>	<u>0</u>	<u>826,095</u>
	<u>\$ 670,671</u>	<u>\$ (16,478)</u>	<u>\$ 0</u>	<u>\$ 654,193</u>

Debt Outstanding

The Town of Bluejacket has not incurred any new debt during the current year. The outstanding debt owed by the Bluejacket Public Works Authority, is a note to Rural Development in the amount of \$136,428. Principal payments of \$5,695 and interest of \$6,969 were paid during the year.

See Note 5 on page 25 for additional information on long-term debt activity and balances.

Economic Factors and Next Year's Budgets

The Town of Bluejacket budgeted \$56,115 in estimated revenues for the general fund for the year June 30, 2016. This budget estimates total expenditures budget allowable of \$56,115.

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 POSITION
JUNE 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 47,344	\$ 10,267	\$ 57,611
Accounts Receivable, Net	<u>2,817</u>	<u>9,876</u>	<u>12,693</u>
Total Current Assets	<u>50,161</u>	<u>20,143</u>	<u>70,304</u>
Noncurrent Assets:			
Investments	4,325	0	4,325
Restricted Cash, Debt Reserve	0	4,778	4,778
Restricted Cash and Cash Equivalents,			
Customer Deposits	0	9,303	9,303
Capital Assets, Net of Depreciation	<u>28,239</u>	<u>625,954</u>	<u>654,193</u>
Total Assets	<u>\$ 82,725</u>	<u>\$ 660,178</u>	<u>\$ 742,903</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 2,806	\$ 6,440	\$ 9,246
Accrued Interest Payable	0	1,254	1,254
Notes Payable, Current	<u>0</u>	<u>5,987</u>	<u>5,987</u>
Total Current Liabilities	<u>2,806</u>	<u>13,681</u>	<u>16,487</u>
Noncurrent Liabilities:			
Customer Deposits Payable	0	10,985	10,985
Notes Payable	<u>0</u>	<u>130,441</u>	<u>130,441</u>
Total Noncurrent Liabilities	<u>0</u>	<u>141,426</u>	<u>141,426</u>
Total Liabilities	<u>2,806</u>	<u>155,107</u>	<u>157,913</u>
NET POSITION			
Net Investment in Capital Assets	28,239	489,526	517,765
Restricted for Debt Service	0	4,778	4,778
Unrestricted	<u>51,680</u>	<u>10,767</u>	<u>62,447</u>
Total Net Position	<u>79,919</u>	<u>505,071</u>	<u>584,990</u>
Total Liabilities and Net Position	<u>\$ 82,725</u>	<u>\$ 660,178</u>	<u>\$ 742,903</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, 2015**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 28,705	\$ 0	\$ 0	\$ 0	\$ (28,705)	\$ 0	\$ (28,705)
Emergency Management	661	0	0	0	(661)	0	(661)
Park	3,085	0	0	0	(3,085)	0	(3,085)
Street and Alley	3,468	3,521	0	0	53	0	53
Cemetery	3,189	0	0	0	(3,189)	0	(3,189)
Public Safety - Traffic	14,867	14,486	0	0	(381)	0	(381)
Fire	13,897	9,640	23,232	0	18,975	0	18,975
Total Governmental Activities	<u>67,872</u>	<u>27,647</u>	<u>23,232</u>	<u>0</u>	<u>(16,993)</u>	<u>0</u>	<u>(16,993)</u>
Business-type Activities:							
Public Works - Water	73,689	67,422	0	0	0	(6,267)	(6,267)
Public Works - Sewer	48,285	30,793	0	0	0	(17,492)	(17,492)
Total Business-type Activities	<u>121,974</u>	<u>98,215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(23,759)</u>	<u>(23,759)</u>
Total	<u>\$ 189,846</u>	<u>\$ 125,862</u>	<u>\$ 23,232</u>	<u>\$ 0</u>	<u>\$ (16,993)</u>	<u>\$ (23,759)</u>	<u>\$ (40,752)</u>

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF ACTIVITIES, CONTINUED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2015**

	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Program Revenues:			
Expenses (Over) Under Revenues	\$ (16,993)	\$ (23,759)	\$ (40,752)
 General Revenues:			
Taxes:			
Sales Tax	17,464	0	17,464
Franchise Tax	9,350	0	9,350
Inter-government - State Alcohol Beverage Tax	4,403	0	4,403
Investments Earnings	30	16	46
Miscellaneous	6,004	500	6,504
Total General Revenues	37,251	516	37,767
Changes in Net Position	20,258	(23,243)	(2,985)
Net Position - Beginning	59,661	528,314	587,975
Net Position - Ending	\$ 79,919	\$ 505,071	\$ 584,990

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 13,091	\$ 20,200	\$ 14,053	\$ 47,344
Accounts Receivable, Net	2,568	0	249	2,817
Investments	<u>0</u>	<u>4,325</u>	<u>0</u>	<u>4,325</u>
Total Current Assets	\$ <u><u>15,659</u></u>	\$ <u><u>24,525</u></u>	\$ <u><u>14,302</u></u>	\$ <u><u>54,486</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Accounts Payable	\$ <u>1,157</u>	\$ <u>539</u>	\$ <u>1,110</u>	\$ <u>2,806</u>
Total Current Liabilities	<u>1,157</u>	<u>539</u>	<u>1,110</u>	<u>2,806</u>
 Fund Balances:				
Unassigned	<u>14,502</u>	<u>23,986</u>	<u>13,192</u>	<u>51,680</u>
Total Fund Balances	<u>14,502</u>	<u>23,986</u>	<u>13,192</u>	<u>51,680</u>
 Total Liabilities and Fund Balances	 \$ <u><u>15,659</u></u>	 \$ <u><u>24,525</u></u>	 \$ <u><u>14,302</u></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>28,239</u>
 Net Assets of Governmental Activities				 \$ <u><u>79,919</u></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, 2015**

	<u>General</u> <u>Fund</u>	<u>Fire</u> <u>Department</u> <u>Fund</u>	<u>Non-major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:				
Taxes	\$ 31,216	\$ 0	\$ 0	\$ 31,216
Intergovernmental -				
State Gas Excise and Vehicle Tax	0	0	3,521	3,521
Dues	0	9,640	0	9,640
Traffic Fines	14,486	0	0	14,486
Miscellaneous	1,688	6,748	4,316	12,752
Operating Grants	0	16,484	0	16,484
Interest	8	21	2	31
Total Revenues	<u>47,398</u>	<u>32,893</u>	<u>7,839</u>	<u>88,130</u>
Current Expenditures:				
General Government				
Personal Services	14,254	0	0	14,254
Maintenance and Operations	8,815	0	0	8,815
Emergency Management				
Maintenance and Operations	661	0	0	661
Park				
Maintenance and Operations	3,085	0	0	3,085
Street and Alley				
Maintenance and Operations	303	0	3,165	3,468
Cemetery				
Maintenance and Operations	0	0	3,120	3,120
Public Safety				
Traffic Fine Expense	14,867	0	0	14,867
Fire Department				
Personal Services	0	1,200	0	1,200
Maintenance and Operations	0	10,847	0	10,847
Capital Outlay:				
Fire Department	0	19,000	0	19,000
Total Expenditures	<u>41,985</u>	<u>31,047</u>	<u>6,285</u>	<u>79,317</u>
Net Change in Fund Balance	5,413	1,846	1,554	8,813
Fund Balance, Beginning	<u>9,089</u>	<u>22,140</u>	<u>11,638</u>	
Fund Balance, Ending	<u>\$ 14,502</u>	<u>\$ 23,986</u>	<u>\$ 13,192</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>11,445</u>
Change in Net Assets	<u>\$ 20,258</u>

See accompanying notes to the basic financial statements.

TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Public Works</u> <u>Sewer</u>	<u>Public Works</u> <u>Water</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>
ASSETS			
Current Assets:			
Cash	\$ 5,321	\$ 4,946	\$ 10,267
Accounts Receivable, Net	<u>2,641</u>	<u>7,235</u>	<u>9,876</u>
Total Current Assets	<u>7,962</u>	<u>12,181</u>	<u>20,143</u>
Noncurrent Assets:			
Restricted Cash, Debt Reserve	4,778	0	4,778
Restricted Cash, Meter Funds	0	9,303	9,303
Fixed Assets, Net of Depreciation	<u>502,688</u>	<u>123,266</u>	<u>625,954</u>
	<u>507,466</u>	<u>132,569</u>	<u>640,035</u>
Total Assets	\$ <u><u>515,428</u></u>	\$ <u><u>144,750</u></u>	\$ <u><u>660,178</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 833	\$ 5,607	\$ 6,440
Accrued Interest Payable	1,254	0	1,254
Notes Payable, Current Portion	<u>5,987</u>	<u>0</u>	<u>5,987</u>
Total Current Liabilities	<u>8,074</u>	<u>5,607</u>	<u>13,681</u>
Noncurrent Liabilities:			
Customer Deposits Payable	0	10,985	10,985
Notes Payable, Less Current Maturities	<u>130,441</u>	<u>0</u>	<u>130,441</u>
Total Noncurrent Liabilities	<u>130,441</u>	<u>10,985</u>	<u>141,426</u>
Total Liabilities	<u>138,515</u>	<u>16,592</u>	<u>155,107</u>
NET POSITION			
Net Investment in Capital Assets	366,260	123,266	489,526
Restricted for Debt Service	4,778	0	4,778
Unrestricted	<u>5,875</u>	<u>4,892</u>	<u>10,767</u>
Total Net Position	<u>376,913</u>	<u>128,158</u>	<u>505,071</u>
Total Liabilities and Net Position	\$ <u><u>515,428</u></u>	\$ <u><u>144,750</u></u>	\$ <u><u>660,178</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Public Works Sewer	Public Works Water	Total Enterprise Funds
Operating Revenues:			
Charges for services - Utilities	\$ 30,793	\$ 67,422	\$ 98,215
Miscellaneous	<u>0</u>	<u>500</u>	<u>500</u>
Total Revenues	<u>30,793</u>	<u>67,922</u>	<u>98,715</u>
Operating Expenses:			
Salaries and Wages	9,380	19,979	29,359
Trash Service	0	15,275	15,275
Repairs and Maintenance	800	8,348	9,148
Materials and Supplies	5,776	11,066	16,842
Testing and Fees	635	1,788	2,423
Other Services and Charges	0	3,707	3,707
Insurance	500	1,790	2,290
Utilities	340	7,698	8,038
Depreciation	<u>23,885</u>	<u>4,038</u>	<u>27,923</u>
Total Expenditures	<u>41,316</u>	<u>73,689</u>	<u>115,005</u>
Net Operating Income	<u>(10,523)</u>	<u>(5,767)</u>	<u>(16,290)</u>
Non-operating Revenue(Expense)			
Investment Income	15	1	16
Interest Expense	<u>(6,969)</u>	<u>0</u>	<u>(6,969)</u>
Total Non-operating Revenue(Expense)	<u>(6,954)</u>	<u>1</u>	<u>(6,953)</u>
Change in Net Position	(17,477)	(5,766)	(23,243)
Net Position, Beginning	<u>394,390</u>	<u>133,924</u>	<u>528,314</u>
Net Position, Ending	\$ <u><u>376,913</u></u>	\$ <u><u>128,158</u></u>	\$ <u><u>505,071</u></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, 2015**

	<u>Public Works Sewer</u>	<u>Public Works Water</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 30,752	\$ 68,188	\$ 98,940
Receipt of Other Income	0	565	565
Payments to Employees	(9,380)	(19,979)	(29,359)
Payments to Supplies and Vendors	<u>(7,577)</u>	<u>(48,898)</u>	<u>(56,475)</u>
Net Cash Provided (Used) by Operating Activities	<u>13,795</u>	<u>(124)</u>	<u>13,671</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(5,695)	0	(5,695)
Interest Paid on Long-term Debt	<u>(5,929)</u>	<u>0</u>	<u>(5,929)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,624)</u>	<u>0</u>	<u>(11,624)</u>
Cash Flows from Investing Activities:			
Receipts of Interest Income	<u>15</u>	<u>1</u>	<u>16</u>
Net Cash Provided (Used) from Investing Activities	<u>15</u>	<u>1</u>	<u>16</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,186	(123)	2,063
Cash and Cash Equivalents, Beginning	<u>7,913</u>	<u>14,372</u>	<u>22,285</u>
Cash and Cash Equivalents, Ending	\$ <u><u>10,099</u></u>	\$ <u><u>14,249</u></u>	\$ <u><u>24,348</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ <u>(10,523)</u>	\$ <u>(5,767)</u>	\$ <u>(16,290)</u>
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	23,885	4,038	27,923
Change in Assets and Liabilities:			
Accounts Receivable	(41)	766	725
Accounts Payable	<u>474</u>	<u>839</u>	<u>1,313</u>
Total Adjustments	<u>24,318</u>	<u>5,643</u>	<u>29,961</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>13,795</u></u>	\$ <u><u>(124)</u></u>	\$ <u><u>13,671</u></u>

See accompanying notes to the basic financial statements.

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 Position 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.

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:

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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.

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Position, 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.

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.

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Position. 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.

Equity Classifications:

Government-wide Statements

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

- A. Net Investment in Capital Assets - 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 - 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 - All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 Non-operating.

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.

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, and reported at fair value are as follow:

<u>TYPE</u>	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 71,692
Investments:	
Certificates of Deposit	4,325
Total Deposits and Investments	<u>\$ 76,017</u>
Reconciliation to Statement of Net Assets:	
Cash and Cash Equivalents	\$ 57,611
Investments	4,325
Restricted Cash and Cash Equivalents, Customer Deposits	9,303
Restricted Investments, Debt Reserve	4,778
	<u>\$ 76,017</u>

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 \$72,618 at June 30, 2015, 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, 2015 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 as 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.

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

- 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, 2015, the Town had limited concentration of credit risk.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable in the enterprise fund represent utility billings at June 30, 2015. 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, 2015 is as follows:

	Balance				Balance
	6/30/2014	Additions	Deletions		6/30/2015
<i>Governmental Activities:</i>					
Buildings	\$ 0	\$ 0	\$ 0	\$	0
Machinery and Equipment	60,443	19,000	0		79,443
	<u>60,443</u>	<u>19,000</u>	<u>0</u>		<u>79,443</u>
Less: Accumulated Depreciation					
Buildings	0	0	0		0
Machinery and Equipment	43,649	7,555	0		51,204
Total Accumulated Depreciation	<u>43,649</u>	<u>7,555</u>	<u>0</u>		<u>51,204</u>
	<u>16,794</u>	<u>11,445</u>	<u>0</u>		<u>28,239</u>
<i>Business-type Activities:</i>					
Depreciable Assets:					
Machinery and Equipment	11,144	0	0		11,144
Buildings	58,940	0	0		58,940
Water System	292,613	0	0		292,613
Sewer System	1,038,148	0	0		1,038,148
	<u>1,400,845</u>	<u>0</u>	<u>0</u>		<u>1,400,845</u>
Less: Accumulated Depreciation					
Buildings	26,135	4,038	0		30,173
Water and Sewer System	709,688	23,885	0		733,573
Machinery and Equipment	11,145	0	0		11,145
Total Accumulated Depreciation	<u>746,968</u>	<u>27,923</u>	<u>0</u>		<u>774,891</u>
	<u>653,877</u>	<u>(27,923)</u>	<u>0</u>		<u>625,954</u>
	<u>\$ 670,671</u>	<u>\$ (16,478)</u>	<u>\$ 0</u>	<u>\$</u>	<u>654,193</u>

TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following debt 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 \$136,428.

	<i>Balance</i>		<i>Increases</i>		<i>Decreases</i>	<i>Balance</i>	<i>Due Within</i>
	<u>6/30/2014</u>		<u>Increases</u>		<u>Decreases</u>	<u>6/30/2015</u>	<u>One Year</u>
<i>Business-type Activities:</i>							
Rural Development Notes	\$ <u>142,123</u>	\$ <u>0</u>	\$ <u>5,695</u>	\$ <u>136,428</u>	\$ <u>5,987</u>		

Maturities of long-term debt are as follow:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Payments</u>	<u>Payments</u>	
2016	\$ 5,987	\$ 6,685	\$ 12,672
2017	6,293	6,379	12,672
2018	6,615	6,057	12,672
2019	6,954	5,718	12,672
2020	7,309	5,363	12,672
2021 to 2025	42,554	20,806	63,360
2026 to 2030	54,612	8,748	63,360
2031	<u>6,104</u>	<u>88</u>	<u>6,192</u>
	\$ <u>136,428</u>	\$ <u>59,844</u>	\$ <u>196,272</u>

NOTE 6 - LITIGATION

Neither the Town nor the Authority has any pending claims or lawsuits against them as of June 30, 2015, 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.

**TOWN OF BLUEJACKET, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 - RISK MANAGEMENT

The Town 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 Town purchases commercial insurance.

Management believes this coverage is sufficient to preclude any significant uninsured losses to the Town. 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, 2015**

GENERAL FUND	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 30,000	\$ 30,000	\$ 31,216	\$ 1,216
Traffic Fines	25,000	25,000	14,486	(10,514)
Grant Income	3,600	3,600	0	(3,600)
Miscellaneous	500	500	1,688	1,188
Interest	25	25	8	(17)
Total Revenues	59,125	59,125	47,398	(11,727)
Expenditures:				
General Government				
Personal Services	15,000	15,000	14,254	746
Maintenance and Operations	11,000	11,000	8,815	2,185
Operating Grant Expenditures	8,500	8,500	0	8,500
Emergency Maintenance				
Maintenance and Operations	700	700	661	39
Park				
Maintenance and Operations	5,425	5,425	3,085	2,340
Street and Alley				
Maintenance and Operations	3,000	3,000	303	2,697
Public Safety				
Traffic Fine Expense	15,000	15,000	14,867	133
Capital Outlay	500	500	0	500
Total Expenditures	59,125	59,125	41,985	17,140
Net Change in Fund Balance	\$ 0	\$ 0	\$ 5,413	\$ 5,413

STREET AND ALLEY	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 2,500	\$ 2,500	\$ 3,521	\$ 1,021
Total Revenues	2,500	2,500	3,521	1,021
Expenditures:				
Maintenance and Operations	2,500	2,500	3,165	(665)
Total Expenditures	2,500	2,500	3,165	(665)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 356	\$ 356

**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, 2015**

FIRE DEPARTMENT	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Dues	\$ 10,000	\$ 10,000	\$ 9,640	\$ (360)
Donations	3,500	3,500	0	(3,500)
Operating Grants	7,500	7,500	16,484	8,984
Interest	300	300	21	(279)
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>6,748</u>	<u>5,248</u>
Total Revenues	<u>22,800</u>	<u>22,800</u>	<u>32,893</u>	<u>10,093</u>
Expenditures:				
Personal Service	1,500	1,500	1,200	300
Maintenance and Operations	17,000	17,000	10,847	6,153
Miscellaneous	200	200	0	200
Capital Outlay	0	0	19,000	(19,000)
Operating Grant Expenditures	<u>4,100</u>	<u>4,100</u>	<u>0</u>	<u>4,100</u>
Total Expenditures	<u>22,800</u>	<u>22,800</u>	<u>31,047</u>	<u>(8,247)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,846</u>	<u>\$ 1,846</u>

CEMETERY	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Donations	\$ 3,190	\$ 3,190	\$ 3,116	\$ (74)
Interest	10	10	2	(8)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,200</u>	<u>200</u>
Total Revenues	<u>4,200</u>	<u>4,200</u>	<u>4,318</u>	<u>118</u>
Expenditures:				
Maintenance and Operations	4,000	4,000	3,120	880
Miscellaneous	200	200	0	200
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>4,200</u>	<u>4,200</u>	<u>3,120</u>	<u>1,080</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,198</u>	<u>\$ 1,198</u>

CYNTHIA L WARREN CPA, P.C.

=====

P.O. Box 189
Eufaula, OK 74432

(918) 452-2116
Fax (918) 452-3509

**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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Bluejacket, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued my report thereon dated December 15, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Bluejacket's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weakness. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as Finding #2015-001 that I consider to be a significant deficiency.

Compliance and Other Matters

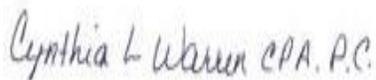
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination 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*.

Town of Bluejacket's Response to Findings

The Town of Bluejacket's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Town of Bluejacket's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
December 15, 2015

**TOWN OF BLUEJACKET, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

#2015-001 *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.

Response from Management:

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*