

City of Jay
Delaware County, Oklahoma

Independent Auditor's Report and Financial Statements
Fiscal Year Ended June 30, 2011

Prepared by:
Patricia M. Brandon CPA PC
Certified Public Accountant

**City of Jay, Oklahoma
City Officials
June 30, 2011**

Board of Trustees

Mayor/Chairman	Mark Wall
Member	Les Newkirk
Member	Dwaine Ellis
Member	Melvina Shotpouch
Member	Kyle Stump

Treasurer

Kay Pickup

Clerk

Charlotte Howe

City of Jay, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Jay
Jay, Oklahoma 74346

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Jay, Delaware County, State of Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jay, Delaware County, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinions.

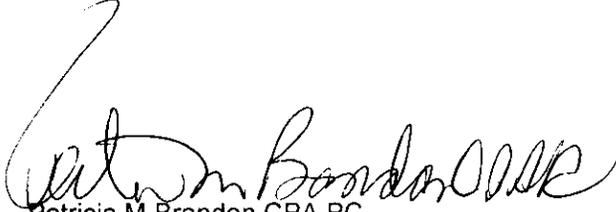
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Jay, Oklahoma, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 25, 2012, on our consideration of the City's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jay, Oklahoma's financial statements as a whole. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them



Patricia M Brandon CPA PC

Jay, Oklahoma
September 25, 2012

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

Honorable Mayor and City Council
City of Jay, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Jay, Oklahoma, as of and for the year ended June 30, 2011 which collectively comprise the City of Jay's basic financial statements and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jay's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jay, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jay, Oklahoma'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Jay, Oklahoma, in a separate letter dated September 25, 2012.

This report is intended solely for the information and use of management, City Council, 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.



Patricia M Brahdon CPA PC

Jay, Oklahoma
September 25, 2012

City of Jay, Oklahoma
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total	Discretely Presented Component Unit
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 222,721.09	\$ 777,074.36	\$ 999,795.45	\$ 453,551.47
Deposit with Third Party Administrator	21,265.40	-	21,265.40	-
Accounts Receivable	-	214,349.96	214,349.96	21,191.01
Due from Other Governments	192,317.23	-	192,317.23	1,955,953.35
Prepaid Insurance	3,724.47	3,724.44	7,448.91	-
Total Current Assets	<u>440,028.19</u>	<u>995,148.76</u>	<u>1,435,176.95</u>	<u>2,430,695.83</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	-	210,600.72	210,600.72	-
Capital Assets:				
Property, Plant and Equipment, net	2,128,056.63	7,165,354.07	9,293,410.70	-
Other Assets:				
Bond and Loan Costs, net	-	11,249.69	11,249.69	69,099.60
Total Noncurrent Assets	<u>2,128,056.63</u>	<u>7,387,204.48</u>	<u>9,515,261.11</u>	<u>69,099.60</u>
TOTAL ASSETS	<u>2,568,084.82</u>	<u>8,382,353.24</u>	<u>10,950,438.06</u>	<u>2,499,795.43</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	57,343.98	153,909.31	211,253.29	-
Payroll Taxes and Withholding Payable	4,502.69	5,117.45	9,620.14	-
Sales Tax Payable	-	250.71	250.71	-
Accrued Interest	3,670.80	61,813.30	65,484.10	36,020.84
Payable from Restricted Assets:				
Meter Deposits Payable	-	123,569.45	123,569.45	-
Current Portion of Notes Payable	79,932.80	294,211.25	374,144.05	-
Current Portion of Bonds Payable	-	110,000.00	110,000.00	-
Total Current Liabilities	<u>145,450.27</u>	<u>748,871.47</u>	<u>894,321.74</u>	<u>36,020.84</u>
Noncurrent Liabilities:				
Notes Payable	227,076.84	4,223,432.59	4,450,509.43	-
Bonds Payable	-	245,000.00	245,000.00	2,275,000.00
Total Noncurrent Liabilities:	<u>227,076.84</u>	<u>4,468,432.59</u>	<u>4,695,509.43</u>	<u>2,275,000.00</u>
TOTAL LIABILITIES	<u>372,527.11</u>	<u>5,217,304.06</u>	<u>5,589,831.17</u>	<u>2,311,020.84</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,821,046.99	2,303,959.92	4,125,006.91	-
Restricted	-	87,031.27	87,031.27	188,774.59
Unrestricted	378,181.52	774,057.99	1,148,568.71	-
TOTAL NET ASSETS	<u>\$ 2,195,557.71</u>	<u>\$ 3,165,049.18</u>	<u>\$ 5,360,606.89</u>	<u>\$ 188,774.59</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government:					
Managerial	\$ 38,635.33	\$ -	\$ -	\$ -	\$ (38,635.33)
City Clerk/Treasurer	33,013.92	-	-	-	(33,013.92)
Maintenance and Operation	113,831.04	-	-	-	(113,831.04)
Total General Government	185,480.29	-	-	-	(185,480.29)
Public Safety and Judiciary:					
City Attorney	3,260.00	-	-	-	(3,260.00)
Emergency Medical Service	326,922.22	122,477.89	-	-	(204,444.33)
Fire	124,760.29	1,782.00	8,397.72	10,999.00	(103,581.57)
Municipal Court	2,600.00	-	-	-	(2,600.00)
Police	453,007.50	11,994.21	2,500.00	-	(438,513.29)
Total Public Safety and Judiciary	910,550.01	136,254.10	10,897.72	10,999.00	(752,399.19)
Transportation:					
Street and Alley	212,587.90	-	9,044.51	-	(203,543.39)
Culture, Parks and Recreation:					
Community Center	20,205.73	-	-	-	(20,205.73)
Parks	46,985.66	-	-	-	(46,985.66)
Cemetary	100.00	-	-	-	(100.00)
Swimming Pool	7,463.84	5,362.50	-	-	(2,101.34)
Total Culture, Parks & Recreation	74,755.23	5,362.50	-	-	(69,392.73)
Interest Expense	15,698.54	-	-	-	(15,698.54)
Total Governmental Activities	1,399,071.97	141,616.60	19,942.23	10,999.00	(1,226,514.14)
Business-Type Activities:					
Utilities	2,335,722.58	2,412,954.13	-	-	77,231.55
Total Primary Government	\$ 3,734,794.55	\$ 2,554,570.73	\$ 19,942.23	\$ 10,999.00	\$ (1,149,282.59)
Discretely Presented Component Unit:					
Economic Development	\$ 126,694.28	\$ -	\$ -	\$ -	\$ (126,694.28)

(continued)

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Activities (continued)
For the Year Ended June 30, 2011

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
Changes in Net Asset:				
Net (Expense)/Revenue	\$ (1,226,514.14)	\$ 77,231.55	\$ (1,149,282.59)	\$ (126,694.28)
General Revenues:				
Taxes:				
Sales and Use Taxes	992,707.38	-	992,707.38	-
Franchise and Public Service Taxes	62,314.41	-	62,314.41	-
Motor Vehicle Collections	18,955.46	-	18,955.46	-
Alcoholic Beverage Tax	34,576.73	-	34,576.73	-
Gasoline Tax	5,316.01	-	5,316.01	-
Tobacco Tax	12,742.07	-	12,742.07	-
Investment Income	2,237.89	4,455.69	6,693.58	37,421.01
Sale/Rent of Property	6,100.00	-	6,100.00	15,000.00
Other Income	17,712.36	19,319.06	37,031.42	-
Reimbursements	25,500.91	-	25,500.91	-
Total General Revenues and Transfers	<u>1,178,163.22</u>	<u>23,774.75</u>	<u>1,201,937.97</u>	<u>52,421.01</u>
Change in Net Assets	(48,350.92)	101,006.30	52,655.38	(74,273.27)
Net Assets, Beginning of Year	2,243,908.63	3,064,042.88	5,307,951.51	263,047.86
Net Assets, End of Year	<u><u>\$ 2,195,557.71</u></u>	<u><u>\$ 3,165,049.18</u></u>	<u><u>\$ 5,360,606.89</u></u>	<u><u>\$ 188,774.59</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Net Assets – Governmental Funds
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 202,807.22	\$ 19,913.87	\$ 222,721.09
Deposit with Third Party Administrator	21,265.40	-	21,265.40
Due from Other Governments	192,317.23	-	192,317.23
Prepaid Insurance	3,724.47	-	3,724.47
TOTAL ASSETS	<u>\$ 420,114.32</u>	<u>\$ 19,913.87</u>	<u>\$ 440,028.19</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 56,212.87	\$ 1,131.11	\$ 57,343.98
Payroll Taxes and Withholdings Payable	4,502.69	-	4,502.69
Total Liabilities	<u>60,715.56</u>	<u>1,131.11</u>	<u>61,846.67</u>
Fund Balances:			
Cash Fund Balance, Unreserved	359,398.76	18,782.76	378,181.52
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 420,114.32</u>	<u>\$ 19,913.87</u>	<u>\$ 440,028.19</u>

Reconciliation to the Statement of Net Assets

Total Governmental Funds Balance 378,181.52

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and therefore,
are not reported as assets in governmental funds. The cost of the assets is \$4,575,828.50
and the accumulated depreciation is \$2,447,771.87 for a net book value of \$2,128,056.63 . 2,128,056.63

Long-term liabilities, including capitalized lease obligations, are not due and payable in the
current period and therefore are not reported as liabilities in the funds. Long-term liabilities
at year-end consist of:

Accrued Interest Payable	(3,670.80)
Capitalized Lease Obligations Payable	<u>(307,009.64)</u>

Net Assets of Governmental Activities \$ 2,195,557.71

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,126,612.06	\$ -	\$ 1,126,612.06
Grants	19,942.23	-	19,942.23
Charges for Services	124,259.89	-	124,259.89
Fines and Forfeitures	11,994.21	-	11,994.21
Investment Income	2,098.98	138.91	2,237.89
Reimbursements	25,500.91	-	25,500.91
Sale/Lease of Property	5,825.00	275.00	6,100.00
Other Revenue	17,712.36	5,362.50	23,074.86
Total Revenues	1,333,945.64	5,776.41	1,339,722.05
Expenditures:			
General Government:			
City Clerk/Treasurer	33,013.92	-	33,013.92
Managerial	38,635.33	-	38,635.33
Maintenance and Operation	96,963.02	-	96,963.02
Public Safety and Judiciary:			
City Attorney	3,260.00	-	3,260.00
Emergency Medical Service	333,701.12	-	333,701.12
Fire	127,286.62	-	127,286.62
Municipal Court	2,600.00	-	2,600.00
Police	470,797.51	-	470,797.51
Transportation:			
Street and Alley	214,711.00	-	214,711.00
Parks and Recreation:			
Community Center	12,000.00	-	12,000.00
Parks	42,498.99	-	42,498.99
Cemetery	-	100.00	100.00
Swimming Pool	22.33	5,128.74	5,151.07
Total Expenditures	1,375,489.84	5,228.74	1,380,718.58
Net Change in Fund Balance	(41,544.20)	547.67	(40,996.53)
Fund Balance, Beginning of Year	400,942.96	18,235.09	419,178.05
Fund Balance, End of Year	\$ 359,398.76	\$ 18,782.76	\$ 378,181.52

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances - Governmental Funds	\$ (40,996.53)
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Capital outlay expenditures capitalized	42,199.00
Depreciation expense	(123,986.77)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statements.

Capital lease obligation principal payments	73,674.90
Accrued Interest Payable	<u>758.48</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (48,350.92)</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Net Assets – Proprietary Fund
June 30, 2011

	Utilities Authority Enterprise Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 777,074.36
Accounts Receivable	214,349.96
Prepaid Insurance	3,724.44
Total Current Assets	995,148.76
Noncurrent Assets:	
Restricted Assets:	
Cash and Cash Equivalents	210,600.72
Capital Assets:	
Property, Plant and Equipment, net of Accumulated Depreciation	7,165,354.07
Other Assets:	
Bond and Loan Costs, net of Accumulated Amortization	11,249.69
Total Noncurrent Assets	7,387,204.48
TOTAL ASSETS	8,382,353.24
 LIABILITIES	
Current Liabilities:	
Accounts Payable	153,909.31
Payroll Taxes and Withholdings Payable	5,117.45
Sales Tax Payable	250.71
Accrued Interest	61,813.30
Payable from Restricted Assets:	
Meter Deposits Payable	123,569.45
Current Portion of Notes Payable	294,211.25
Current Portion of Bonds Payable	110,000.00
Total Current Liabilities	748,871.47
Noncurrent Liabilities:	
Notes Payable	4,223,432.59
Bonds Payable	245,000.00
Total Noncurrent Liabilities:	4,468,432.59
TOTAL LIABILITIES	5,217,304.06
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,303,959.92
Restricted	87,031.27
Unrestricted	774,057.99
TOTAL NET ASSETS	\$ 3,165,049.18

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds
For the Year Ended June 30, 2011

	Utilities Authority Enterprise Fund
Operating Revenues:	
Utility Revenue	\$ 2,412,954.13
Other Revenues	19,319.06
Total Operating Revenues	2,432,273.19
Operating Expenses:	
Gas Purchased	742,575.62
Salaries and Benefits	335,721.69
Depreciation & Amortization	255,880.66
Utilities and Telephone	170,006.34
Insurance	121,540.01
Supplies	63,461.05
Maintenance and Repairs	87,313.90
Chemicals	192,183.84
Landfill Costs	38,398.57
Other Expenses	20,804.38
Professional Fees	12,339.45
Water Purchased	23,136.34
Truck Expense	46,803.88
Lab and Test Fees	20,683.76
Licenses and Permits	2,172.48
Uniforms	7,050.96
Office Supplies and Postage	11,852.00
Total Operating Expenses	2,151,924.93
Operating Income (Loss)	280,348.26
Non-Operating Revenues (Expenses):	
Interest Income	4,455.69
Interest Expense	(183,797.65)
Total Non-Operating Revenues (Expenses)	(179,341.96)
Change in Net Assets	101,006.30
Net Assets, Beginning of Year	3,064,042.88
Net Assets, End of Year	\$ 3,165,049.18

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2011

	Utilities Authority Enterprise Fund
Cash Flows from Operating Activities	
Cash Inflows:	
Payments Received from Customers	\$ 2,364,608.30
Meter Deposits Received	35,924.17
Total Cash Provided	2,400,532.47
Cash Outflows:	
Payments for Salaries and Benefits	(330,571.78)
Payments for Goods and Services	(1,413,257.12)
Meter Deposits Refunded	(35,267.43)
Total Cash Used	(1,779,096.33)
Net Cash Provided (Used) by Operating Activities	621,436.14
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(33,666.00)
Construction in Progress	-
Principal Paid on Capital Debt	(345,742.17)
Interest Paid on Capital Debt	(192,382.35)
Net Cash Provided (Used) by Capital and Related Financing Activities	(571,790.52)
Cash Flows from Investing Activities	
Interest	4,455.69
Net Cash Inflow (Outflow) from All Activities	54,101.31
Cash and Cash Equivalents, Beginning of Year	933,573.77
Cash and Cash Equivalents, End of Year	\$ 987,675.08
Unrestricted	\$ 777,074.36
Restricted	210,600.72
Cash and Cash Equivalents, End of Year	\$ 987,675.08

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2011

		Utilities Authority Enterprise Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$	280,348.26
Depreciation		250,880.62
Amortization		5,000.04
(Increase) Decrease in:		
Accounts Receivable		(67,915.60)
Prepaid Insurance		(3,103.05)
Prepaid Retirement		32.46
Increase (Decrease) in:		
Accounts Payable		150,168.51
Payroll Taxes and Withholdings Payable		5,117.45
Sales Tax Payable		250.71
Meter Deposits Payable		656.74
		621,436.14
Net Cash Provided (Used) by Operating Activities	\$	621,436.14

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the City's financial statements.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

A. Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary Government: City of Jay

Blended Component Unit: Jay Utilities Authority

Discretely Presented Component Unit: Jay Industrial Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's fund is blended into those of the City's by appropriate activity type to comprise the primary government presentation.

Component units that are blended into the reporting activity types of the City's reports are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Jay Utilities Authority	Created to finance, develop and operate the utility services activities. The current City Council serves as the governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council.	Enterprise Fund

**City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has one discretely presented component unit.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Additional detailed information and/or separately issued financial statements for this component unit can be obtained from the City Clerk.

Component units that are discretely presented are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Jay Industrial Authority	Created to assist in financing and constructing facilities, promote local industrial development and provide cultural and educational activities and facilities.	Special Fund

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally 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 which 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. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Jay Utilities Authority	Accounts for activities of the public trust in providing utility services to the public.
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Major and Non-Major Funds

<i>Major:</i>	General Fund	
	Proprietary Fund:	Jay Utilities Authority
 <i>Non-Major:</i>	Special Revenue Fund:	Swimming Pool Fund
	Special Revenue Fund:	Cemetery Care Fund

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

C. 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.

Measurement Focus

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the City. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Encumbrances

Encumbrance accounting, under which purchase order, contract, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The City has not maintained inventory records; however, the value of inventory on hand at June 30, 2011 is not believed to be material.

Deposits with Third-Party Administrator

Certain sales tax revenues designated for the Fire Department are received and disbursed by the Delaware County Clerk. For the year ended June 30, 2011, \$58,818.97 was received and \$53,564.83 was disbursed by Delaware County on behalf of the City of Jay Fire Department. The cash balance as of June 30, 2011 was \$21,265.40.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and franchise taxes. Business-type activities report water charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Fixed Assets

The accounting treatment over property, plant and equipment (fixed 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

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed 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.

Fixed assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

The range of estimated useful lives by type of asset is as follows:

Buildings	20-60 years
Improvements	20-60 years
Machinery and Equipment	3-20 years
Utility System	20-60 years
Infrastructure	20-60 years

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the 2001 Bond Issue and the 2003 Sales Tax Revenue Note require that funds be held in accounts with a trustee bank for certain purposes. Under the terms and provisions of the bond and note, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bond and note are outstanding. Also included in restricted assets are funds on deposit representing utility customer meter deposits, which are refundable to the customer.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

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 is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred

Equity Classifications

Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e, fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

Net Assets/Fund Balance (continued)

Committed fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The Town's Board of Trustees is the highest level of decision making authority of the Town.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

E. Revenues, Expenditures and Expenses

Sales Tax

The City presently levies a sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from other governments."

Use Tax

The City levies a use-tax on personal property purchased outside the City limits but stored, used or consumed within the City. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

E. Revenues, Expenditures and Expenses (continued)

Use Tax (continued)

The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the City in July and August are included under the caption "Due from other governments."

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing 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:

Governmental Funds – By Character: Current (further classified by function), Debt Service, Capital Outlay

Proprietary Funds – 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

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the City and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

II. Stewardship, Compliance and Accountability (continued)

A. Fund Accounting Requirements (continued)

<u>Fund</u>	<u>Required By</u>
Utility Authority Fund	Trust Indenture
Cemetery Care Fund	State Law

B. Deposit and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in note III A., none of the Utility Authority's deposits were exposed to credit risk.

C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

D. Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2011, the City had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2011, the City incurred no such indebtedness.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

II. Stewardship, Compliance and Accountability (continued)

D. Debt Restrictions and Covenants (continued)

Meter Deposits Payable

The Jay Utilities Authority is required to have reserved funds available for the amount of meter deposits held. The following is a brief summary of the requirements and the Authority's level of compliance thereon as of June 30, 2011.

<u>Requirement</u>	<u>Level of Compliance</u>
Reserve Account Requirement	
Account Balance should be equal to the	Account balance at June 30, 2011
Total meter deposits payable of \$ 123,569.45.	is \$ 146,134.69.

E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2011.

III. Detailed Notes on Transaction Classes/Accounts

A. Cash and Investments

Authorized Investments

City policy for eligible investments is governed by State statutes which, in general, allow the City to invest in obligations of the United States and insured or collateralized Certificate of Deposits. Investment income is recorded in the fund in which it is earned.

Custodial Credit Risk—Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits are maintained in financial institutions. As of June 30, 2011 none of City's deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes on Transaction Classes/Accounts (continued)

B. Restricted Assets

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Utilities Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2011 are as follows:

Meter Deposits	\$ 123,569.45
2003 Interest Fund Account	87,031.27
Total	<u>\$ 210,600.72</u>

C. Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales and use tax, motor vehicle collections and gasoline tax, alcoholic beverage tax, and grants. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2011 is as follows:

	Governmental Activities	Business-Type Activities	Total
Total	<u>\$ 192,317.23</u>	<u>\$ 214,349.96</u>	<u>\$ 406,667.19</u>

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes on Transaction Classes/Accounts (continued)

D. Capital Assets

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 341,167.00	\$ -	\$ -	\$ 341,167.00
Depreciable assets:				
Buildings/Improvements	2,507,490.50	-	-	2,507,490.50
Machinery and Equipment	152,674.10	10,999.00	-	163,673.10
Infrastructure	131,454.26	-	-	131,454.26
Vehicles	1,400,843.64	31,200.00	-	1,432,043.64
	<u>4,192,462.50</u>	<u>42,199.00</u>	<u>-</u>	<u>4,234,661.50</u>
Total	<u>4,533,629.50</u>	<u>42,199.00</u>	<u>-</u>	<u>4,575,828.50</u>
Accumulated Depreciation:				
Buildings/Improvements	(1,552,469.23)	(24,694.31)	-	(1,577,163.54)
Machinery and Equipment	(54,604.73)	(9,990.48)	-	(64,595.21)
Infrastructure	(24,439.51)	(8,763.62)	-	(33,203.13)
Vehicles	(692,271.63)	(80,538.36)	-	(772,809.99)
	<u>(2,323,785.10)</u>	<u>(123,986.77)</u>	<u>-</u>	<u>(2,447,771.87)</u>
Depreciable assets, net	1,868,677.40	(81,787.77)	-	1,786,889.63
Net Capital Assets	<u>\$ 2,209,844.40</u>	<u>\$ (81,787.77)</u>	<u>\$ -</u>	<u>\$ 2,128,056.63</u>
Business-Type Activities:				
Gas System	\$ 603,378.61	\$ -	\$ -	\$ 603,378.61
Sewer System	5,490,537.78	-	-	5,490,537.78
Water System	5,099,186.27	-	-	5,099,186.27
Machinery and Equipment	182,280.96	-	-	182,280.96
Office Equipment	25,310.63	-	-	25,310.63
Vehicles	258,191.43	33,666.00	-	291,857.43
Construction in Progress	-	-	-	-
Total	<u>11,658,885.68</u>	<u>33,666.00</u>	<u>-</u>	<u>11,692,551.68</u>
Accumulated Depreciation:				
Gas System	(395,036.72)	(15,084.48)	-	(410,121.20)
Sewer System	(2,340,010.40)	(99,490.34)	-	(2,439,500.74)
Water System	(1,152,470.01)	(127,479.67)	-	(1,279,949.68)
Machinery and Equipment	(155,336.62)	(2,062.05)	-	(157,398.67)
Office Equipment	(21,520.13)	(598.50)	-	(22,118.63)
Vehicles	(211,943.11)	(6,165.58)	-	(218,108.69)
Construction in Progress	-	-	-	-
	<u>(4,276,316.99)</u>	<u>(250,880.62)</u>	<u>-</u>	<u>(4,527,197.61)</u>
Net Capital Assets	<u>\$ 7,382,568.69</u>	<u>\$ (217,214.62)</u>	<u>\$ -</u>	<u>\$ 7,165,354.07</u>

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

D. Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

General Government:	\$	16,868.02
Public Safety and Judiciary:		
EMS		16,548.25
Fire		45,947.05
Police		13,409.99
Transportation:		
Street & Alley		16,208.29
Culture, Parks and Recreation:		
Community Center		8,205.73
Parks		4,486.67
Swimming Pool		2,312.77
Total Depreciation Expense	\$	<u>123,986.77</u>

E. Long-Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The City executed a lease to purchase a 2008 Sterling Dump Truck on December 3, 2008. The truck was purchased for \$79,946.00. The amount of the lease is \$79,946.00 with interest at 4.026%, payable in annual installments of \$18,009.25 and maturing December 2013. Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 15,963.80	\$ 2,045.45	\$ 18,009.25
2013	16,618.32	1,390.93	18,009.25
2014	17,306.86	702.39	18,009.25
Totals	<u>\$ 49,888.98</u>	<u>\$ 4,138.77</u>	<u>\$ 54,027.75</u>

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

E. Long-Term Debt (continued)

Governmental Activities (continued)

The City executed a lease to purchase a 2008 Ford E450 Ambulance on October 27, 2008. The ambulance was purchased for \$103,087.00. The amount of the lease is \$103,162.00 with interest at 4.171%, payable in annual installments of \$23,336.95 and maturing October 2013. Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 20,539.87	\$ 2,797.08	\$ 23,336.95
2013	21,475.30	1,861.65	23,336.95
2014	22,328.31	948.95	23,277.26
Totals	<u>\$ 64,343.48</u>	<u>\$ 5,607.68</u>	<u>\$ 69,951.16</u>

The City executed a lease to purchase a 2010 IH 7600 Pumper Tanker on November 3, 2008. The truck was purchased for \$288,900.00. The amount of the lease is \$288,900.00 with interest at 4.4%, payable in monthly installments of \$4,002.27 and maturing November 2015. The lease payments will be made from the Firefighter's Sales Tax money held by a third party administrator. Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 40,352.37	\$ 7,674.87	\$ 48,027.24
2013	42,164.12	5,863.12	48,027.24
2014	44,057.20	3,970.04	48,027.24
2015	46,035.31	1,991.93	48,027.24
2016	20,168.18	225.19	20,393.37
Totals	<u>\$ 192,777.18</u>	<u>\$ 19,725.15</u>	<u>\$ 212,502.33</u>

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

E. Long-Term Debt (continued)

Governmental Activities (continued)

Debt service requirements for all government-type activities are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 76,856.04	\$ 12,517.40	\$ 89,373.44
2013	80,257.74	9,115.70	89,373.44
2014	83,692.37	5,621.38	89,313.75
2015	46,035.31	1,991.93	48,027.24
2016	20,168.18	225.19	20,393.37
Totals	<u>\$ 307,009.64</u>	<u>\$ 29,471.60</u>	<u>\$ 336,481.24</u>

Business-Type Activities

The Jay Utilities Authority entered into a loan agreement with the Oklahoma Water Resources Board on November 16, 2000 to finance the cost of constructing wastewater system improvements. The note (Series 2000 Small Community Clean Water SRF Promissory Note to Oklahoma Water Resources Board) for the principal amount of \$3,640,301.63 bears an interest rate of 3.095% per annum plus an administrative fee of 0.5% per annum, payable semi-annually on March 15 and September 15 for the term of the loan (not to exceed twenty years).

The note matures as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total</u>
2012	\$ 181,080.27	\$ 81,444.05	\$ 262,524.32
2013	187,958.70	74,565.62	262,524.32
2014	194,872.09	67,652.23	262,524.32
2015	202,039.76	60,484.56	262,524.32
2016	209,330.93	53,193.39	262,524.32
2017-2021	1,168,671.73	143,949.87	1,312,621.60
2022	128,893.78	2,368.36	131,262.14
Totals	<u>\$ 2,272,847.26</u>	<u>\$ 483,658.08</u>	<u>\$ 2,756,505.34</u>

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

E. Long-Term Debt (continued)

Business-Type Activities (continued)

The Jay Utilities Authority entered into a lease purchase agreement with Grand Savings Bank on May 12, 2011 to acquire a 2007 Dodge Ram 1500 Pickup. The total amount financed was \$17,941.00 to be paid in monthly installments of \$3,020.76 for 6 months at 3.5% interest. Payments begin on June 12, 2011 and mature on November 12, 2011. Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 14,972.57	\$ 131.23	\$ 15,103.80

The Jay Utilities Authority entered into a lease purchase agreement with Grand Savings Bank on March 15, 2011 to acquire a 2006 Chevrolet Silverado Pickup. The total amount financed was \$14,075.00 to be paid in monthly installments of \$2,371.65 for 6 months at 3.5% interest. Payments begin on April 23, 2011 and mature on September 23, 2011. Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 7,073.66	\$ 41.29	\$ 7,114.95

The Jay Utilities Authority executed a 2003 Sales Tax Revenue Note with Grand Savings Bank on September 1, 2003 in the amount of \$1,000,000.00 for the purpose of constructing water system improvements. The note bears interest at 4.95%. Annual varying fixed principal payments are due on October 1 of each year beginning in 2005 and with a final principal payment due on October 1, 2013. Semiannual interest payments are due on April 1 and October 1 of each year through maturity.

The note matures as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 110,000.00	\$ 17,572.50	\$ 127,572.50
2013	120,000.00	12,127.50	132,127.50
2014	125,000.00	6,187.50	131,187.50
Totals	\$ 355,000.00	\$ 35,887.50	\$ 390,887.50

The Jay Utilities Authority entered into a loan agreement with the Oklahoma Water Resources Board on April 10, 2008 to finance the cost of improvements to the city's water supply system. The note (DWSRF Loan from Oklahoma Water Resources Board) for the principal amount of \$2,476,553.62 bears an interest rate of 3.79% per annum inclusive of an administrative fee of 0.5% per annum, payable semi-annually on March 15 and September 15 for the term of the loan (not to exceed twenty years).

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

E. Long-Term Debt (continued)

Business-Type Activities (continued)

The note matures as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total</u>
2012	\$ 91,084.75	\$ 84,323.05	\$ 175,407.80
2013	94,828.18	80,579.62	175,407.80
2014	98,486.72	76,921.08	175,407.80
2015	102,286.43	73,121.37	175,407.80
2016	106,044.96	69,362.84	175,407.80
2017-2021	595,713.50	262,325.50	858,039.00
2022-2026	719,900.24	157,138.76	877,039.00
2027-2029	414,405.50	24,113.32	438,518.82
Totals	<u>\$ 2,222,750.28</u>	<u>\$ 827,885.54</u>	<u>\$ 3,050,635.82</u>

Debt service requirements for all business-type activities are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total</u>
2012	\$ 404,211.25	\$ 183,512.12	\$ 587,723.37
2013	402,786.88	167,272.74	570,059.62
2014	418,358.81	150,760.81	569,119.62
2015	304,326.19	133,605.93	437,932.12
2016	315,375.89	122,556.23	437,932.12
2017-2021	1,764,385.23	406,275.37	2,170,660.60
2022-2026	848,794.02	159,507.12	1,008,301.14
2027-2029	414,405.50	24,113.32	438,518.82
Totals	<u>\$ 4,872,643.77</u>	<u>\$ 1,347,603.64</u>	<u>\$ 6,220,247.41</u>

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

E. Long-Term Debt (continued)

Discretely Presented Component Unit

The City, acting through the Trustees of the Jay Industrial Authority, executed a lease purchase agreement on September 1, 2006 with the Jay School District No. I-1. The Jay Industrial Authority issued a \$3,660,000 revenue bond at 4.75% interest, in order to assist with the project. The purpose of the Lease Revenue Bond, Series 2006 is to finance certain educational facilities of the Jay School District, and pay certain costs of issuance. As part of the Educational Facilities Lease agreement the Jay School District leased to the City the real property on which the project is constructed. With the proceeds of the Bond the City financed the project and is leasing it back to the Jay School District. The City will make the debt service payments with the lease payments from the Jay School District.

Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 108,062.50	\$ 108,062.50
2013	905,000.00	86,568.75	991,568.75
2014	-	65,075.00	65,075.00
2015	1,370,000.00	32,537.50	1,402,537.50
Totals	<u>\$ 2,275,000.00</u>	<u>\$ 292,243.75</u>	<u>\$ 2,567,243.75</u>

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2011:

Lease Obligations	<u>\$ 380,684.54</u>	<u>\$ -</u>	<u>\$ 73,674.90</u>	<u>\$ 307,009.64</u>	<u>\$ 76,856.04</u>
Business-Type Activities:					
Notes Payable	\$ 4,758,386.01	\$ 32,016.00	\$ 272,758.17	\$ 4,517,643.84	\$ 294,211.25
Bonds Payable	460,000.00	-	105,000.00	355,000.00	110,000.00
Total Business-Type	<u>\$ 5,218,386.01</u>	<u>\$ 32,016.00</u>	<u>\$ 377,758.17</u>	<u>\$ 4,872,643.84</u>	<u>\$ 404,211.25</u>
Component Unit:					
Bonds Payable	<u>\$ 3,000,000.00</u>	<u>\$ -</u>	<u>\$ 725,000.00</u>	<u>\$ 2,275,000.00</u>	<u>\$ -</u>
Total	<u>\$ 8,599,070.55</u>	<u>\$ 32,016.00</u>	<u>\$ 1,176,433.07</u>	<u>\$ 7,454,653.48</u>	<u>\$ 481,067.29</u>

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The City purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

B. Employee Retirement System and Plan

The City provides pension benefits for substantially all of its full time employees (excluding firemen who are covered under a separate state retirement system) through a defined contribution cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined contribution plan. The OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

The OMRF Defined Contribution Program provides a savings vehicle for individual employees where the funds are credited to participant accounts and then pooled for investment through OMRF. All gains and/or losses are credited directly to each participant. Upon retirement, termination, disability or death, the vested portion of the participant's account is paid to the participant or beneficiary. The benefit is payable based on the accumulation of employee and employer contributions, forfeitures and interest earnings.

All full-time employees of the City of Jay are eligible to participate in the plan after completing six months of service.

Employees contribute a mandatory 2% of their gross pay to the plan. In addition, employees may elect to contribute an additional 2% or 4% of gross pay which the City matches.

The required contribution from the City for this plan was \$18,766.58, \$22,034.27, and \$24,946.76, for 2011, 2010, and 2009 respectively. The required contribution was fully contributed. At June 30, 2011, the system held no related party investments of the City or of its related entities.

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Other Information (continued)

B. Employee Retirement System and Plan (continued)

Firemen's Pension Plan

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8% of base salary and the City contributes an additional 13% (\$60 for volunteer firemen). The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

C. Economic Dependence

The Jay Utilities Authority has one customer that accounted for 31% of its current year revenues. If this customer was lost, additional sources of revenue would need to be obtained or expenses would have to be significantly reduced.

D. Proprietary Fund Rates and Charges

	<u>Water Rates and Charges</u>	
Residential Base Rate	\$	7.60
Residential Charge per 1,000 Gallons		3.45
Industrial Base Rate		75.00
Industrial Charge per 1,000 Gallons		2.07
	<u>Sewer Rates and Charges</u>	
Residential Base Rate	\$	10.35
Residential Charge per 1,000 Gallons		2.15
Industrial Base Rate		10.35
Industrial Charge per 1,000 Gallons		2.81
	<u>Gas Rates and Charges</u>	
Residential Base Rate	\$	5.00
Residential Charge per 1 MCF		2.04
Industrial Base Rate		5.00
Industrial Charge per 1 MCF		0.93
	<u>Initial Meter Installation Fees (Residential and Commercial)</u>	
Water - 2" Meter	\$	150.00
Water - 3" Meter		175.00
Water - 4" Meter		200.00
Water - 6-8" Meter		225.00
Sewer		125.00
Gas		225.00
	<u>Meter Deposits (Residential and Commercial)</u>	
Water	\$	100.00
Gas		150.00

City of Jay, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Other Information (continued)

C. Contingent Liabilities

The governing board of the City is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

D. Subsequent Events

Management has evaluated subsequent events through September 25, 2012, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Jay, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balances - Budget and Actual -
Regulatory Basis - General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues:					
Charges for Services	\$ 28,486.95	\$ 28,486.95	\$ 14,892.87	\$ -	\$ (13,594.08)
Local Sources	2,500.00	2,500.00	2,500.00		
State Sources	930,554.26	930,554.26	1,065,086.00	-	134,531.74
Federal Sources	10,551.91	10,551.91	9,044.51		
Miscellaneous	208,006.94	208,006.94	235,897.55	-	27,890.61
Total Revenues Collected	1,180,100.06	1,180,100.06	1,327,420.93	-	148,828.27
Expenditures:					
Managerial	36,000.00	38,150.00	38,135.33	2,150.00	14.67
City Clerk	31,000.00	33,025.00	33,013.92	2,025.00	11.08
Municipal Court	2,400.00	2,400.00	2,400.00	-	-
City Attorney	2,760.00	2,760.00	2,760.00	-	-
Community Center	12,000.00	12,000.00	12,000.00	-	-
General Government	95,026.53	95,026.53	83,781.75	-	11,244.78
Street and Alley	192,500.00	188,500.00	187,847.23	(4,000.00)	652.77
Street and Alley Capital Outlay	18,009.25	13,009.25	3,568.53	(5,000.00)	9,440.72
Park	36,500.00	40,800.00	40,775.49	4,300.00	24.51
Police	435,000.00	432,000.00	431,008.28	(3,000.00)	991.72
Police Capital Outlay	16,482.80	29,982.80	29,900.00	13,500.00	82.80
Fire Department	66,000.00	64,000.00	62,955.73	(2,000.00)	1,044.27
Fire Department Sales Tax	8,546.84	8,546.84	5,465.42	-	3,081.42
Fire Dept Sales Tax Cap. Outlay	59,692.44	59,692.44	9,392.46	-	50,299.98
Ambulance	366,000.00	361,500.00	299,074.38	(4,500.00)	62,425.62
Ambulance Capital Outlay	23,336.95	19,861.95	5,114.50	(3,475.00)	14,747.45
Total Expenditures Paid	1,401,254.81	1,401,254.81	1,247,193.02	-	154,061.79
Excess (Deficit)	(221,154.75)	(221,154.75)	80,227.91	-	301,382.66
Cash Fund Balance					
Beginning of Year	221,154.75	221,154.75	221,154.75	-	-
Cash Fund Balance					
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,382.66</u>	<u>\$ -</u>	<u>\$ 301,382.66</u>

Amounts reported for general fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting. The differences are attributable to:

Amounts Due from Other Governments	192,317.23
Prepaid Insurance	3,724.47
Accounts Receivable	-
Cash difference between budget and audit	<u>(138,025.60)</u>

Cash Fund Balance - General Fund \$ 359,398.76

UNAUDITED

OTHER SUPPLEMENTARY INFORMATION

City of Jay, Oklahoma
Schedule of State and Federal Financial Assistance
For the Year Ended June 30, 2011

<u>Name of Agency or Grant</u>	<u>Expenditures</u>
State Awards	
State Fire Department Grant	\$ 8,397.72
FEMA	9,044.51
Cherokee Nation Grants - Police Department	<u>2,500.00</u>
Total State Financial Assistance	<u><u>19,942.23</u></u>

**City of Jay, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the governmental activities of the City of Jay, Delaware County, Oklahoma.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the governmental activities City of Jay, Delaware County, Oklahoma.

FINDINGS—FINANCIAL STATEMENT AUDIT

CURRENT YEAR

None

QUESTIONED COSTS

None

PRIOR YEAR

None

QUESTIONED COSTS

None
