

**TOWN OF JET
OKLAHOMA**

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**PERIOD COVERING
JUNE 30, 2012**

**WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA**

**TOWN OF JET
OKLAHOMA
TOWN COUNCIL AND OFFICERS**

Jim Blackledge
Herschel Kiser, successor appointed September 2011
Lindeen Evans
Carolyn Crossette, resigned September 2011
David Pitt, resigned September 2011

Mayor
Councilperson
Councilperson
Councilperson
Councilperson

Jim Blackledge
Lindeen Evans
Paul Blackledge, March 2012
Matt Morris, March 2012
Pam Sands, March 2012

Mayor
Councilperson
Councilperson
Councilperson
Councilperson

Donna Keller

Town Clerk/Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Jet, Oklahoma

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

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

As discussed in Note 1, Town of Jet, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Jet, Oklahoma, as of June 30, 2012, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (omitted) and budgetary comparison information on pages 20 & 21 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. I 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 regarding the methods 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 me with sufficient evidence to express an opinion or provide any assurance.



Watonga, Oklahoma
November 30, 2012

TOWN OF JET, OKLAHOMA
Statement of Net Assets-Modified Cash Basis
Fiscal Year Ended June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 128,025	\$ 96,199	\$ 224,224
Certificate of Deposits	26,708	35,000	61,708
Due from other government	-	-	-
Total Unrestricted Assets			
Restricted Assets:			
Restricted Cash	10,611	3,994	14,606
Land and construction-in-process	-	-	-
Other capital assets, net	-	518,538	518,538
Total Restricted Assets	165,344	653,731	819,075
TOTAL ASSETS			
LIABILITIES			
Due to Other Funds	-	-	-
Deposits	-	5,341	5,341
Long-term Liabilities			
Due within one year	-	26,776	26,776
Due in more than one year	-	43,455	43,455
Total Liabilities	-	75,572	75,572
NET ASSETS			
Invested in capital assets, net of related debt	-	448,307	448,307
Restricted	29,605	(1,347)	28,258
Unrestricted	135,739	131,199	266,939
Total Net Assets	\$ 165,344	\$ 578,159	\$ 743,503

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
Statement of Activities - Modified Cash Basis
Fiscal Year Ended June 30, 2012

Functional Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 48,637	\$ 33	\$ -	\$ -	\$ (48,604)	\$ -	\$ (48,604)
Culture, parks and recreation	-	-	-	-	-	-	-
Public Safety	6,954	-	4,413	-	(2,541)	-	(2,541)
Highway and Streets	38,790	-	-	29,999	(8,791)	-	(8,791)
Total governmental activities	<u>94,380</u>	<u>33</u>	<u>4,413</u>	<u>29,999</u>	<u>(59,935)</u>	<u>-</u>	<u>(59,935)</u>
Business-Type Activities:							
Water & Sewer	90,765	111,978	-	-	\$ -	21,213	21,213
Trash Collections	18,630	20,099	-	-	-	1,469	1,469
Total business-type activities	<u>109,395</u>	<u>132,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,682</u>	<u>22,682</u>
Total Primary Government	<u>203,775</u>	<u>132,110</u>	<u>4,413</u>	<u>29,999</u>	<u>(59,935)</u>	<u>22,682</u>	<u>(37,253)</u>
Total Component Unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
General Revenues:							
Taxes					114,973	-	114,973
Intergovernment revenue					5,716	-	5,716
Investment income					307	285	592
Miscellaneous					5,836	-	5,836
Transfers-Internal Activity					-	-	-
Total general revenues and transfers					<u>126,833</u>	<u>285</u>	<u>127,118</u>
Changes in Net Assets					66,897	22,967	89,865
Net Assets - Beginning [Unaudited]					<u>98,447</u>	<u>555,192</u>	<u>653,639</u>
Net Assets - Ending					<u>165,344</u>	<u>578,159</u>	<u>743,503</u>

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
STATEMENT OF NET ASSETS-CASH BASIS
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Community Building Fund</u>	<u>Museum Fund</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 125,128	\$ 2,897	\$ -	\$ 128,025
Certificates of Deposit	-	16,502	10,207	26,708
Due from Other Funds	-	-	-	-
Total Current Assets	<u>125,128</u>	<u>19,398</u>	<u>10,207</u>	<u>154,733</u>
Restricted and non-current assets:				
Restricted cash and cash equivalents	10,611	-	-	10,611
Capital Assets				
Capital assets, net of accumulated depreciation	-	-	-	-
Total Restricted and Non-Current Assets	<u>10,611</u>	<u>-</u>	<u>-</u>	<u>10,611</u>
Total Assets	<u>135,739</u>	<u>19,398</u>	<u>10,207</u>	<u>165,344</u>
LIABILITIES				
Accounts payable & accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Nonspendable:				
Invested in Capital Assets, net of debt	-	-	-	-
Restricted :				
Community Building	-	19,398	-	19,398
Museum Fund	-	-	10,207	10,207
Fire Department	10,611	-	-	10,611
Unrestricted:				
General Government	125,128	-	-	125,128
Total Net Assets	<u>135,739</u>	<u>19,398</u>	<u>10,207</u>	<u>165,344</u>
Reconciliation to Statement of Net Assets:				
Amount reported for governmental activities in the statement of net assets				
Capital assets				-
				-
				-
				<u>\$ 165,344</u>

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
STATEMENT OF NET ASSETS-MODIFIED CASH BASIS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2012

	Jet Utilities Authority	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 96,199	\$ 96,199
Certificate of Deposits	35,000	35,000
Inventory	-	-
Total Current Assets	131,199	131,199
Noncurrent Assets:		
Restricted cash and cash equivalents	3,994	3,994
Restricted Investments	-	-
Capital Assets, net of accumulated depreciation	518,538	518,538
Total noncurrent assets	522,532	522,532
Total Assets	653,731	653,731
LIABILITIES		
Current Liabilities:		
Deposits subject to refund	5,341	5,341
Notes payable-current portion	26,776	26,776
Due to other funds	-	-
Total current liabilities	32,117	32,117
Noncurrent Liabilities:		
Notes payable	43,455	43,455
Total noncurrent liabilities	43,455	43,455
Total Liabilities	75,572	75,572
NET ASSETS		
Invested In Capital Assets, net of debt	448,307	448,307
Restricted	(1,347)	(1,347)
Unrestricted	131,199	131,199
Total Net Assets	\$ 578,159	\$ 578,159

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
 CASH BASIS
 GOVERNMENTAL FUNDS

	General Fund	Community Building Fund	Museum Fund	Total
Revenues:				
Taxes	\$ 114,973	\$ -	\$ -	\$ 114,973
Intergovernmental	5,716	-	-	5,716
Charges for Services	-	-	-	-
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Grants	33	-	-	33
Interest	34,412	-	-	34,412
Miscellaneous	245	4	58	307
Total Revenues	<u>157,010</u>	<u>4,209</u>	<u>58</u>	<u>161,278</u>
Expenditures:				
General Government	44,122	4,515	-	48,637
Police Department	-	-	-	-
Fire Department	6,954	-	-	6,954
Street & Alley	38,790	-	-	38,790
Total Expenditures	<u>89,866</u>	<u>4,515</u>	<u>-</u>	<u>94,381</u>
Excess (deficiency) of revenues over expenditures	67,144	(305)	58	66,897
Other Financing Sources				
Transfers In	2,058	-	-	2,058
Transfers Out	-	(2,000)	(58)	(2,058)
Total Other Financing Sources	<u>2,058</u>	<u>(2,000)</u>	<u>(58)</u>	<u>-</u>
Net Changes in Fund Balance	69,203	(2,305)	-	66,897
Fund Balance - Beginning [Unaudited]	66,537	21,703	10,207	98,447
Fund Balance - Ending	<u>\$ 135,739</u>	<u>\$ 19,398</u>	<u>10,207</u>	<u>\$ 165,344</u>

Reconciliation to the Statement of Activities:

Net change in fund balances

66,897

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital assets transferred to Enterprise Fund
 Depreciation

-

Change in net assets of governmental activities

\$ 66,897

See Accompanying notes to the basic financial statements.

**TOWN OF JET, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
PROPRIETARY FUNDS**

	Jet Utilities Authority	Total
Revenues:		
Charges for services:		
Water	\$ 63,837	\$ 63,837
Sewer	19,181	19,181
Sanitation	20,099	20,099
Other	30,132	30,132
Total Revenues	<u>133,249</u>	<u>133,249</u>
Expenses:		
Personnel Services	27,405	27,405
Contract Labor	-	-
Cell Phone	1,132	1,132
Dues	3,456	3,456
Equipment Rental	-	-
Fuel	5,630	5,630
Insurance	1,539	1,539
Legal Fees	4,889	4,889
Materials & Supplies	6,265	6,265
Other Services	2,886	2,886
Parts & Repairs	4,600	4,600
Postage	386	386
Testing	2,462	2,462
Training	520	520
Trash Contract	18,630	18,630
Utilities	12,135	12,135
Depreciation	17,460	17,460
Total Expenses	<u>109,395</u>	<u>109,395</u>
Operating Income (Loss)	<u>23,854</u>	<u>23,854</u>
Non-operating revenues (expenses):		
Investment Income	285	285
Interest expense	(1,172)	(1,172)
Grant Receipts	-	-
Other-Transfers In	-	-
Other-Transfers Out	-	-
Total Non-operating Revenues (Expenses)	<u>(887)</u>	<u>(887)</u>
Changes in Net Assets	<u>22,967</u>	<u>22,967</u>
Net Assets - Beginning	555,192	555,192
Net Assets - Ending	<u>\$ 578,159</u>	<u>\$ 578,159</u>

See Accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS-CASH BASIS
 Fiscal Year Ended June 30, 2012

	Jet Utilities Authority		Total
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 133,249		\$ 133,249
Payments to suppliers	(64,530)		(64,530)
Payments to employees	(27,405)		(27,405)
Total Revenues	<u>41,315</u>		<u>41,315</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	-		-
CASH FLOW FROM CAPITAL RELATED ACTIVITIES			
Capital Expenditures	-		-
Interest Paid	(1,172)		(1,172)
Principal Paid	(11,699)		(11,699)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Receipts	<u>285</u>		<u>285</u>
Net Change in cash and cash equivalents	28,728		28,728
Beginning Balance	71,465		71,465
Ending Balance	<u>\$ 100,193</u>		<u>\$ 100,193</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating Income (Loss)	23,854		23,854
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	17,460		17,460
Net cash provided by operating activities	<u>\$ 41,315</u>		<u>\$ 41,315</u>

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Jet, Oklahoma (the "Town") is incorporated as a statutory town under the laws of the State of Oklahoma. The Town provides the following services: public safety (fire), streets, sanitation, utilities, and general administration.

The Town prepares its financial statements on the modified cash basis of accounting. Under this basis, revenues are recognized when collected and expenses and expenditures are recognized when paid. Accordingly, the Town's financial statements are not intended present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America (GAAP). Discussed further in Note 3.

1. THE REPORTING ENTITY

The Town's financial reporting entity is composed of the following:

Primary government – Town of Jet
Blended component unit – Town of Jet Utilities Authority

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town's trustees, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

Jet Utilities Authority – The Town trustees serve as trustees of the Jet Utilities Authority. The operations of the Jet Utilities Authority are reported as an enterprise fund.

2. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges 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 a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories, governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within governmental and proprietary categories. A fund is considered major if it's the primary operating fund of the Town or meets the following criteria.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

- a) Total assets, liabilities, revenues, or expenditures/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 expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial entity are as described below:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund

Special Revenue Funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Community Building Fund and Museum Fund are the Town's Special Revenue Funds.

PROPRIETARY FUND TYPES

Enterprises Funds

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 cost (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 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. (Utilities Authority Fund).

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" 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 the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- 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

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statements of Activities and the fund financial statements, governmental and business-like are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses when they result from cash transactions with a provision for depreciation on business-type activities in the government-wide statements and proprietary fund statements. Accordingly, capital assets and infrastructure assets in the governmental activities are not recorded as assets by are reported as current expenditures in the year of purchase. Therefore no depreciation is taken on these assets. This basis in a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

4. CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation only in the business-type activities (proprietary fund). The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

GOVERNMENT-WIDE STATEMENTS

In the government-wide financial statements, capital assets arising from cash transactions in the Proprietary funds only are accounted for assets in the Statement of Net Assets. These capital assets are valued at historical cost or estimated historical cost or estimated historical cost if actual is unavailable. Governmental funds' infrastructure assets are not capitalized. Governmental fund capital expenditures are recorded as a current year expense.

Depreciation of only proprietary fund capital assets arising from cash transactions 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.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

FUND FINANCIAL STATEMENTS

In the fund financial statements, capital assets arising from cash transactions for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

5. EQUITY CLASSIFICATION

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets and displayed in three components:

- a) Invested in Capital assets, net related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt"

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable—resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted—resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed—resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned—resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes.

Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Proprietary fund equity is classified the same as the government-wide statements.

6. BUDGETED AND BUDGETARY ACCOUNTING

The budgetary data reflected in the accompanying financial statements reflected the Town's legally adopted budgets. The Town's budget is adopted by the town's governing board in accordance with the Oklahoma Municipal Budget Act. Budgets are adopted for all funds.

7. CASH AND INVESTMENTS

Statutes authorized the Town to place public funds in checking accounts, certificates of deposit, passbooks, and other available bank investments provided that the deposits and investments are federally insured or secured by approved securities pledged with the State Treasurer.

8. USE OF ESTIMATES

The preparation of financial statements is conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE B – GRANTS

- Oklahoma State Fire Department grant – The town received a \$4,412 grant for the town's fire department capital outlay and operations.
- The Town received a Rural Economic (REAP) Grant in the amount of \$29,999, to be used in street overlay.

NOTE C – BUDGETARY NONCOMPLIANCE

For the period ended June 30, 2012, there were no expenditures that exceeded appropriation at the legal level of control in individual funds.

NOTE D – CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the period ended June 30, 2012, was as follows:

See Figure 1: Capital Assets

Government Type Activities:

Capital assets purchased during the year recorded as capital outlay. (not depreciated).

NONE

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE E – CASH & INVESTMENTS

CUSTODIAL CREDIT RISK – DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the town based upon how its deposits were insured or secured with collateral at June 30, 2010. The comparison related to the primary government only. The categories of custodial credit risk are defined as follows:

Category 1 – Insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in name.

Category 2 – Uninsured by collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department of agent but not in the Town's name; or property collateralized with no written and approved collateral agreement

All funds held by the Town and its related authority were covered by FDIC insurance (Category 1).

Primary Government

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

- 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 trusts whose beneficiary is a county, municipality, or school district.
- e) Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f) Money Market funds regulated by the Securities and Exchange commission and in which investments consist of the investments mention in the previous paragraphs a,b,c,and d.

During the year ended June 30, 2012, the Town's investments consisted solely of certificates and deposits.

TOWN OF JET
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE F – RESTRICTED NET ASSETS

The amount reported as restricted net assets is as follows:

Governmental Activities:	\$ 19,398
Community Building	
Museum	\$ 10,207

NOTE G – LONG TERM DEBT

Long Term Debt

The reporting entity's debt consist of notes payable with the Cleo State Bank with an original amount of \$44,110; payable in 84 monthly payments of \$631 with interest at 5.35% and a maturity of May 2016.

As of	Balance Due	Due in Fiscal Year
June 30, 2012	17,565	6,801
June 30, 2013	10,764	6,562
June 30, 2014	4,202	4,202
June 30, 2015		

During June 2012, the Town purchased a 2005 Silverado in the amount of \$13,560 and financed this purchase with a one year note at Cleo State Bank, payable June 25, 2013 and accruing interest at 5.75%.

The entity also has notes payable to the Oklahoma Department of Commerce with an original amount borrowed of \$128,300, payable in monthly installments of \$534.59 with no interest.

As of	Balance Due	Due in Fiscal Year
June 30, 2012	39,027	6,415
June 30, 2013	32,612	6,415
June 30, 2014	26,197	6,415
June 30, 2015	19,782	6,415
June 30, 2016	\$ 13,367	6,415
June 30, 2017	6,952	6,415
June 30, 2018	537	537
June 30, 2019	-0-	

NOTE H – COMMITMENTS AND CONTINGENCIES

Grants:

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. (See Note B) The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent of the granting funds. Any liability for reimbursement, which may arise as a result of these audits is not believed to be material.

TOWN OF JET, OKLAHOMA
Schedule of Changes in Capital Assets
Figure 1: Continuation of Note 1

	July 1, 2011	Additions	Disposals	June 30, 2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets				
Buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Infrastructure	-	-	-	-
Total other capital assets at historical costs	-	-	-	-
Less accumulated depreciation for:				
Other capital assets, net	-	-	-	-
Governmental activities capital assets, net	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Capital assets not being depreciated:				
Land	-	-	-	-
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets				
Building and Utility Systems	686,226	-	-	686,226
Machinery and equipment	3,048	13,560	-	16,608
Infrastructure	-	-	-	-
Total other capital assets at historical costs	689,273	13,560	-	702,833
Less accumulated depreciation for:				
Other capital assets, net	166,835	17,460	-	184,295
Governmental activities capital assets, net	\$ 522,438	\$ (3,900)	\$ -	\$ 518,538

WILLIAM K. GAUER

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

To the Honorable Board of Trustees
Town of Jet

To the Honorable Board of Trustees
Jet Utility Authority

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Jet, Oklahoma, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town of Jet, Oklahoma's basic financial statements and have issued our report thereon dated December 28, 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

Management of Town of Jet, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Jet, Oklahoma'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 Town of Jet, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Jet, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Jet, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items.

We noted certain matters that we reported to management of Town of Jet, Oklahoma, in a separate letter dated November 30, 2012.

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



Watonga, Oklahoma
November 30, 2012

TOWN OF JET, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 Fiscal Year Ended June 30, 2012

	Original	Final	Actual	Variance Over (Under)
	\$	\$	\$	\$
Beginning Budgetary Fund Balance	-	-	66,537	66,537
Revenues:				
Taxes:				
Sales Tax	49,200	49,200	101,438	52,238
Franchise Tax	10,320	10,320	8,667	(1,653)
Use Tax	-	-	1,975	1,975
Cigarette Tax	660	660	1,307	647
Lodging Tax	1,110	1,110	1,587	477
Total Taxes	61,290	61,290	114,973	53,683
Intergovernmental:				
Motor Vehicle Tax	1,650	1,650	1,338	(312)
Alcoholic Beverage Tax	5,200	5,200	4,378	(822)
Gas Excise Tax	-	-	-	-
Grants	-	-	34,412	34,412
Investment Income	90	90	245	155
Miscellaneous Income:				
Permits	-	-	33	33
Rentals	1,360	1,360	-	(1,000)
Fire	1,000	1,000	-	-
Sale of Property	-	-	3,000	3,000
Other Miscellaneous	3,953	3,953	372	(3,581)
Other Financing Sources				
Transfer from Other Funds	-	-	-	-
Amounts Available for Appropriations	74,533	74,533	225,288	149,105
Budgeted Expenditures				
GENERAL GOVERNMENT:				
Personnel Service	27,490	27,490	20,003	(7,487)
Maintenance & Operation:	11,550	11,550	17,836	6,286
Contracted Services:	4,000	4,000	6,283	2,283
Capital Outlay	1,500	1,500	-	(1,500)
TOTAL GENERAL GOVERNMENT	44,540	44,540	44,122	(418)
POLICE DEPARTMENT:				
Personnel Service	-	-	-	-
Maintenance & Operation:	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL POLICE DEPARTMENT	-	-	-	-
FIRE DEPARTMENT:				
Personnel Services:	1,620	1,620	-	(1,620)
Maintenance & Operation:	5,060	5,060	6,954	1,894
Capital Outlay	-	-	-	-
TOTAL FIRE DEPARTMENT	6,680	6,680	6,954	274
STREET & ALLEY:				
Personnel Service	-	-	-	-
Maintenance & Operations	12,030	12,030	8,791	(3,239)
Capital Outlay	-	-	29,989	29,989
TOTAL STREET & ALLEY	12,030	12,030	38,790	26,760
Other Financing Uses:				
Transfers to Other Funds	-	-	-	-
Total Charges to Appropriations	63,250	63,250	89,866	26,616
Ending Budgetary Fund Balance	\$ 11,283	\$ 11,283	\$ 135,422	\$ 122,489

See Accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 JET UTILITY AUTHORITY
 Fiscal Year Ended June 30, 2012

	Original	Final	Actual	Variance Over (Under)
REVENUES:				
Water	\$ 66,890	\$ 66,890	\$ 63,837	\$ 3,053
Sewer	21,000	21,000	19,181	1,819
Sanitation	23,500	23,500	20,089	3,401
Other	8,400	8,400	30,132	(21,732)
	<u>119,790</u>	<u>119,790</u>	<u>133,249</u>	<u>(13,459)</u>
EXPENSES:				
Personnel Services	34,270	34,270	27,405	6,865
Contract Labor	-	-	-	-
Cell Phone	1,440	1,440	1,132	309
Dues	3,660	3,660	3,456	204
Equipment Rental	270	270	-	270
Fuel	4,560	4,560	5,630	(1,070)
Insurance	3,810	3,810	1,539	2,271
Legal Fees	4,000	4,000	4,889	(889)
Materials & Supplies	7,350	7,350	6,265	1,085
Other Services	3,200	3,200	2,886	314
Parts & Repairs	3,210	3,210	9,275	(6,065)
Postage	400	400	386	14
Testing	1,300	1,300	2,462	(1,162)
Training	630	630	520	110
Trash Contract	19,000	19,000	18,630	370
Utilities	12,000	12,000	12,135	(135)
Capital Outlay	2,500	2,500	-	2,500
	<u>101,600</u>	<u>101,600</u>	<u>96,610</u>	<u>4,990</u>
OPERATING INCOME	18,190	18,190	36,640	(18,450)
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	540	540	440	100
Interest Expense (Debt Service)	(14,113)	(14,113)	(14,113)	-
Grant Receipts	-	-	-	-
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
	<u>(13,573)</u>	<u>(13,573)</u>	<u>(13,673)</u>	<u>100</u>
NET REVENUES (EXPENSES)	4,617	4,617	22,967	(18,350)
BEGINNING RETAINED EARNINGS	34,860	34,860	555,192	(520,332)
ENDING RETAINED EARNINGS	\$ 39,477	\$ 39,477	\$ 578,159	\$ (538,682)

See Accompanying notes to the basic financial statements.