

**TOWN OF JET  
OKLAHOMA**

**AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

**PERIOD COVERING  
JUNE 30, 2011**

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***WILLIAM K. GAUER***

***CERTIFIED PUBLIC ACCOUNTANT  
WATONGA, OKLAHOMA***

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

Jim Blackledge  
Herschel Kiser  
Lindeen Evans  
Wanda Gray  
Pamela Sands  
Donna Keller

Mayor  
Councilperson  
Councilperson  
Councilperson  
Councilperson  
Town Clerk/Treasurer

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# **WILLIAM K. GAUER**

*CERTIFIED PUBLIC ACCOUNTANT*

121 SOUTH NOBLE ~ P.O. BOX 181

WATONGA, OKLAHOMA 73772

PHONE 580-623-5071

FAX 580-623-5072

TOLL FREE 800-230-7672

[WGAUER@WHEELERBROTHERS.COM](mailto:WGAUER@WHEELERBROTHERS.COM)

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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 three month period ended June 30, 2011, 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, 2011, 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  
August 30, 2012

**TOWN OF JET, OKLAHOMA**  
Statement of Net Assets-Modified Cash Basis  
Fiscal Year Ended June 30, 2011

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 59,184	\$ 68,730	\$ 127,914
Certificate of Deposits	28,708	35,000	63,708
Due from other government	-	-	-
Total Unrestricted Assets			
Restricted Assets:			
Restricted Cash	10,554	2,935	13,490
Land and construction-in-process	-	-	-
Other capital assets, net	-	522,438	522,438
Total Restricted Assets	98,447	629,103	727,550
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Due to Other Funds	-	-	-
Deposits	-	4,300	4,300
Long-term Liabilities			
Due within one year	-	12,850	12,850
Due in more than one year	-	56,761	56,761
Total Liabilities	-	73,911	73,911
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	452,827	452,827
Restricted	31,910	-	31,910
Unrestricted	66,537	102,365	168,902
Total Net Assets	\$ 98,447	\$ 555,192	\$ 653,639

See accompanying notes to the basic financial statements.

TOWN OF JET, OKLAHOMA  
Statement of Activities - Modified Cash Basis  
Fiscal Year Ended June 30, 2011

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
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 40,290	\$ 354	\$ -	\$ -	\$ (39,936)	\$ -	\$ (39,936)
Culture, parks and recreation	-	-	-	-	-	-	-
Public Safety	5,958	-	4,398	-	(1,561)	-	(1,561)
Highway and Streets	12,003	-	-	-	(12,003)	-	(12,003)
	-	-	-	-	-	-	-
Total governmental activities	<u>58,252</u>	<u>354</u>	<u>4,398</u>	<u>-</u>	<u>(53,500)</u>	<u>-</u>	<u>(53,500)</u>
Business-Type Activities:							
Water & Sewer	88,262	93,813	-	214,483	\$ -	220,033	220,033
Trash Collections	18,949	23,483	-	-	-	4,534	4,534
	-	-	-	-	-	-	-
Total business-type activities	<u>107,212</u>	<u>117,296</u>	<u>-</u>	<u>214,483</u>	<u>-</u>	<u>224,567</u>	<u>224,567</u>
<b>Total Primary Government</b>	<u>165,463</u>	<u>117,650</u>	<u>4,398</u>	<u>214,483</u>	<u>(53,500)</u>	<u>224,567</u>	<u>171,067</u>
General Revenues:							
Taxes					57,507	-	57,507
Intergovernment revenue					7,222	-	7,222
Investment income					330	544	874
Miscellaneous					10,985	2,035	13,020
Transfers-Internal Activity					-	-	-
Total general revenues and transfers					<u>76,044</u>	<u>2,580</u>	<u>78,623</u>
Changes in Net Assets					22,544	227,146	249,690
Net Assets - Beginning					<u>75,903</u>	<u>316,130</u>	<u>392,033</u>
Net Assets - Ending					<u>98,447</u>	<u>543,276</u>	<u>641,723</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, 2011

	General Fund	Community Building Fund	Museum Fund	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 55,982	\$ 3,202	\$ -	\$ 59,184
Certificates of Deposit	-	18,502	10,207	28,708
Due from Other Funds	-	-	-	-
	-	-	-	-
<b>Total Current Assets</b>	<u>55,982</u>	<u>21,703</u>	<u>10,207</u>	<u>87,892</u>
Restricted and non-current assets:				
Restricted cash and cash equivalents	10,554	-	-	10,554
Capital Assets				
Capital assets, net of accumulated depreciation	-	-	-	-
<b>Total Restricted and Non-Current Assets</b>	<u>10,554</u>	<u>-</u>	<u>-</u>	<u>10,554</u>
<b>Total Assets</b>	<u>66,537</u>	<u>21,703</u>	<u>10,207</u>	<u>98,447</u>
<b>LIABILITIES</b>				
Accounts payable & accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>				
Nonspendable:				
Invested in Capital Assets, net of debt	-	-	-	-
Restricted :				
Community Building	-	21,703	-	21,703
Museum Fund	-	-	10,207	10,207
Fire Department	10,554	-	-	10,554
Unrestricted:				
General Government	55,982	-	-	55,982
<b>Total Net Assets</b>	<u>66,537</u>	<u>21,703</u>	<u>10,207</u>	<u>87,892</u>
<b>Reconciliation to Statement of Net Assets:</b>				
Amount reported for governmentall activities in the statement of net assets				
Capital assets				-
				-
				-
				<u>\$ 87,892</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, 2011

	Jet Utilities Authority	Total
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 68,730	\$ 68,730
Certificate of Deposits	35,000	35,000
Inventory	-	-
Total Current Assets	103,730	103,730
Noncurrent Assets:		
Restricted cash and cash equivalents	2,935	2,935
Restricted investments	-	-
Capital Assets, net of accumulated depreciation	522,438	522,438
Total noncurrent assets	525,373	525,373
Total Assets	629,103	629,103
<b>LIABILITIES</b>		
Current Liabilities:		
Deposits subject to refund	4,300	4,300
Notes payable-current portion	12,850	12,850
Due to other funds	-	-
Total current liabilities	17,150	17,150
Noncurrent Liabilities:		
Notes payable	56,761	56,761
Total noncurrent liabilities	56,761	56,761
Total Liabilities	73,911	73,911
<b>NET ASSETS</b>		
Invested in Capital Assets, net of debt	452,827	452,827
Restricted	(1,365)	(1,365)
Unrestricted	103,730	103,730
Total Net Assets	\$ 555,192	\$ 555,192

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
<b>Revenues:</b>				
Taxes	\$ 57,507	\$ -	\$ -	\$ 57,507
Intergovernmental	7,222	-	-	7,222
Charges for Services	-	-	-	-
Fines and forfeitures	-	-	-	-
Licenses and permits	354	-	-	354
Grants	4,398	-	-	4,398
Interest	154	113	63	330
Miscellaneous	8,091	2,894	-	10,985
Total Revenues	<u>77,726</u>	<u>3,007</u>	<u>63</u>	<u>80,796</u>
<b>Expenditures:</b>				
General Government	38,019	2,271	-	40,290
Police Department	-	-	-	-
Fire Department	5,958	-	-	5,958
Street & Alley	12,003	-	-	12,003
Total Expenditures	<u>55,980</u>	<u>2,271</u>	<u>-</u>	<u>40,290</u>
Excess (deficiency) of revenues over expenditures	21,746	736	63	40,506
Other Financing Sources				
Transfers In	63	-	-	63
Transfers Out	-	-	(63)	(63)
Total Other Financing Sources	<u>63</u>	<u>-</u>	<u>(63)</u>	<u>-</u>
Net Changes in Fund Balance	21,808	736	-	40,506
Fund Balance - Beginning [Unaudited]	44,729	20,967	10,207	75,903
Fund Balance - Ending	<u>\$ 66,537</u>	<u>\$ 21,703</u>	<u>10,207</u>	<u>\$ 116,408</u>

**Reconciliation to the Statement of Activities:**

Net change in fund balances	22,544
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	<u>\$ 22,544</u>

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

	Jet Utilities Authority	Total
<b>Revenues:</b>		
Charges for services:		
Water	\$ 72,938	\$ 72,938
Sewer	20,875	20,875
Sanitation	23,483	23,483
Other	14,848	14,848
Total Revenues	<u>132,144</u>	<u>132,144</u>
<b>Expenses:</b>		
Personnel Services	34,356	34,356
Contract Labor	908	908
Cell Phone	1,221	1,221
Dues	3,206	3,206
Equipment Rental	225	225
Fuel	4,067	4,067
Insurance	1,964	1,964
Legal Fees	375	375
Materials & Supplies	6,146	6,146
Other Services	2,936	2,936
Parts & Repairs	3,125	3,125
Postage	356	356
Testing	1,295	1,295
Training	520	520
Trash Contract	18,949	18,949
Utilities	10,104	10,104
Depreciation	17,460	17,460
Total Expenses	<u>107,212</u>	<u>107,212</u>
Operating Income (Loss)	<u>24,932</u>	<u>24,932</u>
Non-operating revenues (expenses):		
Investment income	544	544
Interest expense	(897)	(897)
Grant Receipts	214,483	214,483
Other-Transfers In	-	-
Other-Transfers Out	-	-
Total Non-operating Revenues (Expenses)	<u>214,130</u>	<u>214,130</u>
Changes in Net Assets	239,062	239,062
Net Assets - Beginning	316,130	316,130
Net Assets - Ending	<u>\$ 555,192</u>	<u>\$ 555,192</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, 2011

	Jet Utilities Authority	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 118,562	\$ 118,562
Payments to suppliers	(55,396)	(55,396)
Payments to employees	(34,356)	(34,356)
Other receipts	13,581	13,581
Total Revenues	<u>42,392.41</u>	<u>42,392.41</u>
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Reclass to Certificates of Deposit	-	-
Transfers to General Fund	<u>-</u>	<u>-</u>
<b>CASH FLOW FROM CAPITAL RELATED ACTIVITIES</b>		
Capital Expenditures	(214,483)	(214,483)
Grant Receipts	214,483	214,483
Interest Paid	(897)	(897)
Principal Paid	<u>(20,752)</u>	<u>(20,752)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest Receipts	544	544
Net Change in cash and cash equivalents	21,287	21,287
Beginning Balance	50,178	50,178
Ending Balance	<u>\$ 71,465</u>	<u>\$ 71,465</u>
Reconciliation of operating income (loss) to net cash from operating activities:		
Operating Income (Loss)	24,932	24,932
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	17,460	17,460
Net cash provided by operating activities	<u>\$ 42,392</u>	<u>\$ 42,392</u>

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**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.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

- 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~~

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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 \$4,398 grant for the town's fire department capital outlay and operations.
- The Town received Community Development Block Grants for use in obtaining and installing a Telemetry system for the Water System and Construction of a Lagoon for the Sewer System these Grants and other matching funds, if any totaled \$214,483.

**NOTE C – BUDGETARY NONCOMPLIANCE**

For the period ended June 30, 2011, 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, 2011, was as follows:

See Figure 1: Capital Assets

Government Type Activities:

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

NONE

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**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, 2011, the Town's investments consisted solely of certificates and deposits.

TOWN OF JET  
Jet, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**NOTE F – RESTRICTED NET ASSETS**

The amount reported as restricted net assets is as follows:

Governmental Activities:	
Community Building	\$ 21,703
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, 2011	\$ 24,169	\$ 6,787
June 30, 2012	17,565	6,801
June 30, 2013	10,764	6,562
June 30, 2014	4,202	4,202
June 30, 2015		

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, 2011	\$ 45,443	\$ 6,415
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

	July 1, 2010	Additions	Disposals	June 30, 2011
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
<b>Total capital assets not being depreciated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other capital assets				
Buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Infrastructure	-	-	-	-
<b>Total other capital assets at historical costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less accumulated depreciation for:				
Other capital assets, net	-	-	-	-
<b>Governmental activities capital assets, net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	-	-	-	-
Construction in progress	-	214,483	214,483	-
<b>Total capital assets not being depreciated</b>	<b>-</b>	<b>214,483</b>	<b>214,483</b>	<b>-</b>
Other capital assets				
Building and Utility Systems	471,743	214,483	-	686,226
Machinery and equipment	3,048	-	-	3,048
Infrastructure	-	-	-	-
<b>Total other capital assets at historical costs</b>	<b>474,791</b>	<b>214,483</b>	<b>-</b>	<b>689,274</b>
Less accumulated depreciation for:				
Other capital assets, net	149,375	17,460.44	-	166,835
<b>Governmental activities capital assets, net</b>	<b>\$ 325,416</b>	<b>\$ 411,505</b>	<b>\$ 214,483</b>	<b>\$ 522,438</b>

**WILLIAM K. GAUER**

*CERTIFIED PUBLIC ACCOUNTANT*

121 SOUTH NOBLE ~ P.O. BOX 181

PHONE 580-623-5071

TOLL FREE 800-230-7672

WATONGA, OKLAHOMA 73772

FAX 580-623-5072

WGAEUER@WHEELERBROTHERS.COM

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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 Town Council  
Town of Jet, Oklahoma

I 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 three month period ended June 30, 2011, which collectively comprise the Town of Jet, Oklahoma's basic financial statements and have issued our report thereon dated August 30, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered Town of Jet, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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TOWN OF JET, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
 GENERAL FUND  
 Fiscal Year Ended June 30, 2011

	Original	Final	Actual	Variance Over (Under)
<b>Beginning Budgetary Fund Balance</b>	\$ 12,240	\$ 12,240	\$ 44,729	\$ 32,489
<b>Revenues:</b>				
<b>Taxes:</b>				
Sales Tax	46,900	46,900	44,253	(2,647)
Franchise Tax	8,700	8,700	8,911	211
Use Tax	2,500	2,500	2,603	103
Cigarette Tax	485	485	640	155
Lodging Tax	500	500	1,101	601
Total Taxes	<u>59,085</u>	<u>59,085</u>	<u>57,507</u>	<u>(1,578)</u>
<b>Intergovernmental:</b>				
Motor Vehicle Tax	7,500	7,500	1,646	(5,854)
Alcoholic Beverage Tax	15,500	15,500	5,183	(10,317)
Gas Excise Tax	500	500	394	(106)
Grants	-	-	4,398	4,398
<b>Investment Income</b>	100	100	154	54
<b>Miscellaneous Income:</b>				
Permits	-	-	354	354
Fire	-	-	1,153	1,153
Other Miscellaneous	-	-	6,938	6,938
<b>Other Financing Sources</b>				
Transfer from Other Funds	-	-	63	63
<b>Amounts Available for Appropriations</b>	<u>94,925</u>	<u>94,925</u>	<u>122,517</u>	<u>27,592</u>
<b>Budgeted Expenditures</b>				
<b>GENERAL GOVERNMENT:</b>				
Personnel Service	27,700	27,700	25,632	(2,068)
Maintenance & Operation:	21,800	21,800	12,012	(9,788)
Contracted Services:	2,500	2,500	375	(2,125)
Capital Outlay	18,275	18,275	-	(18,275)
<b>TOTAL GENERAL GOVERNMENT</b>	<u>70,275</u>	<u>70,275</u>	<u>38,019</u>	<u>(32,256)</u>
<b>POLICE DEPARTMENT:</b>				
Personnel Service	-	-	-	-
Maintenance & Operation:	1,000	1,000	-	(1,000)
Capital Outlay	-	-	-	-
<b>TOTAL POLICE DEPARTMENT</b>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<b>FIRE DEPARTMENT:</b>				
Personnel Services:	720	720	-	(720)
Maintenance & Operation:	7,430	7,430	5,958	(1,472)
Capital Outlay	-	-	-	-
<b>TOTAL FIRE DEPARTMENT</b>	<u>8,150</u>	<u>8,150</u>	<u>5,958</u>	<u>(2,192)</u>
<b>STREET &amp; ALLEY:</b>				
Personnel Service	-	-	-	-
Maintenance & Operations	15,100	15,100	12,003	(3,097)
Capital Outlay	400	400	-	(400)
<b>TOTAL STREET &amp; ALLEY</b>	<u>15,500</u>	<u>15,500</u>	<u>12,003</u>	<u>(3,497)</u>
<b>Other Financing Uses:</b>				
Transfers to Other Funds	-	-	-	-
<b>Total Charges to Appropriations</b>	<u>94,925</u>	<u>94,925</u>	<u>55,980</u>	<u>(38,945)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,537</u>	<u>\$ 66,537</u>

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, 2011

	Original	Final	Actual	Variance Over (Under)
<b>REVENUES:</b>				
Water	\$ 75,000	\$ 75,000	\$ 72,938	\$ 2,062
Sewer	22,000	22,000	20,875	1,125
Sanitation	24,000	24,000	23,483	517
Other	-	-	13,382	(13,382)
	<u>121,000</u>	<u>121,000</u>	<u>130,678</u>	<u>(9,678)</u>
<b>EXPENSES:</b>				
Personnel Services	39,300	39,355	34,356	4,999
Contract Labor	2,000	1,000	908	93
Cell Phone	1,510	1,510	1,221	289
Dues	5,653	5,653	3,206	2,447
Equipment Rental	-	500	225	275
Fuel	4,400	4,400	4,067	333
Insurance	3,575	3,875	1,964	1,911
Legal Fees	1,404	1,404	375	1,029
Materials & Supplies	5,070	6,270	6,146	124
Other Services	3,000	3,300	2,936	364
Parts & Repairs	1,900	3,150	3,125	25
Postage	614	614	356	258
Testing	1,850	1,850	1,295	555
Training	1,500	1,500	520	980
Trash Contract	18,886	18,886	18,949	(63)
Utilities	10,016	10,016	10,104	(88)
Capital Outlay	19,500	10,595	41,124	(30,529)
	<u>120,178</u>	<u>113,878</u>	<u>130,875</u>	<u>(16,997)</u>
<b>OPERATING INCOME</b>	<u>822</u>	<u>7,122</u>	<u>(198)</u>	<u>7,320</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest Income	-	-	544	(544)
Interest Expense (Debt Service)	-	-	(897)	897
Grant Receipts	-	-	214,483	(214,483)
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>214,130</u>	<u>(214,130)</u>
<b>NET REVENUES (EXPENSES)</b>	<u>822</u>	<u>7,122</u>	<u>213,932</u>	<u>(206,810)</u>
<b>BEGINNING RETAINED EARNINGS</b>	<u>27,738</u>	<u>27,738</u>	<u>341,260</u>	<u>(313,522)</u>
<b>ENDING RETAINED EARNINGS</b>	<u>\$ 28,560</u>	<u>\$ 34,860</u>	<u>\$ 555,192</u>	<u>\$ (520,332)</u>

See Accompanying notes to the basic financial statements.