

TOWN OF JENNINGS, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Ralph Osborn
Certified Public Accountant
500 South Chestnut
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Board of Trustees
Town of Jennings, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jennings, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Jennings, Oklahoma's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Jennings, Oklahoma as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The Town of Jennings, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparisons that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Information

My audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Town of Jennings, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 3, 2014, on my consideration of Town of Jennings, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Jennings, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 3, 2014

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Business		
	Governmental	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 46,129	\$ 27,570	\$ 73,699
Taxes receivable	20,616	-	20,616
Accounts receivable, net	-	24,883	24,883
Prepaid	2,130	1,122	3,252
Due from other funds	(2,044)	2,044	-
Designated assets:			
Cash and cash equivalents	-	9,173	9,173
Total current assets	<u>66,831</u>	<u>64,792</u>	<u>131,623</u>
Non-current assets:			
Capital assets			
Land	8,452	52,021	60,473
Other capital assets net of accumulated depreciation	25,628	1,216,168	1,241,796
Total non-current assets	<u>34,080</u>	<u>1,268,189</u>	<u>1,302,269</u>
Total assets	<u>100,911</u>	<u>1,332,981</u>	<u>1,433,892</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,707	3,813	7,520
Payroll taxes payable	2,698	1,573	4,271
Utility deposits	-	9,965	9,965
Note payable, current	-	6,266	6,266
Total current liabilities	<u>6,405</u>	<u>21,617</u>	<u>28,022</u>
Non-current liabilities:			
Note payable, non-current	-	60,596	60,596
Total non-current liabilities	<u>-</u>	<u>60,596</u>	<u>60,596</u>
Total liabilities	<u>6,405</u>	<u>82,213</u>	<u>88,618</u>
NET POSITION			
Invested in capital assets,			
Net related debt	34,080	1,201,327	1,235,407
Designated	-	9,173	9,173
Unrestricted	<u>60,426</u>	<u>40,268</u>	<u>100,694</u>
Total net Position	<u>\$ 94,506</u>	<u>\$1,250,768</u>	<u>\$ 1,345,274</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$120,040	\$ -	\$ 2,974	\$ -	\$ (117,066)
Street and alley	4,858	-	2,963	-	(1,895)
Public safety	22,499	19,019	-	-	(3,480)
Cemetery	7,169	5,850	-	-	(1,319)
Total governmental activities	<u>154,566</u>	<u>24,869</u>	<u>5,937</u>	<u>-</u>	<u>(123,760)</u>
Business-type activities					
Public Works	<u>160,463</u>	<u>122,516</u>	<u>-</u>	<u>10,684</u>	<u>(27,263)</u>
Total business-type activities	<u>160,463</u>	<u>122,516</u>	<u>-</u>	<u>10,684</u>	<u>(27,263)</u>
Total primary government	<u>\$315,029</u>	<u>\$147,385</u>	<u>\$ 5,937</u>	<u>\$ 10,684</u>	<u>\$ (151,023)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net Position:			
Net (expense) revenue	\$ (123,760)	\$ 165,214	\$ 68,537
General revenues and transfer			
Taxes			
Sales	68,538	-	68,538
Franchise	9,367	-	9,367
Cigarette	906	-	906
Donations	2,516	-	2,516
Interest	168	113	281
Other revenue	16,750	17,377	34,127
Transfers	<u>13,199</u>	<u>(13,199)</u>	<u>-</u>
Total general revenue and transfers	<u>111,444</u>	<u>4,291</u>	<u>115,735</u>
Change in net Position	(12,316)	(22,972)	(35,288)
Net Position - beginning	<u>106,822</u>	<u>1,273,740</u>	<u>1,380,562</u>
Net Position - ending	<u>\$ 94,506</u>	<u>\$1,250,768</u>	<u>\$ 1,345,274</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 37,541	\$ 8,588	\$ 46,129
Due from other funds	-	190	190
Prepaid	2,130	-	2,130
Taxes receivable	20,616	-	20,616
 TOTAL ASSETS	 <u>\$ 60,287</u>	 <u>\$ 8,778</u>	 <u>\$ 69,065</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,469	\$ 238	\$ 3,707
Payroll taxes payable	2,698	-	2,698
Due to other funds	2,234	-	2,234
 TOTAL LIABILITIES	 <u>8,401</u>	 <u>238</u>	 <u>8,639</u>
 FUND BALANCES			
Nonspendable	20,512	190	20,702
Assigned	-	8,350	8,350
Unreserved	31,374	-	31,374
 TOTAL FUND BALANCES	 <u>51,886</u>	 <u>8,540</u>	 <u>60,426</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 60,287</u>	 <u>\$ 8,778</u>	 <u>\$ 69,065</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Total fund balance	\$ 60,426
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Amounts reported in the statement of net
Position are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds.

Capital assets

Accumulated depreciation

73,101

(39,021)

34,080

Total net Position

\$ 94,506

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Non-Major Funds	Total Governmental Funds
Revenue			
Sales tax	\$ 68,538	\$ -	\$ 68,538
Franchise tax	9,367	-	9,367
Auto tax	2,285	-	2,285
Gasoline tax	678	-	678
Cigarette tax	906	-	906
Alcoholic beverage tax	2,974	-	2,974
Court fines	19,019	-	19,019
Donations	-	2,516	2,516
Cemetery sales	5,775	75	5,850
Interest	145	23	168
Other revenue	16,750	-	16,750
Total revenue	<u>126,437</u>	<u>2,614</u>	<u>129,051</u>
Expenditures			
Current			
General government	118,567	-	118,567
Public Safety	28,903	-	28,903
Street and alley	4,858	-	4,858
Cemetery	-	6,204	6,204
Total expenditures	<u>152,328</u>	<u>6,204</u>	<u>158,532</u>
Excess (deficiency) of revenue over expenditures	(25,891)	(3,590)	(29,481)
Transfer in	<u>13,199</u>	<u>-</u>	<u>13,199</u>
Total transfers	<u>13,199</u>	<u>-</u>	<u>13,199</u>
Net change in fund balance	(12,692)	(3,590)	(16,282)
Fund balances, beginning	<u>64,578</u>	<u>12,131</u>	<u>76,708</u>
Fund balances, ending	<u>\$ 51,886</u>	<u>\$ 8,540</u>	<u>\$ 60,426</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ (16,282)

Amounts reported for governmental activities in
the statement of activities are different because:

Capital outlays to purchase or build capital assets
are reported in governmental funds as expenditures.
However, for governmental activities those costs
are shown in the combined statement of net Position
and allocated over their estimated useful lives as
annual depreciation in the statement of activities.
This is the amount by which capital outlay exceeds
depreciation outlay in the period.

Depreciation expense	(6,592)	
Capital outlay	<u>6,000</u>	(592)

The proceeds of debt issuance provides current
financial resources to governmental funds, but
issuing debt increases long-term liabilities in
the statement of net Position. Repayment of bonds
and lease obligation principal is an expenditure
in the governmental funds, but it reduces long-term
liabilities in the statement of net Position and does
not affect the statement of activity. This is the
amount by which debt proceeds exceeds debt payments.

Debt payments	<u>4,558</u>	<u>4,558</u>
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Change in net Position		<u><u>\$ (12,316)</u></u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
JUNE 30, 2013

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 27,570
Accounts receivable, net	24,883
Prepaid	1,122
Due from other funds	2,044
Designated assets	
Cash and cash equivalents	9,173
Total current assets	<u>64,792</u>
Non-current assets	
Capital assets:	
Land	52,021
Capital assets, net of accumulated depreciation	<u>1,216,168</u>
Total non-current assets	<u>1,268,189</u>
Total assets	<u>1,332,981</u>
LIABILITIES	
Current liabilities:	
Accounts payable	3,813
Payroll taxes payable	1,573
Utility deposits	9,965
Note Payable, Current	<u>6,266</u>
Total current liabilities	<u>21,617</u>
Non-current liabilities:	
Note payable, non-current	<u>60,596</u>
Total non-current liabilities	<u>60,596</u>
Total liabilities	<u>82,213</u>
NET POSITION	
Invested in capital assets	
Net of related debt	1,201,327
Designated for utility deposits	9,173
Assigned	<u>40,268</u>
Net Position of business-type activities	<u>\$ 1,250,768</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 62,274
Wastewater charges	31,345
Sanitation charges	28,897
Other	<u>17,377</u>
Total operating revenues	<u>139,893</u>
<u>OPERATING EXPENSES</u>	
Personal services	44,991
Telephone and utility	6,359
Sanitation contractor	20,419
Chemicals	1,612
Repair and maintenance	21,599
Supplies	9,742
Office supplies	2,379
Lab and testing	1,147
Insurance	8,890
Professional services	1,800
Miscellaneous	3,530
Depreciation	<u>33,860</u>
Total operating expenses	<u>156,328</u>
Operating income (loss)	<u>(16,435)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Grant income	10,684
Investment income	113
Interest on notes payable	<u>(4,135)</u>
Total non-operating revenue (expenses)	<u>6,662</u>
Transfers out	<u>(13,199)</u>
Total transfers	<u>(13,199)</u>
Change in net Position of business type activities	(22,972)
Total net Position, beginning	<u>1,273,740</u>
Total net Position, ending	<u><u>\$ 1,250,768</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 135,980
Cash payments to employees	(44,136)
Cash payments to suppliers for goods and services	<u>(76,214)</u>
Net cash provided (used) by operating activities	<u>15,630</u>
Cash flows from capital and related financing activities	
Transfer to other funds	(13,199)
Proceeds from grant	10,684
Proceeds from debt	14,007
Acquisition of fixed assets	(11,493)
Interest paid on notes payable and fiscal fees	(4,135)
Principal paid on notes and leases payable	<u>(6,212)</u>
Net cash used for capital and related financing activities	<u>(10,348)</u>
Cash flows from investing activities	
Interest revenue	<u>113</u>
Net cash provided by investing activities	<u>113</u>
Net increase in cash and cash equivalents	5,395
Cash and cash equivalents, beginning	<u>31,348</u>
Cash and cash equivalents, ending	<u>\$ 36,743</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (16,435)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	33,860
Changes in assets and liabilities:	
(Increase)/decrease in accrued receivables	(4,011)
(Increase)/decrease in prepaids	(743)
Increase/(decrease) in payables	<u>2,959</u>
Net cash provided by operating activities	<u>\$ 15,630</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Jennings, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and is governed by a three-member Board. The Trustees elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety, streets, public works, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographic area organized as the Town of Jennings, Oklahoma. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Jennings Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Jennings Public Works Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

The Jennings Public Works Authority (JPWA) was created pursuant to a Trust Indenture dated November 13, 1987 to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of Jennings, Oklahoma. The PWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to PWA. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes and is governed by the board consisting of three trustees identical with the Town Council. The PWA is exempt from State and Federal Income Taxes and is reported as an enterprise fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net Position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or ABP opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income, and user fees. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Jennings Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Town adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the town charter at the legal level of classification (fund, department, & object category) and that the budget be filed with County Clerk and the State Auditor and Inspector. The Town may transfer budgeted amounts within and among departments. The budget is prepared on a cash basis.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts 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.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	5-10
Mobile equipment	5-10
Furniture, machinery, and equipment	5-10
Utility system	10-40

Compensated Absences

The Town of Jennings's policy is to permit employees to accumulate earned but unused vacation time. Full time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$82,872 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$88,467.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2013, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Authority has accounts receivable from its utility customers in the amount of \$24,883.

The governmental funds have accrued sales and franchise taxes to be received in July.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2013 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 2,044	General Fund	Public Works
190	General Fund	Cemetery
<u>\$ 2,234</u>		

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE E - DESIGNATED ASSETS

The Authority has designated cash assets for customer deposits. The following amounts were designated at June 30, 2013:

Customer deposits	\$ 9,173
Total	<u>\$ 9,173</u>

NOTE F - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2012	\$ -	\$ 3,030	\$ 55,619	\$ 58,649	\$ 8,452
Increases	-	-	6,000	6,000	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	-	3,030	61,619	64,649	8,452
Accumulated Depreciation					
Balance, June 30, 2012	-	473	31,956	32,429	
Increase	-	132	6,460	6,592	
Decreases	-	-	-	-	
Balance, June 30, 2013	-	605	38,416	39,021	
Governmental activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,425</u>	<u>\$ 23,203</u>	<u>\$ 25,628</u>	<u>\$ 8,452</u>
Business-type activities					
Balance, June 30, 2012	\$ -	\$ 1,562,243	\$ 39,565	\$1,601,808	\$ 52,021
Increases	-	11,493	-	11,493	
Decreases	-	-	-	-	-
Balance, June 30, 2013	-	1,573,736	39,565	1,613,301	52,021
Accumulated Depreciation					
Balance, June 30, 2012	-	350,455	12,818	363,273	
Increase	-	30,851	3,009	33,860	
Decreases	-	-	-	-	
Balance, June 30, 2013	-	381,306	15,827	397,133	
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,192,430</u>	<u>\$ 23,738</u>	<u>\$1,216,168</u>	<u>\$ 52,021</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,194,855</u>	<u>\$ 46,941</u>	<u>\$1,241,796</u>	<u>\$ 60,473</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES

General government	\$ 1,473
Public safety	4,154
Cemetery	965

BUSINESS-TYPE ACTIVITIES

Public works	\$ 33,860
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TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE G - NOTES PAYABLE PROPRIETARY FUND

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2013.

	Payable at July 1, 2012	Retired/ Added	Balance at June 30, 2013
Community Resources	\$ 72,677	\$ (5,814)	\$ 66,863
	<u>\$ 72,677</u>	<u>\$ (5,814)</u>	<u>\$ 66,863</u>

As of June 30, 2013, the long-term debt payable from business-type activities resources consisted of the following:

Note payable with Community Resources, Inc. dated January 6, 2012, original amount of \$75,000 with an annual interest rate of 5.9%, due in monthly payments of \$829 for 10 years. \$ 66,863

Total Notes Payable \$ 66,863

Debt Service Requirements to Maturity:

Year Ended June 30	Principal	Interest	Total
2013	\$ 5,815	\$ 4,132	\$ 9,947
2014	6,167	3,780	9,947
2015	6,541	3,406	9,947
2016	6,937	3,010	9,947
2017	7,358	2,589	9,947
2018-2022	39,859	9,876	49,735
Total	<u>\$ 72,677</u>	<u>\$ 26,793</u>	<u>\$ 99,470</u>

NOTE H - CAPITAL LEASES

The Town and Authority have entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town and Authority the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2013 are as follows:

Payable at July 1, 2012	Additions	Retirements	Balance at June 30, 2013
\$ 4,956	\$ -	\$ 4,956	\$ -
<u>\$ 4,956</u>	<u>\$ -</u>	<u>\$ 4,956</u>	<u>\$ -</u>

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE I - COMPENSATED ABSENCES

The amount that should be reported for accrued compensated absences is not known but is not believed to be material.

NOTE J - PENSION OBLIGATIONS

Town of Jennings participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

		Oklahoma Firefighter's Pension And Retirement System
Eligibility to Participate		All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions		State Statute
Plan members' contribution rate		8% of covered payroll
Town's contribution rate		13% of covered payroll
Period required to vest		10 years
Benefits and eligibility for distribution (full time)		20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)		20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option		Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes	Yes
Disability	Yes	Yes
Cost of living allowances	Yes	Yes

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 720	100%
2012	720	100%
2011	780	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of these reports may be obtained from Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105.

NOTE K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town retained legal counsel to defend it in any legal action.

NOTE L - FEDERAL STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE M - SUBSEQUENT EVENTS

The Town evaluated subsequent events through December 3, 2014, the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

TOWN OF JENNINGS, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	<u>Cemetery</u>	<u>Cemetery Care</u>	<u>Family Festival</u>	<u>TOTAL NONMAJOR FUNDS</u>
ASSETS				
Cash and Cash				
Equivalents	\$ 5,502	\$ 2,876	\$ 210	\$ 8,588
Due from other funds	<u>190</u>	<u>-</u>	<u>-</u>	<u>190</u>
TOTAL ASSETS	<u><u>\$ 5,692</u></u>	<u><u>\$ 2,876</u></u>	<u><u>\$ 210</u></u>	<u><u>\$ 8,778</u></u>
LIABILITIES				
Due to Other funds	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238</u>
TOTAL LIABILITIES	<u>238</u>	<u>-</u>	<u>-</u>	<u>238</u>
FUND BALANCES				
Nonspendable	190	-	-	190
Assigned, Reported				
in Nonmajor Special				
Revenue Funds	<u>5,264</u>	<u>2,876</u>	<u>210</u>	<u>8,350</u>
TOTAL FUND BALANCES	<u>5,454</u>	<u>2,876</u>	<u>210</u>	<u>8,540</u>
TOTAL LIABILITIES				
AND FUND BALANCE	<u><u>\$ 5,692</u></u>	<u><u>\$ 2,876</u></u>	<u><u>\$ 210</u></u>	<u><u>\$ 8,778</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JENNINGS, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Cemetery</u>	<u>Cemetery Care</u>	<u>Family Festival</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Cemetery Sales	\$ 75	\$ -	\$ -	\$ 75
Donations	2,516	-	-	2,516
Interest	15	8	-	23
TOTAL REVENUES	<u>2,606</u>	<u>8</u>	<u>-</u>	<u>2,614</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Cemetery	5,516	688	-	6,204
TOTAL EXPENDITURES	<u>5,516</u>	<u>688</u>	<u>-</u>	<u>6,204</u>
Net Change in Fund Balance	(2,910)	(680)	-	(3,590)
Fund Balance - Beginning	<u>8,364</u>	<u>3,556</u>	<u>210</u>	<u>12,130</u>
Fund Balance - Ending	<u>\$ 5,454</u>	<u>\$ 2,876</u>	<u>\$ 210</u>	<u>\$ 8,540</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT AUDITOR'S 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 Board of Trustees
Town of Jennings
Jennings, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Jennings, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Jennings, Oklahoma's basic financial statements, and have issued my report thereon dated December 3, 2014 which did not include Management's Discussion and Analysis or budgetary comparison schedules.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identified certain deficiencies in internal control that I consider to be significant deficiencies. I consider the lack of segregation of duties to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Jennings, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 3, 2014