

TOWN OF JENNINGS, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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, 2017, 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 the modified cash basis of accounting; 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 and 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Other Matters

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 June 4, 2018, 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
June 4, 2018

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2017

	Primary Government		
	Business		
	Governmental	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 47,129	\$ 70,798	\$ 117,927
Due from other funds	(2,044)	2,044	-
Total current assets	<u>45,085</u>	<u>72,842</u>	<u>117,927</u>
Non-current assets:			
Capital assets			
Land	8,452	52,021	60,473
Other capital assets net of accumulated depreciation	<u>13,570</u>	<u>1,146,100</u>	<u>1,159,670</u>
Total non-current assets	<u>22,022</u>	<u>1,198,121</u>	<u>1,220,143</u>
Total assets	<u>67,107</u>	<u>1,270,963</u>	<u>1,338,070</u>
LIABILITIES			
Current liabilities:			
Utility deposits	-	10,385	10,385
Lease obligation, current	-	1,565	1,565
Note payable, current	<u>-</u>	<u>7,919</u>	<u>7,919</u>
Total current liabilities	<u>-</u>	<u>19,869</u>	<u>19,869</u>
Non-current liabilities:			
Lease obligation, non-current	-	3,816	3,816
Note payable, non-current	<u>-</u>	<u>30,312</u>	<u>30,312</u>
Total non-current liabilities	<u>-</u>	<u>34,128</u>	<u>34,128</u>
Total liabilities	<u>-</u>	<u>53,997</u>	<u>53,997</u>
NET POSITION			
Invested in capital assets,			
Net related debt	22,022	1,154,509	1,176,531
Unrestricted	<u>45,085</u>	<u>62,457</u>	<u>107,542</u>
Total net position	<u>\$ 67,107</u>	<u>\$1,216,966</u>	<u>\$ 1,284,073</u>

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

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 84,226	\$ -	\$ 4,562	\$ -	\$ (79,664)
Public safety	24,036	903	3,817	-	(19,316)
Street and alley	2,674	-	2,435	-	(239)
Cemetery	2,226	2,775	-	-	549
Total governmental activities	<u>113,162</u>	<u>3,678</u>	<u>10,814</u>	<u>-</u>	<u>(98,670)</u>
Business-type activities					
Public Works	162,808	157,086	-	-	(5,722)
Total business-type activities	<u>162,808</u>	<u>157,086</u>	<u>-</u>	<u>-</u>	<u>(5,722)</u>
Total primary government	<u>\$275,970</u>	<u>\$160,764</u>	<u>\$ 10,814</u>	<u>\$ -</u>	<u>\$ (104,392)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net Position:			
Net (expense) revenue	\$ (98,670)	\$ (5,722)	\$ (104,392)
General revenues and transfer			
Taxes			
Sales	74,065	-	74,065
Franchise	9,511	-	9,511
Cigarette	926	-	926
Gas	670	-	670
Other tax	750	-	750
Donations	1,660	-	1,660
Gain on sale of assets	1,273	-	1,273
Interest	127	151	278
Other revenue	5,200	-	5,200
Transfers	3,000	(3,000)	-
Total general revenue and transfers	<u>97,182</u>	<u>(2,849)</u>	<u>94,333</u>
Change in net Position	(1,488)	(8,571)	(10,059)
Net Position - beginning	<u>68,595</u>	<u>1,225,537</u>	<u>1,294,132</u>
Net Position - ending	<u>\$ 67,107</u>	<u>\$1,216,966</u>	<u>\$1,284,073</u>

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

TOWN OF JENNINGS, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2017

	General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 35,885	\$ 11,244	\$ 47,129
Due from other funds	<u> -</u>	<u> 190</u>	<u> 190</u>
TOTAL ASSETS	<u>\$ 35,885</u>	<u>\$ 11,434</u>	<u>\$ 47,319</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 2,234	\$ -	\$ 2,234
TOTAL LIABILITIES	<u>2,234</u>	<u>-</u>	<u>2,234</u>
FUND BALANCES			
Unrestricted	<u>33,651</u>	<u>11,434</u>	<u>45,085</u>
TOTAL FUND BALANCES	<u>33,651</u>	<u>11,434</u>	<u>45,085</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,885</u>	<u>\$ 11,434</u>	<u>\$ 47,319</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
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Total fund balance	\$ 45,085
--------------------	-----------

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

61,946

Accumulated depreciation

(39,924)	<u>22,022</u>
----------	---------------

Total net Position

\$ 67,107

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
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Non-Major Funds	Total Governmental Funds
Revenue			
Sales tax	\$ 74,065	\$ -	\$ 74,065
Franchise tax	9,511	-	9,511
Auto taxes	2,435	-	2,435
Gasoline tax	670	-	670
Cigarette tax	926	-	926
Alcoholic beverage tax	4,562	-	4,562
Other taxes	750	-	750
Court fines	903	-	903
Donations	50	1,610	1,660
Intergovernmental	3,817	-	3,817
Cemetery sales	-	2,775	2,775
Sale of Assets	1,273	-	1,273
Interest	106	21	127
Other revenue	5,200	-	5,200
	<u>104,268</u>	<u>4,406</u>	<u>108,674</u>
Total revenue			
	<u>104,268</u>	<u>4,406</u>	<u>108,674</u>
Expenditures			
Current			
General government	83,689	-	83,689
Public Safety	23,111	-	23,111
Street and alley	2,674	-	2,674
Cemetery	-	1,850	1,850
	<u>-</u>	<u>1,850</u>	<u>1,850</u>
Total expenditures	<u>109,474</u>	<u>1,850</u>	<u>111,324</u>
Excess (deficiency) of revenue over expenditures	(5,206)	2,556	(2,650)
Transfer in	3,000	250	3,250
Transfer out	<u>-</u>	<u>(250)</u>	<u>(250)</u>
Total transfers	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net change in fund balance	(2,206)	2,556	350
Fund balances, beginning	<u>35,857</u>	<u>8,878</u>	<u>44,735</u>
Fund balances, ending	<u>\$ 33,651</u>	<u>\$ 11,434</u>	<u>\$ 45,085</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
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds \$ 350

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	(1,838)		
Gain/(loss) on sale of assets	-		(1,838)
Change in net Position			\$ (1,488)

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

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
MODIFIED CASH BASIS
JUNE 30, 2017

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 70,798
Due from other funds	<u>2,044</u>
Total current assets	<u>72,842</u>
Non-current assets	
Capital assets:	
Land	52,021
Capital assets, net of accumulated depreciation	<u>1,146,100</u>
Total non-current assets	<u>1,198,121</u>
Total assets	<u>1,270,963</u>
LIABILITIES	
Current liabilities:	
Utility deposits	10,385
Lease obligation payable, current	1,565
Note payable, current	<u>7,919</u>
Total current liabilities	<u>19,869</u>
Non-current liabilities:	
Lease obligation payable, non-current	3,816
Note payable, non-current	<u>30,312</u>
Total non-current liabilities	<u>34,128</u>
Total liabilities	<u>53,997</u>
NET POSITION	
Invested in capital assets	
Net of related debt	1,154,509
Unrestricted	<u>62,457</u>
Net Position of business-type activities	<u>\$ 1,216,966</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
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 73,230
Wastewater charges	40,645
Sanitation charges	29,701
Other	<u>13,510</u>
Total operating revenues	<u>157,086</u>
<u>OPERATING EXPENSES</u>	
Personal services	36,920
Telephone and utility	9,000
Sanitation contractor	22,252
Chemicals	3,090
Repair and maintenance	16,958
Supplies	11,511
Office supplies	9,202
Lab and testing	2,566
Insurance	4,813
Professional services	124
Miscellaneous	7,981
Depreciation	<u>35,717</u>
Total operating expenses	<u>160,134</u>
Operating income (loss)	<u>(3,048)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	151
Interest on notes payable	<u>(2,674)</u>
Total non-operating revenue (expenses)	<u>(2,523)</u>
Income before transfers	<u>(5,571)</u>
Transfer in (out)	<u>(3,000)</u>
Change in net Position of business type activities	(8,571)
Total net Position, beginning	<u>1,225,537</u>
Total net Position, ending	<u><u>\$ 1,216,966</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, 2017

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 157,086
Cash payments to employees	(36,920)
Cash payments to suppliers for goods and services	<u>(87,497)</u>
Net cash provided (used) by operating activities	<u>32,669</u>
Cash flows from capital and related financing activities	
Interest paid on lease obligations payable	(186)
Principal paid on lease obligations payable	(1,519)
Interest paid on notes payable and fiscal fees	(2,488)
Principal paid on notes payable	<u>(7,459)</u>
Net cash used for capital and related financing activities	<u>(11,652)</u>
Cash flows from investing activities	
Interest revenue	<u>151</u>
Net cash provided by investing activities	<u>151</u>
Net increase in cash and cash equivalents	18,168
Cash and cash equivalents, beginning	<u>52,630</u>
Cash and cash equivalents, ending	<u><u>\$ 70,798</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (3,048)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	35,717
Changes in assets and liabilities:	
Increase/(decrease) in utility deposits	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 32,669</u></u>

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

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 financial statements of the Town have been prepared in conformity with the modified cash basis. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the government are described below.

Component Units

Component units are legally separate organizations for which the Town is financially accountable as described above. A blended component unit is a separate legal entity that meets the component unit criteria above. In addition, the blended component units provide services that almost exclusively benefit the Town even though they do not provide services directly to the Town. These component units are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component unit is reported separate from Town fund types in the financial statements. 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.

Blended Component Units

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.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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 with 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 on 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 nonmajor funds.

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 Position 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.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 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 position (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 position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is 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 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, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Budgetary Accounting and Control

The Mayor submits an annual budget to the Town Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Town Council for review. Public hearings are held to address priorities and allocation of resources. In June, the Town Council adopts the subsequent fiscal year budgets for the Town operating funds. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Town Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. Budgetary comparison financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

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, government bonds, U.S. government notes and securities. Money held by trustee banks for use in retiring bonds is usually held in United States government securities.

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. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 is not believed to be material.

Prepaids recording payments to vendors that benefit future reporting periods are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements. Under the modified cash basis, prepaids are not reported. The expense is included in the period the liability is paid.

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

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

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, 2017

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis 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, 2017, all of the Town's 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 \$117,927 at June 30, 2017. The bank balance of the deposits at June 30, 2017 was approximately \$118,172.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2017.

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 monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2017, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2017 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, 2017

NOTE D - 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, 2016	\$ -	\$ 3,030	\$ 60,444	\$ 63,474	\$ 8,452
Increases	-	-	-	-	-
Decreases	-	-	(9,980)	(9,980)	-
Balance, June 30, 2017	-	3,030	50,464	53,494	8,452
Accumulated Depreciation					
Balance, June 30, 2016	-	1,001	47,065	48,066	
Increase	-	132	1,706	1,838	
Decreases	-	-	(9,980)	(9,980)	
Balance, June 30, 2017	-	1,133	38,791	39,924	
Governmental activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,897</u>	<u>\$ 11,673</u>	<u>\$ 13,570</u>	<u>\$ 8,452</u>
Business-type activities					
Balance, June 30, 2016	\$ -	\$ 1,632,737	\$ 49,533	\$ 1,682,270	\$ 52,021
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2017	-	1,632,737	49,533	1,682,270	52,021
Accumulated Depreciation					
Balance, June 30, 2016	-	475,248	25,205	500,453	
Increase	-	32,233	3,484	35,717	
Decreases	-	-	-	-	
Balance, June 30, 2017	-	507,481	28,689	536,170	
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,125,256</u>	<u>\$ 20,844</u>	<u>\$ 1,146,100</u>	<u>\$ 52,021</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,127,153</u>	<u>\$ 32,517</u>	<u>\$ 1,159,670</u>	<u>\$ 60,473</u>
DEPRECIATION EXPENSE					

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

GOVERNMENT ACTIVITIES

General government	\$ 537
Public safety	925
Cemetery	376

BUSINESS-TYPE ACTIVITIES

Public works	\$ 35,717
--------------	-----------

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE E - 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, 2017.

	Payable at July 1, 2016	Retired/ Added	Balance at June 30, 2017
Community Resources	\$ 45,690	\$ (7,459)	\$ 38,231
	<u>\$ 45,690</u>	<u>\$ (7,459)</u>	<u>\$ 38,231</u>

As of June 30, 2017, 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. \$ 38,231

Total Notes Payable \$ 38,231

Debt Service Requirements to Maturity:

Year Ended June 30	Principal	Interest	Total
2018	\$ 7,919	\$ 2,029	\$ 9,948
2019	8,399	1,549	9,948
2020	8,909	1,039	9,948
2021	9,448	500	9,948
2022	3,556	589	4,145
Total	<u>\$ 38,231</u>	<u>\$ 5,706</u>	<u>\$ 43,937</u>

NOTE F - CAPITAL LEASES

The Public Works Authority has entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement 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 Authority the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2017 are as follows:

	Payable at July 1, 2016	Additions	Retirements	Balance at June 30, 2017
PWA Backhoe	\$ 6,900	\$ -	\$ (1,519)	\$ 5,381
	<u>\$ 6,900</u>	<u>\$ -</u>	<u>\$ (1,519)</u>	<u>\$ 5,381</u>

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	PWA Backhoe	Total
2018	\$ 1,704	\$ 1,704
2019	1,704	1,704
2020	1,704	1,704
2021	426	426
Total minimum lease payment	5,538	5,538
Less: Amount representing interest	157	157
Total	<u>\$ 5,381</u>	<u>\$ 5,381</u>

NOTE G - COMPENSATED ABSENCES

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

NOTE H - 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

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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>
2017	\$ 1,200	100%
2016	780	100%
2015	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 I - 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 J - 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 K - SUBSEQUENT EVENTS

The Town evaluated subsequent events through June 4, 2018, 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
 MODIFIED CASH BASIS
 JUNE 30, 2017

	<u>Cemetery</u>	<u>Cemetery Care</u>	<u>TOTAL NONMAJOR FUNDS</u>
ASSETS			
Cash and Cash			
Equivalents	\$ 6,611	\$ 4,633	\$ 11,244
Due from other funds	<u>190</u>	<u>-</u>	<u>190</u>
TOTAL ASSETS	<u>\$ 6,801</u>	<u>\$ 4,633</u>	<u>\$ 11,434</u>
LIABILITIES			
Due to Other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unrestricted	<u>6,801</u>	<u>4,633</u>	<u>11,434</u>
TOTAL FUND BALANCES	<u>6,801</u>	<u>4,633</u>	<u>11,434</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,801</u>	<u>\$ 4,633</u>	<u>\$ 11,434</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
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2017

	Cemetery	Cemetery Care	Total Nonmajor Funds
REVENUES			
Cemetery Sales	\$ 2,775	\$ -	\$ 2,775
Donations	1,610	-	1,610
Interest	10	11	21
TOTAL REVENUES	<u>4,395</u>	<u>11</u>	<u>4,406</u>
EXPENDITURES			
Current			
General Government	-	-	-
Cemetery	1,850	-	1,850
TOTAL EXPENDITURES	<u>1,850</u>	<u>-</u>	<u>1,850</u>
Excess (deficiency) of revenue over expenditures	2,545	11	2,556
Transfer in	-	250	250
Transfer out	<u>(250)</u>	<u>-</u>	<u>(250)</u>
Total transfers	<u>(250)</u>	<u>250</u>	<u>-</u>
Net Change in Fund Balance	2,295	261	2,556
Fund Balance - Beginning	<u>4,506</u>	<u>4,372</u>	<u>8,878</u>
Fund Balance - Ending	<u>\$ 6,801</u>	<u>\$ 4,633</u>	<u>\$ 11,434</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 modified cash basis 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, 2017, 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 June 4, 2018.

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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned cost, we identified certain deficiencies in internal control that we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, reference number 2017-1 and 2017-2.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, reference number 2017-1 and 2017-2.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2017-1 and 2017-2.

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,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 4, 2018

TOWN OF JENNINGS, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

2017-1 - Schedule of monthly meetings

Condition: The Town council failed to adopt a schedule of meetings; therefore, all meetings held during the calendar year ending December 31, 2017 were special meetings requiring public notice at least 48 hours prior to the meeting and an agenda posted 24 hours before the meeting. There is no indication that this was complied with. The 48 hours public notice may be to the municipal clerk. Minutes for these meetings should refer to special meetings not regular meetings.

Criteria: The Open Meetings Act requires the board to adopt a schedule of meetings for the upcoming calendar year and submit notice to required authorities.

Cause: The Town clerk may not be properly trained in Oklahoma Open Meetings Act requirements.

Effect: The Town may have violated Oklahoma Open Meetings Act.

Recommendation: The Town should consult legal authorities as to possible violations of the Oklahoma Open Meetings Act.

2017-2 - "Bonus" Payroll

Condition: The Town council approved to pay each employee a \$100 end of the year bonus in December of 2016. The town also approved to pay the volunteer fire chief, who is not otherwise an employee of the town, a \$3,000 bonus for calendar year 2016. None of the bonuses paid were reported as payroll or as a 1099 payment. No payroll taxes were withheld or paid in connection to these payments.

Criteria: Internal Revenue Service establishes rules for reporting earnings and payment of employee related taxes.

Cause: The Town failed to recognize additional payments to employees as payroll items. The Town also failed to recognize the payment to the fire chief as either payroll or payment for specific contract services. If not recognized as either payroll or payment for specific contract services, the payment would be a gift, which is not allowed under Oklahoma State Statutes.

Effect: The Town under-reported payroll amounts to the Internal Revenue Service and the Oklahoma Tax Commission and failed to withhold and/or pay required employment taxes.

Recommendation: The Town must comply with Internal Revenue Code and the Oklahoma State Statutes. Town staff may require additional training in these areas.