

TOWN OF JENNINGS, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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

INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the Town of Jennings, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Jennings, Oklahoma's management. My responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America.

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.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 20, 2012, 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of my audit.

My audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Town of Jennings, Oklahoma's financial statements of the Town taken as a whole. The combining financial statements presented for purposes of additional analysis are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 20, 2012

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 60,865	\$ 34,312	\$ 95,177
Taxes receivable	13,240	-	13,240
Accounts receivable, net	-	19,198	19,198
Prepaid	331	93	424
Due from other funds	190	2,044	2,234
Restricted assets:			
Cash and cash equivalents	-	8,449	8,449
Total current assets	74,626	64,096	138,722
Non-current assets:			
Capital assets			
Land	8,452	52,021	60,473
Other capital assets net of accumulated depreciation	30,944	994,136	1,025,080
Total non-current assets	39,396	1,046,157	1,085,553
Total assets	114,022	1,110,253	1,224,275
LIABILITIES			
Current liabilities:			
Accounts payable	4,021	3,805	7,826
Payroll taxes payable	1,281	1,104	2,385
Due to other funds	2,234	-	2,234
Utility deposits	-	9,317	9,317
Note payable, current	-	24,000	24,000
Lease payable, current	2,574	4,706	7,280
Total current liabilities	10,110	42,932	53,042
Non-current liabilities:			
Lease payable, non-current	4,508	494	5,002
Total non-current liabilities	4,508	494	5,002
Total liabilities	14,618	43,426	58,044
NET ASSETS			
Nonspendable	39,396	1,016,957	1,056,353
Unrestricted	60,008	49,870	109,878
Total net assets	\$ 99,404	\$1,066,827	\$ 1,166,231

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

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTION/PROGRAMS	Expenses	Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 77,910	\$ -	\$ 4,150	\$ -	\$ (73,760)
Street and alley	3,660	-	3,773	-	113
Public safety	25,801	23,201	-	4,398	1,798
Cemetery	4,391	1,700	-	-	(2,691)
Total governmental activities	<u>111,762</u>	<u>24,901</u>	<u>7,923</u>	<u>4,398</u>	<u>(74,540)</u>
Business-type activities					
Public Works	<u>151,095</u>	<u>124,537</u>	<u>-</u>	<u>-</u>	<u>(26,558)</u>
Total business-type activities	<u>151,095</u>	<u>124,537</u>	<u>-</u>	<u>-</u>	<u>(26,558)</u>
Total primary government	<u>\$262,857</u>	<u>\$149,438</u>	<u>\$ 7,923</u>	<u>\$ 4,398</u>	<u>\$ (101,098)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (74,540)	\$ (26,558)	\$ (101,098)
General revenues and transfer			
Taxes			
Sales		55,942	55,942
Franchise		9,842	9,842
Donations		5,144	5,144
Interest		227	344
Other revenue		3,993	3,993
Total general revenue and transfers		<u>75,148</u>	<u>75,265</u>
Change in net assets		608	(26,441)
Net assets - beginning		<u>98,796</u>	<u>1,093,268</u>
Net assets - ending		<u>\$ 99,404</u>	<u>\$ 1,066,827</u>

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

TOWN OF JENNINGS, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 48,814	\$ 12,051	\$ 60,865
Due from other funds	-	190	190
Prepaid	331	-	331
Taxes receivable	13,240	-	13,240
 TOTAL ASSETS	 \$ 62,385	 \$ 12,241	 \$ 74,626
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,021	\$ -	\$ 4,021
Payroll taxes payable	1,281	-	1,281
Due to other funds	2,234	-	2,234
 TOTAL LIABILITIES	 7,536	 -	 7,536
 FUND BALANCES			
Reserved	-	12,241	12,241
Unreserved	54,849	-	54,849
 TOTAL FUND BALANCES	 54,849	 12,241	 67,090
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 62,385	 \$ 12,241	 \$ 74,626

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 ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

Total fund balance		\$ 67,090
Amounts reported in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets	63,775	
Accumulated depreciation	<u>(24,379)</u>	39,396
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:		
Lease obligation		<u>(7,082)</u>
Total net assets		<u>\$ 99,404</u>

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, 2011

	General Fund	Non-Major Funds	Total Governmental Funds
Revenue			
Sales tax	\$ 55,942	\$ -	\$ 55,942
Franchise tax	9,842	-	9,842
Auto tax	3,094	-	3,094
Gasoline tax	679	-	679
Cigarette tax	765	-	765
Alcoholic beverage tax	3,385	-	3,385
Court fines	23,201	-	23,201
Intergovernmental	4,398	-	4,398
Donations	-	5,144	5,144
Cemetery sales	375	1,325	1,700
Interest	187	40	227
Other revenue	<u>3,688</u>	<u>305</u>	<u>3,993</u>
 Total revenue	 <u>105,556</u>	 <u>6,814</u>	 <u>112,370</u>
 Expenditures			
Current			
General government	77,138	813	77,951
Public Safety	22,738	-	22,738
Street and alley	3,660	-	3,660
Cemetery	<u>-</u>	<u>7,722</u>	<u>7,722</u>
 Total expenditures	 <u>103,536</u>	 <u>8,535</u>	 <u>112,071</u>
 Net change in fund balance	 2,020	 (1,721)	 299
 Fund balances, beginning	 <u>52,829</u>	 <u>13,962</u>	 <u>66,791</u>
 Fund balances, ending	 <u>\$ 54,849</u>	 <u>\$ 12,241</u>	 <u>\$ 67,090</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, 2011

Net changes in fund balances - total governmental funds \$ 299

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 assets 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	(6,588)	
Capital outlay	<u>12,250</u>	5,662

The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 assets and does not affect the statement of activity. This is the amount by which debt proceeds exceeds debt payments.

Proceeds from debt	(7,965)	
Debt payments	<u>2,612</u>	<u>(5,353)</u>

Change in net assets \$ 608

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

TOWN OF JENNINGS, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2011

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 34,312
Accounts receivable, net	19,198
Prepaid	93
Due from other funds	2,044
Restricted assets	
Cash and cash equivalents	8,449
Total current assets	<u>64,096</u>
Non-current assets	
Capital assets:	
Land	52,021
Capital assets, net of accumulated depreciation	<u>994,136</u>
Total non-current assets	<u>1,046,157</u>
Total assets	<u>1,110,253</u>
LIABILITIES	
Current liabilities:	
Accounts payable	3,805
Payroll taxes payable	1,104
Utility deposits	9,317
Note Payable, Current	24,000
Lease payable, current	<u>4,706</u>
Total current liabilities	<u>42,932</u>
Non-current liabilities:	
Lease payable, non current	<u>494</u>
Total non-current liabilities	<u>494</u>
Total liabilities	<u>43,426</u>
NET ASSETS	
Nonspendable	1,016,957
Unassigned	<u>49,870</u>
Net assets of business-type activities	<u>\$ 1,066,827</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 ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	\$ 60,497
Water charges	25,576
Wastewater charges	25,352
Sanitation charges	13,112
Other	<u>124,537</u>
Total operating revenues	<u>124,537</u>
<u>OPERATING EXPENSES</u>	
Personal services	51,790
Contract labor	174
Telephone and utility	7,932
Sanitation contractor	20,505
Chemicals	1,949
Repair and maintenance	16,974
Supplies	7,911
Office supplies	2,801
Lab and testing	1,816
Insurance	3,113
Professional services	385
Miscellaneous	1,567
Depreciation	<u>33,622</u>
Total operating expenses	<u>150,539</u>
Operating income (loss)	<u>(26,002)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	117
Interest on notes payable	<u>(556)</u>
Total non-operating revenue (expenses)	<u>(439)</u>
Change in net assets of business type activities	(26,441)
Total net assets, beginning	<u>1,093,268</u>
Total net assets, ending	<u>\$ 1,066,827</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, 2011

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 122,379
Cash payments to employees	(51,613)
Cash payments to suppliers for goods and services	<u>(65,127)</u>
Net cash provided (used) by operating activities	<u>5,639</u>
Cash flows from capital and related financing activities	
Proceeds from debt	24,000
Acquisition of fixed assets	(21,686)
Interest paid on notes payable and fiscal fees	(556)
Principal paid on notes and leases payable	<u>(4,984)</u>
Net cash used for capital and related financing activities	<u>(3,226)</u>
Cash flows from investing activities	
Interest revenue	<u>117</u>
Net cash provided by investing activities	<u>117</u>
Net increase in cash and cash equivalents	2,530
Cash and cash equivalents, beginning	<u>40,231</u>
Cash and cash equivalents, ending	<u>\$ 42,761</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (26,002)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	33,622
Changes in assets and liabilities:	
(Increase)/decrease in accrued receivables	(2,158)
Increase/(decrease) in accounts payable	<u>177</u>
Net cash provided by operating activities	<u>\$ 5,639</u>

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

TOWN OF JENNINGS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 assets 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, 2011

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, 2011

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 statues 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, 2011

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, 2011 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, 2011

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, 2011, 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 \$95,177 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$110,786.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2011.

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, 2011, 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 \$19,198.

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, 2011 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, 2011

NOTE E - RESTRICTED ASSETS

The Authority has restricted cash assets for customer deposits and as a loan reserve for its Rural Development loan. The following amounts were restricted at June 30, 2011:

Customer deposits	\$ 8,449
Total	<u>\$ 8,449</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, 2010	\$ -	\$ 3,030	\$ 40,043	\$ 43,073	\$ 8,452
Increases	-	-	12,250	12,250	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>-</u>	<u>3,030</u>	<u>52,293</u>	<u>55,323</u>	<u>8,452</u>
Accumulated Depreciation					
Balance, June 30, 2010	-	209	17,582	17,791	-
Increase	-	132	6,456	6,588	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>-</u>	<u>341</u>	<u>24,038</u>	<u>24,379</u>	<u>-</u>
Governmental activities Capital Assets, Net					
	<u>\$ -</u>	<u>\$ 2,689</u>	<u>\$ 28,255</u>	<u>\$ 30,944</u>	<u>\$ 8,452</u>
Business-type activities					
Balance, June 30, 2010	\$ -	\$ 1,264,080	\$ 37,902	\$1,301,982	\$ 52,021
Increases	-	21,686	-	21,686	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>-</u>	<u>1,285,766</u>	<u>37,902</u>	<u>1,323,668</u>	<u>52,021</u>
Accumulated Depreciation					
Balance, June 30, 2010	-	288,752	7,158	295,910	-
Increase	-	30,851	2,771	33,622	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>-</u>	<u>319,603</u>	<u>9,929</u>	<u>329,532</u>	<u>-</u>
Business-type Activities Capital Assets, Net					
	<u>\$ -</u>	<u>\$ 966,163</u>	<u>\$ 27,973</u>	<u>\$ 994,136</u>	<u>\$ 52,021</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 968,852</u>	<u>\$ 56,228</u>	<u>\$1,025,080</u>	<u>\$ 60,473</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES

General government	\$ 1,114
Public safety	5,110
Cemetery	364

BUSINESS-TYPE ACTIVITIES

Public works	\$ 33,622
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TOWN OF JENNINGS, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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, 2011.

	<u>Payable at July 1, 2010</u>	<u>Retired/ Added</u>	<u>Balance at June 30, 2011</u>
American Heritage	\$ -	\$ 24,000	\$ 24,000
	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 24,000</u>

As of June 30, 2011, the long-term debt payable from business-type activities resources consisted of the following:

Note payable with American Heritage Bank dated May 11, 2011, original amount of \$24,000 with an annual interest rate of 4.750%, due in one principal payment of \$24,000 plus interest on May 25, 2012	<u>\$ 24,000</u>
Total Notes Payable	<u>\$ 24,000</u>

Debt Service Requirements to Maturity:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 24,000	\$ 1,140	\$ 25,140
Total	<u>\$ 24,000</u>	<u>\$ 1,140</u>	<u>\$ 25,140</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, 2011 are as follows:

<u>Payable at July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2011</u>
\$ 11,913	\$ 7,965	\$ 7,596	\$ 12,282
<u>\$ 11,913</u>	<u>\$ 7,965</u>	<u>\$ 7,596</u>	<u>\$ 12,282</u>

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:

<u>Year Ending June 30</u>	<u>General Truck</u>	<u>PWA Tractor</u>	<u>Total</u>
2012	\$ 2,844	\$ 5,395	\$ 8,239
2013	2,844	450	3,294
2013	<u>2,133</u>	<u>-</u>	<u>2,133</u>
Total minimum lease payment	7,821	5,845	13,666
Less: Amount representing interest	739	645	1,384
Total	<u>\$ 7,082</u>	<u>\$ 5,200</u>	<u>\$ 12,282</u>

TOWN OF JENNINGS, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
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, 2011

Contributions required by State Statute:

<u>Fiscal</u> <u>Year</u>	<u>Oklahoma Firefighter's Pension</u> <u>And Retirement System</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2011	\$ 780	100%
2010	660	100%
2009	660	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 the report may be obtained from the state retirement systems.

Volunteer firefighters receive a monthly pension based on their years of service. The volunteer may receive death or spousal benefits if certain conditions are met.

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.

TOWN OF JENNINGS, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Cemetery</u>	<u>Cemetery Care</u>	<u>Family Festival</u>	<u>TOTAL NONMAJOR FUNDS</u>
ASSETS				
Cash and Cash				
Equivalents	\$ 4,868	\$ 5,111	\$ 2,072	\$ 12,051
Due from other funds	<u>190</u>	<u>-</u>	<u>-</u>	<u>190</u>
TOTAL ASSETS	<u>\$ 5,058</u>	<u>\$ 5,111</u>	<u>\$ 2,072</u>	<u>\$ 12,241</u>
LIABILITIES				
Due to Other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unreserved, Reported in Nonmajor Special Revenue Funds	<u>5,058</u>	<u>5,111</u>	<u>2,072</u>	<u>12,241</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,058</u>	<u>\$ 5,111</u>	<u>\$ 2,072</u>	<u>\$ 12,241</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, 2011

	<u>Cemetery</u>	<u>Cemetery Care</u>	<u>Family Festival</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Cemetery Sales	\$ 1,325	\$ -	\$ -	\$ 1,325
Donations	2,963	-	2,181	5,144
Other	50	-	255	305
Interest	13	27	-	40
TOTAL REVENUES	<u>4,351</u>	<u>27</u>	<u>2,436</u>	<u>6,814</u>
EXPENDITURES				
Current				
General Government	-	-	813	813
Cemetery	3,700	4,022	-	7,722
TOTAL EXPENDITURES	<u>3,700</u>	<u>4,022</u>	<u>813</u>	<u>8,535</u>
Excess of Revenues Over (Under) Expenditures	<u>651</u>	<u>(3,995)</u>	<u>1,623</u>	<u>(1,721)</u>
Other Financing Sources (Uses)				
Transfer In	-	144	-	144
Transfer Out	(144)	-	-	(144)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(144)</u>	<u>144</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	507	(3,851)	1,623	(1,721)
Fund Balance - Beginning	<u>4,551</u>	<u>8,962</u>	<u>449</u>	<u>13,962</u>
Fund Balance - Ending	<u>\$ 5,058</u>	<u>\$ 5,111</u>	<u>\$ 2,072</u>	<u>\$ 12,241</u>

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

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 the accompanying 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, 2011, which collectively comprise the Town of Jennings, Oklahoma's basic financial statements, and have issued my report thereon dated June 20, 2012 which did not include Management's Discussion and Analysis or budgetary comparison schedules. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Jennings, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Jennings, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Jennings, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies. 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. 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*.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 20, 2012