



December 11, 2015

Office of the State Auditor and Inspector
Attn: Nancy Grantham
2300 N. Lincoln Blvd., Room 100
Oklahoma City, OK 73105

In accordance with O.S. Title 74 Section 212A. A. 2 and O.S. Title 11, Section 17-105.1, we have enclosed the following for the reporting entity of the Town of Kiowa for the year ended June 30, 2015:

- The audited financial statements, with the accompanying auditor's reports thereon;
- Annual Survey of City and Town Finances (SA&I Form 2643), with the accompanying accountants compilation report thereon; and
- The \$100.00 filing fee payable to the Office of the State Auditor & Inspector.

The entities included in the Town of Kiowa reporting entity are the following:

- The Town of Kiowa; and
- The Kiowa Public Works Authority.

Should you need any additional information or have any questions regarding this filing, please contact LaDonna Sinning, Partner, at 405-348-0615.

Sincerely,

A handwritten signature in cursive script that reads 'Arledge & Associates, P.C.'.

Arledge & Associates, P.C.



TOWN OF KIOWA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

THE TOWN OF KIOWA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TOWN OF KIOWA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Board
Town of Kiowa, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kiowa, Oklahoma (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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 described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, 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 described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The management's discussion and analysis, budgetary comparison information, combining non-major fund schedules – modified cash basis, and federal and state awards information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund schedules – modified cash basis and federal and state awards information, as listed in the table of contents, were derived from and relate 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 our opinion, the combining and individual non-major fund financial statements and federal and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of the Town's internal control over financial reporting and on our 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 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 the Town's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

October 12, 2015

TOWN OF KIOWA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

The management of the Town of Kiowa is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the fiscal year ended June 30, 2015. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the Town's total net position increased by \$133,810 and the assets of the Town exceed its liabilities at June 30, 2015, by \$1,028,954 (net position). Of this amount, \$786,283 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the Town's governmental funds reported combined ending fund balances of \$735,589.
- At the end of fiscal year 2015, unassigned fund balance for the General Fund was \$557,729 or 52.8% of General Fund recurring revenues.

ABOUT THE TOWN

The Town of Kiowa is a statutory town form of government with a population of approximately 731 located in Pittsburg County in southeastern Oklahoma. The Town is governed by a five-member Board and operates under state law and Town ordinances through the three branches of democratic government:

- Legislative – the Town Board is a five-member governing body elected by the citizens at large
- Executive – the Town Mayor is the Chief Executive Officer and is elected by the Town Board
- Judicial – the Municipal Judge is a practicing attorney appointed by the Town Board

The Town provides typical municipal services such as public safety, street and alley maintenance, nutrition services, and certain utility services including water, sewer, and sanitation.

The Town's Financial Reporting Entity

This annual report includes all activities for which the Town Board is fiscally responsible. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The Town's financial reporting entity includes the primary government (Town of Kiowa) and a blended component unit as follows.

- **The Town of Kiowa** – that operates the public safety, parks and recreation, streets and highways, nutrition services, trash services, and administrative activities.
- **The Kiowa Public Works Authority** – that operates the water and sewer services of the Town through a public trust of which the Town is beneficiary. The Town Board serves as trustees for

the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the Town Board.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Kiowa (the "Town") and the Kiowa Public Works Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the Town using the modified cash basis of accounting. They present governmental and business type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the Town's finances is, "Has the Town's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the Town's sales tax base, the condition of the Town's roads, and quality of service to assess the overall health of the Town. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those Town assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities: *Governmental activities* - Most of the Town's basic services are reported here, including the police, fire, administration, streets and sanitation. Sales taxes, franchise fees, fines, trash fees, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town's water and sewer utilities are reported as business-type activities.

Reporting the Town's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the Town's most significant (major) funds -- not the Town as a whole. Some funds are required to be established by State law and by debt covenants. However, the Town Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town uses two kinds of funds - *governmental and proprietary*:

Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as

TOWN OF KIOWA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the Town, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The Town's proprietary fund is the Kiowa Public Works Authority that accounts for the operation of the water and sewer activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 19-29 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, Combining non-major Fund Statements, and Schedule of Federal and State Awards.

THE TOWN AS A WHOLE

For the year ended June 30, 2015, net position for the governmental and business-type activities increased by \$133,810. The results indicate the Town's financial condition, as a whole, increased from the prior year. Following is a summary comparison of the change in net position from last year for the Town of Kiowa.

The Town of Kiowa's Net Position - Modified Cash Basis – In Thousands
June 30, 2015

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Total assets	\$ 710	\$ 759	-6%	\$ 325	\$ 165	96%	\$ 1,036	\$ 924	12%
Total liabilities	-	-	-	31	29	8%	31	29	8%
Net position:									
Restricted	140	101	38%	77	59	31%	217	160	36%
Unrestricted	571	658	-13%	216	77	181%	787	735	7%
Total net position	\$ 711	\$ 759		\$ 293	\$ 136		\$ 1,004	\$ 895	

A portion of the Town's net position, \$217,426, represents resources that are subject to external restrictions. The remaining balance of unrestricted net position, \$786,283, may be used to meet the government's ongoing needs.

TOWN OF KIOWA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

**The Town of Kiowa's Revenue, Expenses and Changes in Net Position - Modified Cash Basis -
In Thousands - Year Ended June 30, 2015**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Totals		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Revenues									
Charges for service	\$ 810	\$ 783	3%	\$ 400	\$ 359	11%	\$ 1,210	\$ 1,142	6%
Operating grants and contributions	62	59	5%	-	2	2%	62	61	0.02%
Capital grants and contributions	-	48	48%	-	144	-100%	-	192	-100%
Taxes	214	186	15%	-	-	-	214	186	15%
Intergovernmental revenue	7	7	-	-	-	-	7	7	-
Investment income	6	4	50%	1	-	100%	7	4	75%
Miscellaneous	61	100	-39%	-	-	-	61	100	-39%
Total revenues	1,160	1,187	-2%	401	505	-21%	1,561	1,692	-8%
Expenses									
General government	291	403	-28%	-	-	-	291	403	-28%
Public safety	355	455	-22%	-	-	-	355	455	-22%
Streets	130	166	-22%	-	-	-	130	166	-22%
Sanitation	84	86	-2%	-	-	-	84	86	-2%
Nutrition	54	53	2%	-	-	-	54	53	2%
Community building	1	-	100%	-	-	-	1	-	100%
Principal on long-term debt	24	71	-66%	-	-	-	24	71	-66%
Interest on long-term debt	1	1	0%	-	-	-	1	1	0%
Water	-	-	-	263	282	-7%	263	282	-7%
Wastewater	-	-	-	249	216	15%	249	216	15%
Total expenses	940	1,235	-24%	512	498	3%	1,452	1,733	-16%
Excess (deficiency) before transfers	220	(48)	558%	(111)	7	1686%	109	(41)	366%
Transfers	(268)	(1)	26700%	268	1	26700%	-	-	-
Change in net position	(48)	(49)	2%	157	8	-1863%	109	(41)	366%
Beginning net position	759	808	-6%	136	128	6%	895	936	-4%
Ending net position	\$ 711	\$ 759	-6%	\$ 293	\$ 136	115%	\$ 1,004	\$ 895	12%

The town's governmental activities had a decrease in net position of \$23,256. The decrease is due in part to an increase in the transfer to business-type activities of \$266,940. The decrease in the principal on long-term debt is due to the normal amortization of debt payments. The sales and use tax increased \$27,014 over the prior year.

Business-type activities capital grants and contributions decreased \$144,025 due to grant revenue received and expenses related to the new Water Treatment Plant Improvements Plan in the prior year. The business-type activities had a total increase in net position of \$157,066.

TOWN OF KIOWA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Governmental and Business-Type Activities

TABLE 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Cost) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	\$ 291	403	-28%	\$ (289)	(401)	-28%
Public safety	355	455	-22%	372	298	25%
Nutrition	54	53	2%	(11)	(11)	-
Streets	130	166	-22%	(123)	(159)	-23%
Community Building	1	-	100%	(1)	1	-200%
Sanitation	84	86	-2%	7	1	1337%
Principal on long-term debt	24	71	-66%	(24)	(71)	-66%
Interest on long-term debt	1	1	-	(1)	(1)	-
Total	<u>\$ 940</u>	<u>1,235</u>	-24%	<u>\$ (68)</u>	<u>(343)</u>	-80%

Business-Type Activities

	<u>Total Cost of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Cost) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Water	\$ 263	\$ 282	-7%	\$ 58	\$ 24	141%
Sewer	249	216	15%	(170)	(18)	867%
Total	<u>\$ 512</u>	<u>\$ 498</u>	3%	<u>\$ (112)</u>	<u>\$ 6</u>	-2107%

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$735,589, or a 3% decrease from the prior year.

Other fund highlights include:

- For the year ended June 30, 2015, the General Fund's total fund balance decreased by \$83,016, and the other Governmental Fund's total fund balance increased by \$59,760.

General Fund Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues were over final estimates by \$5,770 or a 0.5% positive variance. General Fund actual expenditures were under final appropriations by \$178,214 or a 13.5% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The Town's FY 2016 budget is consistent with the prior years with the exception of costs related to water and sewer utility improvement costs, which are anticipated to begin in the upcoming year most of which financing will be acquired through the Authority.

Contacting the Town's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's or Treasurer's office at P.O. Box 69, Kiowa, Oklahoma 74553 or telephone at 918-432-5621.

**TOWN OF KIOWA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF KIOWA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 528,775	\$ 319,957	\$ 848,732
Investments	181,569	4,727	186,296
Total assets	<u>710,344</u>	<u>324,684</u>	<u>1,035,028</u>
LIABILITIES			
Deposits subject to refund	-	31,319	31,319
Total liabilities	<u>-</u>	<u>31,319</u>	<u>31,319</u>
NET POSITION			
Restricted for:			
Public safety	19,587	-	19,587
Streets	62,253	-	62,253
Cemetery	40,157	-	40,157
Community center	17,815	-	17,815
Debt service	-	77,614	77,614
Unrestricted	570,532	215,751	786,283
Total Net Position	<u>\$ 710,344</u>	<u>\$ 293,365</u>	<u>\$ 1,003,709</u>

See accompanying notes to the basic financial statements.

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental Activities							
General Government	290,778	\$ 1,290	\$ 500	\$ -	\$ (288,988)	\$ -	\$ (288,988)
Public Safety	355,205	717,161	10,356	-	372,312	-	372,312
Nutrition	53,521	-	42,203	-	(11,318)	-	(11,318)
Streets	130,060	-	6,662	-	(123,398)	-	(123,398)
Community Building	1,394	-	1,865	-	471	-	471
Sanitation	84,218	91,487	-	-	7,269	-	7,269
Debt Service							
Principal on Long-term debt	23,941	-	-	-	(23,941)	-	(23,941)
Interest on Long-term debt	794	-	-	-	(794)	-	(794)
Total governmental activities	<u>939,911</u>	<u>809,938</u>	<u>61,586</u>	<u>-</u>	<u>(68,387)</u>	<u>-</u>	<u>(68,387)</u>
Business-type activities:							
Water	263,380	321,482	-	-	-	58,102	58,102
Sewer	248,619	78,797	-	-	-	(169,822)	(169,822)
Total business-type activities	<u>511,999</u>	<u>400,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,720)</u>	<u>(111,720)</u>
Total primary government	<u>\$ 1,451,910</u>	<u>\$ 1,210,217</u>	<u>\$ 61,586</u>	<u>\$ -</u>	<u>(68,387)</u>	<u>(111,720)</u>	<u>(180,107)</u>
General revenues:							
Taxes:							
Sales and use tax					187,754	-	187,754
Franchise and public service taxes					21,989	-	21,989
Hotel / motel taxes					4,295	-	4,295
Intergovernmental revenue not restricted to specific programs					7,363	-	7,363
Investment income					5,742	355	6,097
Miscellaneous					61,174	-	61,174
Transfers - internal activity					(268,431)	268,431	-
Total general revenues and transfers					<u>19,886</u>	<u>268,786</u>	<u>288,672</u>
Change in net position					(48,501)	157,066	108,565
Net position - beginning					758,845	136,299	895,144
Net position - ending					<u>\$ 710,344</u>	<u>\$ 293,365</u>	<u>\$ 1,003,709</u>

See accompanying notes to the basic financial statements.

**TOWN OF KIOWA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

TOWN OF KIOWA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 422,931	\$ 105,844	\$ 528,775
Investments	154,385	27,184	181,569
Total assets	<u>\$ 577,316</u>	<u>\$ 133,028</u>	<u>\$ 710,344</u>
Fund balances:			
Restricted for:			
Street & alley purposes	-	62,253	62,253
Cemetery care	-	40,157	40,157
Community center	-	17,815	17,815
Public safety	19,587	-	19,587
Assigned for:			
Street & alley purposes	-	1,567	1,567
Cemetery care	-	3,427	3,427
Community center	-	5,271	5,271
Nutrition program	-	2,538	2,538
Unassigned	557,729	-	557,729
Total fund balances	<u>577,316</u>	<u>133,028</u>	<u>710,344</u>
Total fund balances	<u>\$ 577,316</u>	<u>\$ 133,028</u>	<u>\$ 710,344</u>

See accompanying notes to the basic financial statements.

TOWN OF KIOWA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Funds Statement of Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 161,190	\$ 52,848	\$ 214,038
Intergovernmental	11,847	47,865	59,712
Charges for services	92,054	283	92,337
Fines and forfeitures	717,161	-	717,161
Licenses and permits	440	-	440
Investment income	5,338	404	5,742
Miscellaneous	67,396	3,015	70,411
Total revenues	<u>1,055,426</u>	<u>104,415</u>	<u>1,159,841</u>
EXPENDITURES			
Current:			
General government	289,011	-	289,011
Public Safety	345,340	-	345,340
Streets	101,339	28,721	130,060
Nutrition	-	53,521	53,521
Community building	-	1,394	1,394
Sanitation	84,218	-	84,218
Capital Outlay	11,632	-	11,632
Debt Service:			
Principal on long term debt	23,941	-	23,941
Interest on long term debt	794	-	794
Total expenditures	<u>856,275</u>	<u>83,636</u>	<u>939,911</u>
Excess (deficiency) of revenues over expenditures	<u>199,151</u>	<u>20,779</u>	<u>219,930</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	253	13,989	14,242
Transfers out	<u>(282,420)</u>	<u>(253)</u>	<u>(282,673)</u>
Total other financing sources and uses	<u>(282,167)</u>	<u>13,736</u>	<u>(268,431)</u>
Net change in fund balances	(83,016)	34,515	(48,501)
Fund balances - beginning	660,332	98,513	758,845
Fund balances - ending	<u>\$ 577,316</u>	<u>\$ 133,028</u>	<u>\$ 710,344</u>

See accompanying notes to the basic financial statements.

**TOWN OF KIOWA, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Kiowa Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 211,024
Restricted cash and cash equivalents	108,933
Investments	4,727
Total current assets	324,684
Total assets	324,684
 LIABILITIES	
Deposits subject to refund	31,319
Total liabilities	31,319
 NET POSITION	
Restricted for debt service	77,614
Unrestricted	215,751
Total net position	\$ 293,365

Proprietary Fund Statement of Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Kiowa Public Works Authority</u>
Operating Revenues:	
Charges for services:	
Water	\$ 312,692
Sewer	76,637
Water taps	150
Penalties	8,742
Miscellaneous	2,058
Total operating revenues	400,279
 OPERATING EXPENSES	
Administration	103,111
Water	115,683
Sewer	227,997
Total Operating Expenses	446,791
Net operating income (loss)	(46,512)
 NON-OPERATING REVENUES (EXPENSES)	
Investment income	355
Debt Service:	
Principal retirement	(20,270)
Interest expense	(44,938)
Total non-operating revenue (expenses)	(64,853)
Income (loss) before contributions and transfers	(111,365)
Transfers in - General Fund	268,431
Change in net position	157,066
Total net position - beginning	136,299
Total net position - ending	\$ 293,365

See accompanying notes to the basic financial statements.

TOWN OF KIOWA, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Kiowa Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 400,279
Payments to suppliers	(363,099)
Payments to employees	(83,692)
Receipts of customer meter deposits	7,014
Refunds of customer meter deposits	(4,754)
Net cash provided by (used in) operating activities	<u>(44,252)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	268,431
Net cash provided by noncapital financing activities	<u>268,431</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(20,270)
Interest and fiscal agent fees paid on debt	(44,938)
Net cash provided by (used in) capital and related financing activities	<u>(65,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(61)
Interest and dividends	355
Net cash provided by investing activities	<u>294</u>
Net increase in cash and cash equivalents	159,265
Balances - beginning of year	<u>160,692</u>
Balances - end of year	<u>\$ 319,957</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 211,024
Restricted cash and cash equivalents - current	108,933
Total cash and cash equivalents, end of year	<u>\$ 319,957</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (46,512)
Change in assets and liabilities:	
Deposits subject to refund	2,260
Net cash provided by (used in) operating activities	<u>\$ (44,252)</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town's financial reporting entity includes two separate legal entities reported as the primary government.

- **The Town of Kiowa** – that operates the public safety, parks and recreation, streets and highways, nutrition services, trash services, and administrative activities.
- **The Kiowa Public Works Authority** – that operates the water and sewer services of the Town through a public trust of which the Town is the beneficiary. The Town Board serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the Town Board.

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No 61, and includes all component units for which the Town is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the Town has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based inter-fund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) 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.

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As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

- General government: License and permits, cemetery fees, operating and capital grants and contributions
- Public safety: Fine revenue, operating and capital grants and contributions
- Nutrition: Operating grants
- Streets: Gas excise and commercial vehicle taxes
- Community building: Operating contributions
- Sanitation: sanitation charges

Governmental Funds:

The Town's governmental funds are comprised of the following:

Major Fund:

- General Fund – accounts for all activities not accounted for in other special-purpose funds.

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue and Capital Project Funds:

- Community Building Fund – accounts for rental revenues and expenses related to the community building.
- Cemetery Care Fund – accounts for cemetery revenues and expenses.
- Nutrition Fund – accounts for revenues and expenses related to the nutrition program.
- Street and Alley Special Revenue Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transaction are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Fund:

The Town's proprietary fund is comprised of the following:

- Kiowa Public Works Authority (KPWA) – an enterprise fund that accounts for the operation of the water and sewer activities.

The proprietary fund is reported on a modified cash basis, as defined above.

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For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is in Note 8 of this report.

E. Fund Balances and Net Position

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. More information is provided in Note 3. These classifications are defined as:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by town board action or management decision when the town board has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the Town’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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Net Position: is displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All remaining net position that does not meet the definition of “restricted”.

It is the Town’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

F. Internal and Interfund Balances and Transfers

The Town’s policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

2. Cash, Cash Equivalents, and Investments

For the year ended June 30, 2015, the Town recognized \$6,097 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the Town’s deposits are in demand and short-term time deposits.

At June 30, 2015, the primary government held the following deposits and investments:

	Carrying Value
Deposits:	
Demand deposits	\$ 848,732
Time deposit	186,296
Total deposits and investments	\$ 1,035,028
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 848,732
Investments	186,296
	\$ 1,035,028

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty’s trust department or agent, but not in the government’s name. As of June 30, 2015, the Town’s deposits and investments were fully collateralized.

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Investment Interest Rate Risk - the Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the Town's public trusts. As of June 30, 2015, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

Concentration of Investment Credit Risk - the Town places no limit on the amount it may invest in any one issuer.

Restricted cash and Investments – The amounts reported as restricted assets in the Statement of Net Position are comprised of amounts restricted for utility deposits or debt service. The restricted assets as of June 30, 2015 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and cash Equivalents</u>
Utility deposits	\$ 31,319
RUD loans	\$ 77,614
	<u>\$ 108,933</u>

3. Restricted Net Position – Governmental Activities:

The following table shows the Net Position restricted for other purposes as shown in the Statement of Net Position:

	<u>State Statutes</u>	<u>Enabling Legislation</u>	<u>Total</u>
Governmental Activities:			
Street & Alley	\$ 62,253	\$ -	\$ 62,253
Cemetery Care	40,157	-	40,157
Public Safety	-	19,587	19,587
Community Center	-	17,815	17,815
	<u>-</u>	<u>17,815</u>	<u>17,815</u>
Total Restricted Net Position	<u>\$ 102,410</u>	<u>\$ 37,402</u>	<u>\$ 139,812</u>

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4. Sales Tax Revenue

Sales tax revenue represents a 3 cent local tax on each dollar of taxable sales within the Town, of which the entire 3 cents is retained in the General Fund.

5. Property Tax Levy

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

6. Internal and Interfund Balances and Transfers

Balances:

The Town had no inter-fund receivables and payables at June 30, 2015.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2015, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Nutrition Fund	11,125	Operating subsidy
General Fund	Cemetery Care Fund	1,432	Operating subsidy
General Fund	Community Building Fund	1,432	Hotel/Motel Taxes
General Fund	KPWA	268,431	Operating subsidy
Nutrition Fund	General Fund	253	Operating subsidy
Total		<u>\$ 282,673</u>	
Reconciliation to Fund Financials and Statement of Activities:			
	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 14,242	\$ (282,673)	\$ (268,431)
Proprietary Funds	268,431	-	268,431
Total	<u>\$ 282,673</u>	<u>\$ (282,673)</u>	<u>\$ -</u>

7. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Town manages these various risks of loss by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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8. Commitments and Contingencies

For the year ended June 30, 2015, the reporting entity's long term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 23,940	\$ -	\$ 23,940	\$ -	\$ 23,940
Total Governmental Activities	<u>\$ 23,940</u>	<u>\$ -</u>	<u>\$ 23,940</u>	<u>\$ -</u>	<u>\$ 23,940</u>
Business-Type Activities:					
Notes Payable	\$ 1,282,908	\$ -	\$ 20,270	\$ 1,262,638	\$ 20,972
Total Business-Type Activities	<u>1,282,908</u>	<u>-</u>	<u>20,270</u>	<u>1,262,638</u>	<u>20,972</u>
Total Long-Term Debt	<u>\$ 1,306,848</u>	<u>\$ -</u>	<u>\$ 44,210</u>	<u>\$ 1,262,638</u>	<u>\$ 44,912</u>

Long-term Debt Commitments:

Governmental activities:

At June 30, 2015, *governmental activities* had no long-term debt outstanding.

Business-type activities:

Notes Payable:

\$752,953 Rural Development loan payable in monthly installments of \$3,516 at 4.25% interest, final payment due July 10, 2049.	\$ 742,562
\$529,955 Rural Development loan, payable in monthly installments of \$1,918 at 2.5% interest, final payment due June 22, 2050.	<u>520,076</u>
Balance Outstanding at June 30, 2015	<u>\$1,262,638</u>

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Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Business Type Activities</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	20,972	44,236
2017	21,698	43,510
2018	22,451	42,757
2019	23,231	41,977
2020	24,041	41,167
2021-2025	133,449	192,591
2026-2030	158,747	167,294
2031-2035	189,194	136,847
2036-2040	225,894	100,146
2041-2045	270,206	55,834
2046-2049	172,755	9,175
Totals	<u>\$ 1,262,638</u>	<u>\$ 875,534</u>

Compensated Absences:

As a result of the Town’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2015, is summarized as follows:

- Town – accrued compensated absences \$16,823
- KPWA – accrued compensated absences \$18,379

Litigation:

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town “Sinking Fund” for the payment of any court assessed judgment rendered against the Town. These statutory provisions do not apply to the Town’s public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

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Federal and State Award Programs:

The Town of Kiowa participates in various federal or state grant/loan programs from year to year. In 2015, the Town's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements.

DEQ Consent Order:

The Town of Kiowa is currently under the Oklahoma Department of Environmental Quality consent order case number 06-146A and 06-14B related to the Town's Public Water Supply System. The Oklahoma Department of Environmental Quality has approved the Town's Corrective Action Plan for this consent order which is currently in progress.

The Town of Kiowa is currently under the Oklahoma Department of Environmental Quality consent order number 13-210 related to the Town's Waste Water Facility. Timely compliance with both of these consent orders is needed to avoid any fines.

9. Pension Plan Participation

The Town of Kiowa participates in two pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Simple IRA Plan

OFPRS:

Plan Summary Information. The Town of Kiowa, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2013	\$720	\$720
2014	\$780	\$780
2015	\$720	\$720

Simple IRA Plan:

The Town of Kiowa participates in a Simple IRA plan for employees. This retirement plan was set up and enacted during the year ended June 30, 2005. The plan is administered by Woodman of the World Simple IRA. Plan assets are invested in American Funds at the direction of each employee that participates. The Town of Kiowa matches the required amount (3%) as designated by the plan policies.

The IRA contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2013	\$5,232	\$5,232
2014	\$6,815	\$6,815
2015	\$4,190	\$4,190

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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 267,000	660,332	\$ 393,332
Resources (Inflows):				
TAXES:				
Sales tax	107,000	107,000	119,868	12,868
Use tax	15,000	15,000	15,038	38
Franchise tax	18,000	21,000	21,989	989
Hotel and Motel Tax	3,900	4,025	4,295	270
Total taxes	<u>143,900</u>	<u>147,025</u>	<u>161,190</u>	<u>14,165</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	5,000	5,000	5,509	509
Tobacco tax	1,350	1,350	1,854	504
Grants	-	4,484	4,484	-
Total Intergovernmental	<u>6,350</u>	<u>10,834</u>	<u>11,847</u>	<u>1,013</u>
CHARGES FOR SERVICES				
Cemetery	500	500	567	67
Trash Revenue	85,000	85,000	91,487	6,487
Total Charges for Services	<u>85,500</u>	<u>85,500</u>	<u>92,054</u>	<u>6,554</u>
FINES AND FORFEITURES	<u>726,000</u>	<u>726,000</u>	<u>717,161</u>	<u>(8,839)</u>
LICENSES AND PERMITS	<u>250</u>	<u>250</u>	<u>440</u>	<u>190</u>
INVESTMENT INCOME	<u>2,500</u>	<u>5,300</u>	<u>5,338</u>	<u>38</u>
MISCELLANEOUS:				
Donations	-	-	6,092	6,092
Miscellaneous	75,000	75,000	61,304	(13,696)
Total Miscellaneous	<u>75,000</u>	<u>75,000</u>	<u>67,396</u>	<u>(7,604)</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	-	-	253	253
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>253</u>	<u>253</u>
Total Resources (Inflows)	<u>1,039,500</u>	<u>1,049,909</u>	<u>1,055,679</u>	<u>5,770</u>
Amount available for appropriation	<u>1,039,500</u>	<u>1,316,909</u>	<u>1,716,011</u>	<u>399,102</u>

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	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT:				
Council	13,786	13,936	13,675	261
City Clerk	15,180	15,180	14,950	230
City Treasurer	15,491	15,491	15,256	235
City Attorney	12,000	12,000	12,000	-
General Government	308,956	314,731	234,897	79,834
TOTAL GENERAL GOVERNMENT	<u>365,413</u>	<u>371,338</u>	<u>290,778</u>	<u>80,560</u>
PUBLIC SAFETY:				
Police	376,922	376,922	360,535	16,387
Fire	29,650	34,134	19,405	14,729
Animal Control	3,000	3,000	-	3,000
Judge	3,600	3,600	-	3,600
Emergency Management	1,750	1,750	-	1,750
TOTAL PUBLIC SAFETY	<u>414,922</u>	<u>419,406</u>	<u>379,940</u>	<u>39,466</u>
STREETS	<u>152,716</u>	<u>152,716</u>	<u>101,339</u>	<u>51,377</u>
SANITATION:				
Trash	<u>85,000</u>	<u>85,000</u>	<u>84,218</u>	<u>782</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	<u>21,449</u>	<u>288,449</u>	<u>282,420</u>	<u>6,029</u>
Total other financing sources and uses	<u>21,449</u>	<u>288,449</u>	<u>282,420</u>	<u>6,029</u>
Total Charges to Appropriations	<u>1,039,500</u>	<u>1,316,909</u>	<u>1,138,695</u>	<u>178,214</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,316</u>	<u>\$ 220,888</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is at the department level total within a function.

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Combining Non-Major Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2015

	<u>Street and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Community Building Fund</u>	<u>Nutrition Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 63,820	\$ 16,400	\$ 23,086	\$ 2,538	\$ 105,844
Investments	-	27,184	-	-	27,184
Total assets	<u>\$ 63,820</u>	<u>\$ 43,584</u>	<u>\$ 23,086</u>	<u>\$ 2,538</u>	<u>\$ 133,028</u>
FUND BALANCES					
Fund balances:					
Restricted	62,253	40,157	17,815	-	120,225
Assigned	1,567	3,427	5,271	2,538	12,803
Total fund balances	<u>63,820</u>	<u>43,584</u>	<u>23,086</u>	<u>2,538</u>	<u>133,028</u>
Total fund balances	<u>\$ 63,820</u>	<u>\$ 43,584</u>	<u>\$ 23,086</u>	<u>\$ 2,538</u>	<u>\$ 133,028</u>

Combining Non-Major Governmental Funds Statement of Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Street and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Community Building Fund</u>	<u>Nutrition Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES					
Taxes	\$ 52,848	\$ -	\$ -	\$ -	\$ 52,848
Intergovernmental	6,662	-	-	41,203	47,865
Charges for services	-	283	-	-	283
Investment earnings	-	382	22	-	404
Miscellaneous	-	150	1,865	1,000	3,015
Total revenues	<u>59,510</u>	<u>815</u>	<u>1,887</u>	<u>42,203</u>	<u>104,415</u>
EXPENDITURES					
Current:					
Streets	28,721	-	-	-	28,721
Nutrition	-	-	-	53,521	53,521
Community building	-	-	1,394	-	1,394
Total Expenditures	<u>28,721</u>	<u>-</u>	<u>1,394</u>	<u>53,521</u>	<u>83,636</u>
Excess (deficiency) of revenues over expenditures	<u>30,789</u>	<u>815</u>	<u>493</u>	<u>(11,318)</u>	<u>20,779</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,432	1,432	11,125	13,989
Transfers out	-	(253)	-	-	(253)
Total other financing sources and uses	<u>-</u>	<u>1,179</u>	<u>1,432</u>	<u>11,125</u>	<u>13,736</u>
Net change in fund balances	30,789	1,994	1,925	(193)	34,515
Fund balances - beginning	33,031	41,590	21,161	2,731	98,513
Fund balances - ending	<u>\$ 63,820</u>	<u>\$ 43,584</u>	<u>\$ 23,086</u>	<u>\$ 2,538</u>	<u>\$ 133,028</u>

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Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2015

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount	Expenditures
FEDERAL AWARDS:				
<u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through to Oklahoma Department of Human Services and the Kiamichi Area of Nutrition Project:				
Special Program for the Aging-Title III, Part C - Nutrition Services	93.045	N/A	\$ 41,377	\$ 41,377
Total Federal Awards			<u>\$ 41,377</u>	<u>\$ 41,377</u>

State Grantor/Pass Thru Agency Grantor/Program Title	Pass Thru Grant #	Award Amount	Expenditures
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through Kiamichi Economic Development District of Oklahoma</u>			
Forestry Services - Fire Defense Operational Grant	N/A	\$ 4,474	\$ 4,474
Total State Awards		<u>\$ 4,474</u>	<u>\$ 4,474</u>

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Expenditures of Federal and State Awards is prepared on the modified cash basis.

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INTERNAL CONTROL AND COMPLIANCE INFORMATION

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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 Honorable Mayor and Town Board
Town of Kiowa, Oklahoma

We 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 *Government 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 the Town of Kiowa, Oklahoma (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 12, 2015. Our report included an emphasis of matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

Our 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arlidge & Associates, P.C.

October 12, 2015