

TOWN OF KIEFER, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

Ralph Osborn, CPA
P.O. Box 1015
500 South Chestnut
Bristow, OK 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Kiefer, 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 Kiefer, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Town of Kiefer, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Kiefer, 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 Kiefer, Oklahoma as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Town of Kiefer, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparison 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 December 21, 2011, on my consideration of Town of Kiefer, 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 assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Town of Kiefer, 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
December 21, 2011

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

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 173,478	\$ 429,001	\$ 602,479
Taxes receivable	27,752	-	27,752
Accounts receivable	-	40,948	40,948
Restricted assets:			
Insurance reserve	<u>18,811</u>	<u>-</u>	<u>18,811</u>
Total current assets	<u>220,041</u>	<u>469,949</u>	<u>689,990</u>
Non-current assets:			
Capital assets			
Land	203,500	-	203,500
Other capital assets net of Accumulated depreciation	<u>671,291</u>	<u>712,794</u>	<u>1,384,085</u>
Total non-current assets	<u>874,791</u>	<u>712,794</u>	<u>1,587,585</u>
 Total assets	 <u>1,094,832</u>	 <u>1,182,743</u>	 <u>2,277,575</u>
LIABILITIES			
Current liabilities:			
Accounts payable	11,995	10,325	22,320
Utility deposits	-	64,882	64,882
Compensated absences	8,080	1,920	10,000
Lease obligations, current	-	5,262	5,262
Note payable, current	-	17,829	17,829
Bonds, current	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total current liabilities	<u>35,075</u>	<u>100,218</u>	<u>135,293</u>
Non-current liabilities:			
Lease obligations, non-current	-	15,879	15,879
Note payable, non-current	-	9,491	9,491
Bonds, non-current	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total non-current liabilities	<u>60,000</u>	<u>25,370</u>	<u>85,370</u>
 Total liabilities	 <u>95,075</u>	 <u>125,588</u>	 <u>220,663</u>
NET ASSETS			
Nonspendable	807,468	628,154	1,435,622
Restricted for			
Insurance reserve	18,811	-	18,811
Debt service	16,046	-	16,046
Assigned	136,350	429,001	565,351
Unrestricted	<u>21,082</u>	<u>-</u>	<u>21,082</u>
 Total net assets	 <u>\$ 999,757</u>	 <u>\$ 1,057,155</u>	 <u>\$ 2,056,912</u>

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

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Function/Programs	Program Revenue				Net Revenue
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 216,881	\$ 17,775	\$ 1,200	\$ -	\$ (197,906)
Public safety	179,444	27,837	7,624	-	(143,983)
Parks and recreation	5,381	-	6,356	-	975
Street	21,996	-	-	-	(21,996)
Administration	6,250	-	-	-	(6,250)
Legal	14,050	-	-	-	(14,050)
Total governmental activities	444,002	45,612	15,180	-	(383,210)
Business-type activities					
Utility service	571,577	674,632	-	-	103,055
Total business-type activities	571,577	674,632	-	-	103,055
Total primary government	\$ 1,015,579	\$ 720,244	\$ 15,180	\$ -	\$ (280,155)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (383,210)	\$ 103,055	\$ (280,155)
General revenues			
Taxes			
Sales/Use		293,046	293,046
Franchise		52,596	52,596
Property		18,787	18,787
Other tax		20,103	20,103
Miscellaneous		12,965	12,965
Interest		550	2,620
Total general revenue		398,047	400,117
Change in net assets		14,837	119,962
Net assets - beginning		984,920	1,936,950
Net assets - ending		\$ 999,757	\$ 2,056,912

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

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

	<u>General Fund</u>	<u>Special Sales Tax</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 21,082	\$ 104,566	\$ 16,046	\$ 31,784	\$ 173,478
Taxes receivable	<u>22,572</u>	<u>4,989</u>	<u>191</u>	<u>-</u>	<u>27,752</u>
TOTAL ASSETS	<u>\$ 43,654</u>	<u>\$ 109,555</u>	<u>\$ 16,237</u>	<u>\$ 31,784</u>	<u>\$ 201,230</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 6,305	\$ 5,340	\$ -	\$ 350	\$ 11,995
TOTAL LIABILITIES	<u>6,305</u>	<u>5,340</u>	<u>-</u>	<u>350</u>	<u>11,995</u>
FUND BALANCES					
Nonspendable	16,267	(351)	191	(350)	15,757
Reserved for					
Debt service	-	-	16,046	-	16,046
Assigned	-	104,566	-	31,784	136,350
Unreserved	<u>21,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,082</u>
TOTAL FUND BALANCES	<u>37,349</u>	<u>104,215</u>	<u>16,237</u>	<u>31,434</u>	<u>189,235</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 43,654</u>	<u>\$ 109,555</u>	<u>\$ 16,237</u>	<u>\$ 31,784</u>	<u>\$ 201,230</u>

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

TOWN OF KIEFER, OKLAHOMA
 RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
 WITH THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

Total fund balance \$ 189,235

Amounts reported in the statement of net assets are different because:

Insurance reserve in restricted assets is not receivable in the current period and therefore is not reported as an asset in the fund. 18,811

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

Capital assets	1,455,685	
Accumulated depreciation	<u>(580,894)</u>	874,791

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:

Bonds payable	(75,000)	
Compensated absences	<u>(8,080)</u>	<u>(83,080)</u>

Total net assets \$ 999,757

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

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Sales Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Sales/Use tax	\$ 225,152	\$ 67,894	\$ -	\$ -	\$ 293,046
Franchise tax	52,596	-	-	-	52,596
Property tax	-	-	18,787	-	18,787
Other tax	20,103	-	-	-	20,103
Intergovernmental	7,624	-	-	-	7,624
Licenses and permits	17,775	-	-	-	17,775
Fire service	4,400	-	-	-	4,400
Fines and forfeitures	-	-	-	23,437	23,437
Donations	1,200	-	-	6,356	7,556
Miscellaneous	12,130	835	-	-	12,965
Interest	53	422	75	-	550
Total revenue	<u>341,033</u>	<u>69,151</u>	<u>18,862</u>	<u>29,793</u>	<u>458,839</u>
Expenditures					
Current					
General government	197,797	-	-	-	197,797
Public safety	111,344	46,776	-	4,534	162,654
Parks and recreation	1,125	-	-	201	1,326
Street	17,185	-	-	-	17,185
Administration	6,250	-	-	-	6,250
Legal	14,050	-	-	-	14,050
Debt service					
Bond principal paid	-	-	15,000	-	15,000
Interest and other charges	-	-	3,685	-	3,685
Total expenditures	<u>347,751</u>	<u>46,776</u>	<u>18,685</u>	<u>4,735</u>	<u>417,947</u>
Excess (deficiency) of revenue Over expenditures	<u>(6,718)</u>	<u>22,375</u>	<u>177</u>	<u>25,058</u>	<u>40,892</u>
Other financing sources (uses)					
Transfer in	21,000	-	-	5,375	26,375
Transfer out	(5,375)	-	-	(21,000)	(26,375)
Net other financing sources (uses)	<u>15,625</u>	<u>-</u>	<u>-</u>	<u>(15,625)</u>	<u>-</u>
Net changes in fund balances	8,907	22,375	177	9,433	40,892
Fund balances, beginning	28,442	81,840	16,060	22,001	148,343
Fund balances, ending	<u>\$ 37,349</u>	<u>\$ 104,215</u>	<u>\$ 16,237</u>	<u>\$ 31,434</u>	<u>\$ 189,235</u>

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

TOWN OF KIEFER, 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 \$ 40,892

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 cost 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	(52,688)	
Capital outlay	<u>11,271</u>	(41,417)

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. 15,000

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Those include the net decrease in compensated absences of \$2,347, the net decrease in insurance reserve of \$1,985. 362

Change in net assets \$ 14,837

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

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

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 429,001
Accounts receivable	<u>40,948</u>
Total current assets	<u>469,949</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>712,794</u>
Total non-current assets	<u>712,794</u>
Total assets	<u>1,182,743</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,325
Utility deposits	64,882
Compensated absences	1,920
Notes payable, current	17,829
Lease obligation, current	<u>5,262</u>
Total current liabilities	<u>100,218</u>
Non-current liabilities:	
Lease obligation, non-current	15,879
Notes payable, non-current	<u>9,491</u>
Total non-current liabilities	<u>25,370</u>
Total liabilities	<u>125,588</u>
NET ASSETS	
Nonspendable	628,154
Assigned	<u>429,001</u>
Net assets of business-type activities	<u>\$1,057,155</u>

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

TOWN OF KIEFER, 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:	
Natural gas	\$ 326,426
Wastewater charges	175,775
Sanitation charges	132,027
Sales tax	14,601
Tap fees	9,650
Penalty	14,057
Other	<u>2,096</u>
Total operating revenues	<u>674,632</u>
<u>OPERATING EXPENSES</u>	
Personal services	99,096
Natural gas and transportation	193,027
Sanitation contractor	96,838
Insurance	19,746
Materials and supplies	68,922
Other operating expenses	45,862
Depreciation	<u>45,234</u>
Total operating expenses	<u>568,725</u>
Operating income (loss)	<u>105,907</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest income	2,070
Interest expense	<u>(2,852)</u>
Total non-operating revenue (expenses)	<u>(782)</u>
Change in net assets of business type activities	105,125
Total net assets, beginning	<u>952,030</u>
Total net assets, ending	<u>\$1,057,155</u>

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

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities	\$ 677,490
Cash received from customers	(98,936)
Cash payments to employees	<u>(446,747)</u>
Cash payments to suppliers for goods and services	
Net cash provided (used) by operating activities	<u>131,807</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(44,241)
Interest paid on notes payable and lease obligations	(2,852)
Principal paid on notes payable and lease obligations	<u>(28,822)</u>
Net cash used for capital and related financing activities	<u>(75,915)</u>
Cash flows from investing activities	
Interest revenue	<u>2,070</u>
Net cash provided by investing activities	<u>2,070</u>
Net increase in cash and cash equivalents	57,962
Cash and cash equivalents, beginning	<u>371,039</u>
Cash and cash equivalents, ending	<u>\$ 429,001</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	\$ 105,907
Operating income (loss)	
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	45,234
Changes in assets and liabilities:	
Decrease in Accrued receivables	212
Decrease in Accounts payable	(22,352)
Increase in Utility deposits	2,646
Increase in Compensated absence	<u>160</u>
Net cash provided by operating activities	<u>\$ 131,807</u>

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kiefer, Oklahoma, was incorporated in 1907 under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. 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 Kiefer 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 Kiefer 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.

Kiefer Public Works Authority was created May 25, 1967 under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes 1961. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates natural gas, sanitation, and sewer services for the Town of Kiefer.

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 KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements, (Continued)

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, proprietary, and fiduciary 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 Board (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 APB 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 KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation,
(Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. 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 charged 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.

Special Sales Tax - The fund reports the use of designated sales tax revenue.

Capital Projects Fund - This fund reports activity associated with the acquisition or construction of Town assets.

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

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

Budgetary Accounting and Control

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Budgetary Accounting and Control, (Continued)

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

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances.

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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,500 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	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only matured absences payable to currently terminating employees and are included in wages and benefits payable.

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.

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.

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

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 Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$602,479 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$602,479.

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 Town records the total due on utility accounts owed the proprietary fund for services unpaid at June 30. Any uncollectible amounts are written-off as they become collectible.

The governmental funds have accrued sales tax, use tax, alcoholic beverage tax, franchise tax, and motor vehicle tax to be received in July.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables reported at June 30, 2011.

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

NOTE E - RESTRICTED ASSETS

The General Fund restricted assets relate to the Town of Kiefer, Oklahoma's risk management activities. Town of Kiefer, Oklahoma's risk management activities consists of purchasing policies from commercial insurance carriers. As part of its risk management activity, the Town has purchased workers' compensation insurance from Oklahoma Municipal Assurance Group (the Group). The premium paid for the workers' compensation insurance includes an amount which is placed in a loss fund for the Town of Kiefer, Oklahoma. The balance of the premium is used for administration of the insurance and obtaining insurance coverage. The loss fund is an actuarially determined estimate of the Town's expected workers' compensation claims during the policy period. At June 30, 2011, the balance in the fund was \$13,368.

If the actual losses are less than the amount of the loss fund, the difference may be refunded to the Town or placed in an escrow account for the Town of Kiefer, Oklahoma. Refunds may begin as early as two years after the end of the plan year. The reinsurance purchased by the Group covers claims in excess of the loss fund. The Town of Kiefer, Oklahoma is not obligated to pay any amount in excess of its annual premium. The amount in the escrow account at June 30, 2011 was \$0.

Renewal premiums to be billed the Town of Kiefer, Oklahoma are limited to a maximum reduction of 10% from the prior year's billed premium. Any portion of the billed premium in excess of the amount required to fully fund the Town's actuarial premium is held by the Group in the Rate Stabilization Reserve (RSR) for the Town. RSR balances will be applied to offset any future billed premium increases in excess of 10% over the prior year's billed premium. The Town of Kiefer, Oklahoma is entitled to a refund of any RSR balance upon termination of their participation in the insurance. The Town of Kiefer, Oklahoma had \$7,427 in the RSR as of June 30, 2011.

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

NOTE F- CAPITAL ASSETS

Changes in capital assets.

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental Activities					
Balance, June 30, 2010	\$ 554,025	\$ 96,236	\$ 590,653	\$1,240,914	\$ 203,500
Increases	3,800	-	7,471	11,271	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>557,825</u>	<u>96,236</u>	<u>598,124</u>	<u>1,252,185</u>	<u>203,500</u>
Accumulated Depreciation					
Balance, June 30, 2010	169,759	31,891	326,556	528,206	
Increase	13,891	4,811	33,986	52,688	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>183,650</u>	<u>36,702</u>	<u>360,542</u>	<u>580,894</u>	
Governmental Activities Capital Assets, Net	<u>\$ 374,175</u>	<u>\$ 59,534</u>	<u>\$ 237,582</u>	<u>\$ 671,291</u>	<u>\$ 203,500</u>
Business-type activities					
Balance, June 30, 2010	\$ 19,948	\$1,033,358	\$ 133,612	\$1,186,918	\$ -
Increases	-	34,091	10,150	44,241	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>19,948</u>	<u>1,067,449</u>	<u>143,762</u>	<u>1,231,159</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2010	5,727	453,222	14,182	473,131	
Increase	997	35,395	8,842	45,234	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>6,724</u>	<u>488,617</u>	<u>23,024</u>	<u>518,365</u>	
Business-type Activities Capital Assets, Net	<u>\$ 13,224</u>	<u>\$ 578,832</u>	<u>\$ 120,738</u>	<u>\$ 712,794</u>	<u>\$ -</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 387,399</u>	<u>\$ 638,366</u>	<u>\$ 358,320</u>	<u>\$1,384,085</u>	<u>\$ 203,500</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES

General government	\$ 15,761
Public Safety	28,061
Streets	4,811
Parks	4,055

BUSINESS-TYPE ACTIVITIES

Public works	\$ 45,234
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TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE G - BONDS PAYABLE

State statutes prohibit the Town from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the Town's voters. A bond issue has been approved by the voters and issued by the Town for capital projects. General obligation bonds are required to be fully paid serially within 25 years or less from the date of issue.

General long-term debt of the Town consists of bonds payable and lease obligations. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

The Town issued its \$150,000 Building Bonds of 2006 on June 1, 2006. Annual principal payments of \$15,000 are due each June 1 from 2006 through 2015. The bonds have an interest rate which varies from 3% to 4%. Principal and interest amounts due in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,000	\$ 2,910	\$ 17,910
2013	15,000	2,355	17,355
2014	15,000	1,785	16,785
2015	<u>30,000</u>	<u>1,200</u>	<u>31,200</u>
Totals	<u>\$ 75,000</u>	<u>\$ 8,250</u>	<u>\$ 83,250</u>

NOTE H - LEASE PURCHASE OBLIGATIONS

The Town has 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 the ability to terminate the lease agreements at the end of each fiscal year.

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

<u>Year Ended June 30</u>	<u>Backhoe</u>	<u>Total</u>
2012	\$ 6,245	\$ 6,245
2013	6,245	6,245
2014	6,245	6,245
2015	<u>4,165</u>	<u>4,165</u>
Total minimum lease payment	22,900	22,900
Less: Amount representing interest	<u>1,759</u>	<u>1,759</u>
Present value of future minimum lease payments	<u>\$ 21,141</u>	<u>\$ 21,141</u>

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

NOTE I - NOTES PAYABLE PROPRIETARY FUND

The Authority has incurred indebtedness for acquisition of equipment. The following is a summary of note payable transactions for the year ended June 30, 2011.

	<u>Payable at July 1, 2010</u>	<u>Addition/ Retirements</u>	<u>Balance at June 30, 2011</u>
American Heritage Bank	\$ 15,637	\$ (10,965)	\$ 4,672
American Heritage Bank	11,461	(5,598)	5,863
American Heritage Bank	<u>23,691</u>	<u>(6,906)</u>	<u>16,785</u>
	<u>\$ 50,789</u>	<u>\$ (23,469)</u>	<u>\$ 27,320</u>

A brief description of the outstanding notes payable at June 30, 2011 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
American Heritage Bank loan dated November 27, 2006, original loan amount of \$50,941, interest rate 4.8%, principal and interest payable monthly at \$957 per month until November 27, 2011	\$ 4,672
American Heritage Bank loan dated June 5, 2010, original loan amount of \$21,817, interest rate 4.9%, principal and interest payable monthly at \$504 per month until June 25, 2012	5,863
American Heritage Bank loan dated September 25, 2010, original loan amount of \$35,031, interest rate 4.8%, principal and interest payable monthly at \$659 per month until September 25, 2013	<u>16,785</u>
Total	<u>\$ 27,320</u>

The annual principal payments due over the next five years and thereafter are as follows. Actual debt service requirements will vary depending on the variable interest rate in effect at the time of payment.

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 17,829	\$ 904	\$ 18,733
2013	7,596	311	7,907
2014	<u>1,895</u>	<u>21</u>	<u>1,916</u>
Total	<u>\$ 27,320</u>	<u>\$ 1,236</u>	<u>\$ 28,556</u>

NOTE J - CONTRIBUTED CAPITAL

The Town records grants, entitlements, contributed fixed assets, or shared revenues received by its funds for operations, capital acquisition, and/or construction as contributed capital. Depreciation is recognized on assets acquired with these funds.

NOTE K - COMPENSATED ABSENCES

The Town and Authority accrued personal leave held by employees at June 30, 2011, based on their hourly wage.

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

NOTE L - UTILITY DEPOSITS

The Authority recorded a liability of \$64,882 for customer utility deposits at June 30, 2011. The deposit is refundable upon termination of utility service.

NOTE M - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of 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 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/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% 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, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

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

NOTE M - PENSION OBLIGATIONS (Continued)

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 960	100%
2010	960	100%

The Town allows employees to participate in a Section 457 retirement plan. Governmental or non-profit units may establish a retirement plan under this section. Employees are allowed to select an amount up to statutory limits to contribute to the plan each year. The Town does not contribute to the plan. Benefits from the plan will be determined based on the amount contributed by the employee plus earnings of the investment.

NOTE N - 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.

NOTE O - LITIGATION

The Town is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town. The Town retains legal council for legal proceedings. The Town may also be represented by attorneys retained by its insurance carrier.

NOTE P - FEDERAL AND 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 KIEFER, OKLAHOMA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Special Police</u>	<u>Park</u>	<u>Special Fire</u>	<u>Court</u>	<u>Total Nonmajor Funds</u>
ASSETS					
Cash and cash equivalents	\$ 118	\$ 1,071	\$ 20,245	\$ 10,350	\$ 31,784
TOTAL ASSETS	<u>\$ 118</u>	<u>\$ 1,071</u>	<u>\$ 20,245</u>	<u>\$ 10,350</u>	<u>\$ 31,784</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 201	\$ -	\$ 149	\$ 350
TOTAL LIABILITIES	<u>-</u>	<u>201</u>	<u>-</u>	<u>149</u>	<u>350</u>
 FUND BALANCES					
Nonspendable	-	(201)	-	(149)	(350)
Assigned	<u>118</u>	<u>1,071</u>	<u>20,245</u>	<u>10,350</u>	<u>31,784</u>
TOTAL FUND BALANCES	<u>118</u>	<u>870</u>	<u>20,245</u>	<u>10,201</u>	<u>31,434</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 118</u>	 <u>\$ 1,071</u>	 <u>\$ 20,245</u>	 <u>\$ 10,350</u>	 <u>\$ 31,784</u>

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

TOWN OF KIEFER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Police</u>	<u>Park</u>	<u>Special Fire</u>	<u>Court</u>	<u>Total Nonmajor Funds</u>
REVENUES					
Fines and forfeits	\$ -	\$ -	\$ -	\$ 23,437	\$ 23,437
Donations	<u>-</u>	<u>6,356</u>	<u>-</u>	<u>-</u>	<u>6,356</u>
TOTAL REVENUES	<u>-</u>	<u>6,356</u>	<u>-</u>	<u>23,437</u>	<u>29,793</u>
EXPENDITURES					
Current					
Park	-	201	-	-	201
Public safety	<u>695</u>	<u>-</u>	<u>-</u>	<u>3,839</u>	<u>4,534</u>
TOTAL EXPENDITURES	<u>695</u>	<u>201</u>	<u>-</u>	<u>3,839</u>	<u>4,735</u>
Excess of revenues over (under) expenditures	<u>(695)</u>	<u>6,155</u>	<u>-</u>	<u>19,598</u>	<u>25,058</u>
Other financing sources (uses)					
Transfer in	800	1,050	3,525	-	5,375
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,000)</u>	<u>(21,000)</u>
Total other financing sources (uses)	<u>800</u>	<u>1,050</u>	<u>3,525</u>	<u>(21,000)</u>	<u>(15,625)</u>
Net change in fund balances	105	7,205	3,525	(1,402)	9,433
Fund balances, beginning	<u>13</u>	<u>(6,335)</u>	<u>16,720</u>	<u>11,603</u>	<u>22,001</u>
Fund balances, ending	<u>\$ 118</u>	<u>\$ 870</u>	<u>\$ 20,245</u>	<u>\$ 10,201</u>	<u>\$ 31,434</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 Honorable Mayor and Members of the Board of Trustees
Town of Kiefer
Kiefer, 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 Kiefer, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Kiefer, Oklahoma's basic financial statements, and have issued my report thereon dated December 21, 2011 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 Kiefer, 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 Kiefer, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Kiefer, Oklahoma's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kiefer, 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
December 21, 2011