

TOWN OF KIEFER, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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 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 Kiefer, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Kiefer's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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 statement that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kiefer as of June 30, 2015, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

I draw attention to Note A 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. My opinion is not modified with respect to that matter.

Other Matters

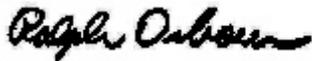
Other information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and 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 my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 23, 2015, on my consideration of Town of Kiefer's internal control over financial reporting and 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* in considering Town of Kiefer, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 23, 2015

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2015

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 201,983	\$ 455,252	\$ 657,235
Total current assets	<u>201,983</u>	<u>455,252</u>	<u>657,235</u>
Non-current assets:			
Capital assets			
Land	203,500	-	203,500
Other capital assets net of Accumulated depreciation	<u>1,133,806</u>	<u>1,468,806</u>	<u>2,602,612</u>
Total non-current assets	<u>1,337,306</u>	<u>1,468,806</u>	<u>2,806,112</u>
 Total assets	 <u>1,539,289</u>	 <u>1,924,058</u>	 <u>3,463,347</u>
LIABILITIES			
Current liabilities:			
Utility deposits	-	74,117	74,117
Lease obligations, current	7,528	-	7,528
Notes payable, current	-	23,081	23,081
Bonds, current	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total current liabilities	<u>47,528</u>	<u>97,198</u>	<u>144,726</u>
Non-current liabilities:			
Notes payable, non-current	-	120,918	120,918
Bonds, non-current	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Total non-current liabilities	<u>280,000</u>	<u>120,918</u>	<u>400,918</u>
 Total liabilities	 <u>327,528</u>	 <u>218,116</u>	 <u>545,644</u>
NET POSITION			
Capital assets, net of related debt Restricted for	1,009,778	1,324,807	2,334,585
Debt service	44,750	-	44,750
Unrestricted	<u>157,233</u>	<u>381,135</u>	<u>538,368</u>
 Total net position	 <u>\$ 1,211,761</u>	 <u>\$ 1,705,942</u>	 <u>\$ 2,917,703</u>

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

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015

Function/Programs	Program Revenue			Capital Grants and Contributions	Net Revenue
	Expenses	Charges For Services	Operating Grants and Contributions		
Governmental activities					
General government	\$ 267,782	\$ 13,456	\$ 9,619	\$ -	\$ (244,707)
Public safety	246,983	54,958	4,484	-	(187,541)
Parks and recreation	9,210	-	-	-	(9,210)
Street	23,143	-	13,914	-	(9,229)
Administration	6,000	-	-	-	(6,000)
Legal	11,000	-	-	-	(11,000)
Senior Citizens	1,304	-	-	-	(1,304)
Total governmental activities	<u>565,422</u>	<u>68,414</u>	<u>28,017</u>	<u>-</u>	<u>(468,991)</u>
Business-type activities					
Utility service	681,842	816,072	-	-	134,230
Total business-type activities	<u>681,842</u>	<u>816,072</u>	<u>-</u>	<u>-</u>	<u>134,230</u>
Total primary government	<u>\$ 1,247,264</u>	<u>\$ 884,486</u>	<u>\$ 28,017</u>	<u>\$ -</u>	<u>\$ (334,761)</u>

Primary Government		
Governmental Activities	Business-type Activities	Total

Changes in net position:

Net (expense) revenue	\$ (468,991)	\$ 134,230	\$ (334,761)
General revenues			
Taxes			
Sales/Use tax		352,659	352,659
Franchise		57,424	57,424
Property		63,533	63,533
Other tax		8,712	8,712
Donations		28,749	28,749
Miscellaneous		14,783	17,433
Interest		640	2,247
Total general revenue		<u>526,500</u>	<u>530,757</u>
Change in net position		57,509	195,996
Net position - beginning		<u>1,154,252</u>	<u>2,721,707</u>
Net position - ending		<u>\$ 1,211,761</u>	<u>\$ 2,917,703</u>

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

TOWN OF KIEFER, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2015

	<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	\$ 38,653	\$ 71,943	\$ 44,750	\$ 46,637	\$ 201,983
TOTAL ASSETS	<u>\$ 38,653</u>	<u>\$ 71,943</u>	<u>\$ 44,750</u>	<u>\$ 46,637</u>	<u>\$ 201,983</u>
LIABILITIES AND FUND BALANCES					
FUND BALANCES					
Reserved for Debt service	-	-	44,750	-	44,750
Unrestricted	<u>38,653</u>	<u>71,943</u>	<u>-</u>	<u>46,637</u>	<u>157,233</u>
TOTAL FUND BALANCES	<u>38,653</u>	<u>71,943</u>	<u>44,750</u>	<u>46,637</u>	<u>201,983</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,653</u>	<u>\$ 71,943</u>	<u>\$ 44,750</u>	<u>\$ 46,637</u>	<u>\$ 201,983</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 POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Total fund balance \$ 201,983

Amounts reported in the Statement of Net Position are different because:

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

Capital assets	2,176,466	
Accumulated depreciation	<u>(839,160)</u>	1,337,306

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	(320,000)	
Lease payable	<u>(7,528)</u>	<u>(327,528)</u>

Total net position		<u>\$ 1,211,761</u>
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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
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Sales Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Sales/Use tax	\$ 269,262	\$ 83,397	\$ -	\$ -	\$ 352,659
Franchise tax	57,424	-	-	-	57,424
Property tax	-	-	63,533	-	63,533
Other tax	32,245	-	-	-	32,245
Intergovernmental	4,484	-	-	-	4,484
Licenses and permits	13,456	-	-	-	13,456
Fire service	9,275	-	-	-	9,275
Fines and forfeitures	-	-	-	45,683	45,683
Donations	15,960	-	-	12,789	28,749
Proceeds of lease purchase	-	56,000	-	-	56,000
Miscellaneous	12,901	1,682	-	200	14,783
Interest	99	352	189	-	640
Total revenue	<u>415,106</u>	<u>141,431</u>	<u>63,722</u>	<u>58,672</u>	<u>678,931</u>
Expenditures					
Current					
General government	253,899	-	-	-	253,899
Public safety	156,285	179,439	-	31,274	366,998
Parks and recreation	6,079	-	-	87	6,166
Street	18,088	29,158	-	-	47,246
Administration	6,000	-	-	-	6,000
Legal	11,000	-	-	-	11,000
Senior Citizens	-	-	-	1,304	1,304
Debt service					
Bond principal paid	-	-	70,000	-	70,000
Interest and other charges	-	-	7,670	-	7,670
Total expenditures	<u>451,351</u>	<u>208,597</u>	<u>77,670</u>	<u>32,665</u>	<u>770,283</u>
Excess (deficiency) of revenue Over expenditures	<u>(36,245)</u>	<u>(67,166)</u>	<u>(13,948)</u>	<u>26,007</u>	<u>(91,352)</u>
Other financing sources (uses)					
Transfer in	52,000	-	-	-	52,000
Transfer out	-	-	-	(52,000)	(52,000)
Net other financing sources (uses)	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>(52,000)</u>	<u>-</u>
Net changes in fund balances	15,755	(67,166)	(13,948)	(25,993)	(91,352)
Fund balances, beginning	<u>22,898</u>	<u>139,109</u>	<u>58,698</u>	<u>72,630</u>	<u>293,335</u>
Fund balances, ending	<u>\$ 38,653</u>	<u>\$ 71,943</u>	<u>\$ 44,750</u>	<u>\$ 46,637</u>	<u>\$ 201,983</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, 2015

Net changes in fund balances - total governmental funds \$ (91,352)

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 Position and allocated over their estimated useful lives as annual depreciation in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(85,594)	
Capital outlay	<u>156,430</u>	70,836

Repayment of bonds and lease obligation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond	70,000	
Proceeds of lease purchase	(56,000)	
Repayment of lease purchase	<u>64,025</u>	<u>78,025</u>

Change in net position		<u>\$ 57,509</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF NET POSITION - PROPRIETARY FUND
MODIFIED CASH BASIS
JUNE 30, 2015

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>455,252</u>
Total current assets	<u>455,252</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>1,468,806</u>
Total non-current assets	<u>1,468,806</u>
Total assets	<u>1,924,058</u>
LIABILITIES	
Current liabilities:	
Utility deposits	74,117
Notes Payable, current	<u>23,081</u>
Total current liabilities	<u>97,198</u>
Non-current liabilities:	
Notes Payable, non-current	<u>120,918</u>
Total non-current liabilities	<u>120,918</u>
Total liabilities	<u>218,116</u>
NET POSITION	
Capital assets, net of related debt	1,324,807
Unrestricted	<u>381,135</u>
Net position of business-type activities	<u>\$1,705,942</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 POSITION
PROPRIETARY FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Natural gas	\$ 371,073
Wastewater charges	262,762
Sanitation charges	157,038
Tap fees	8,300
Penalty	16,899
Other	<u>2,650</u>
Total operating revenues	<u>818,722</u>
<u>OPERATING EXPENSES</u>	
Personal services	113,791
Natural gas and transportation	200,105
Sanitation contractor	136,474
Insurance	15,455
Materials and supplies	77,796
Repairs and maintenance	7,823
Other operating expenses	78,889
Depreciation	<u>50,549</u>
Total operating expenses	<u>680,882</u>
Operating income (loss)	<u>137,840</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest income	1,607
Interest expense	<u>(960)</u>
Total non-operating revenue (expenses)	<u>647</u>
Change in net position of business type activities	138,487
Total net position, beginning	<u>1,567,455</u>
Total net position, ending	<u>\$1,705,942</u>

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

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities	
Cash received from customers	\$ 821,461
Cash payments to employees	(113,791)
Cash payments to suppliers for goods and services	<u>(516,542)</u>
Net cash provided (used) by operating activities	<u>191,128</u>
Cash flows from capital and related financing activities	
Proceeds from loan	168,614
Acquisition of fixed assets	(619,192)
Interest paid on notes payable and lease obligations	(960)
Principal paid on notes payable and lease obligations	<u>(28,043)</u>
Net cash used for capital and related financing activities	<u>(479,581)</u>
Cash flows from investing activities	
Interest revenue	<u>1,607</u>
Net cash provided by investing activities	<u>1,607</u>
Net increase in cash and cash equivalents	(286,846)
Cash and cash equivalents, beginning	<u>742,098</u>
Cash and cash equivalents, ending	<u>\$ 455,252</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ 137,840
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	50,549
Changes in assets and liabilities:	
Increase in Utility deposits	<u>2,739</u>
Net cash provided by operating activities	<u>\$ 191,128</u>

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

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

Government-Wide and Fund Financial Statements

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

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate.

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, Net Position/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

As a result of the use of the 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 certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these 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.

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.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories and prepaids are not reported under the modified cash basis of accounting.

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.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

The Town does not report compensated absences under the modified cash basis of accounting.

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 the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2015, 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 \$657,235 at June 30, 2015. The bank balance of the deposits at June 30, 2015 was approximately \$667,983.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2015.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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 does not report accounts receivable under the modified cash basis of accounting.

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, 2015.

NOTE E- 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, 2014	\$ 628,749	\$ 96,236	\$1,091,551	\$1,816,536	\$ 203,500
Increases	58,039	29,158	69,233	156,430	-
Decreases	-	-	-	-	-
Balance, June 30, 2015	<u>686,788</u>	<u>125,394</u>	<u>1,160,784</u>	<u>1,972,966</u>	<u>203,500</u>
Accumulated Depreciation					
Balance, June 30, 2014	226,164	51,138	476,264	753,566	
Increase	32,542	5,055	47,997	85,594	
Decreases	-	-	-	-	
Balance, June 30, 2015	<u>258,706</u>	<u>56,193</u>	<u>524,261</u>	<u>839,160</u>	
Governmental Activities Capital Assets, Net	<u>\$ 428,082</u>	<u>\$ 69,201</u>	<u>\$ 636,523</u>	<u>\$1,133,806</u>	<u>\$ 203,500</u>
Business-type activities					
Balance, June 30, 2014	\$ 19,948	\$1,393,290	\$ 154,664	\$1,567,902	\$ -
Increases	-	619,192	-	619,192	-
Decreases	-	-	-	-	-
Balance, June 30, 2015	<u>19,948</u>	<u>2,012,482</u>	<u>154,664</u>	<u>2,187,094</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2014	9,717	588,210	69,812	667,739	
Increase	997	12,111	37,441	50,549	
Decreases	-	-	-	-	
Balance, June 30, 2015	<u>10,714</u>	<u>600,321</u>	<u>107,253</u>	<u>718,288</u>	
Business-type Activities Capital Assets, Net	<u>\$ 9,234</u>	<u>\$1,412,161</u>	<u>\$ 47,411</u>	<u>\$1,468,806</u>	<u>\$ -</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 437,316</u>	<u>\$1,481,362</u>	<u>\$ 683,934</u>	<u>\$2,602,612</u>	<u>\$ 203,500</u>

TOWN OF KIEFER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General government	\$ 13,883	Public works	\$ 50,549
Public Safety	63,612		
Streets	5,055		
Parks	3,044		

NOTE F - 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.

\$400,000 General Obligation Bonds of 2012 on June 1, 2012. Annual principal payments of \$15,000 are due each June 1 from 2012 through 2022. The bonds have an interest rate which varies from 1.3% to 3%. \$ 320,000

Total bonds payable \$ 320,000

Principal and interest amounts due in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 40,000	\$ 5,280	\$ 45,280
2017	40,000	4,760	44,760
2018	40,000	4,200	44,200
2019	40,000	3,600	43,600
2020	40,000	2,960	42,960
2021-2022	<u>120,000</u>	<u>3,840</u>	<u>123,840</u>
Totals	<u>\$ 320,000</u>	<u>\$ 24,640</u>	<u>\$ 344,640</u>

The Town paid interest in the amount of \$7,120 on its outstanding bonds during the fiscal year.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - PROPRIETARY FUND NOTES PAYABLE

The Authority has issued and outstanding its Clean Water SRF Promissory Note to Oklahoma Water Resources Board, Series 2014 in the original amount of \$320,000. The payments beginning March 2015, continuing for 6.5 years. The note incurs interest at fixed rate of 1.56%. The Authority has drawn down \$168,614 as of June 30, 2015.

Revenue bond transactions for the year ended June 30, 2014 are as follows:

	<u>Payable at</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2015</u>
OWRB, Series 2014	\$ -	\$ 168,614	\$ (24,615)	\$ 143,999
	<u>\$ -</u>	<u>\$ 168,614</u>	<u>\$ (24,615)</u>	<u>\$ 143,999</u>

The annual debt service requirements for retirement of bond principal and payment of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 23,081	\$ 2,246	\$ 25,327
2017	23,441	1,886	25,327
2018	23,806	1,521	25,327
2019	24,178	1,149	25,327
2020	24,555	772	25,327
2021	24,938	389	25,327
Total	<u>\$ 143,999</u>	<u>\$ 7,963</u>	<u>\$ 151,962</u>

The Authority paid interest in the amount of \$745 and \$550 in fiscal fees on its outstanding bonds during the fiscal year.

NOTE H - DEBT SERVICE COVERAGE

The revenue bond indenture requires the Authority maintain a schedule of rates or charges for services sufficient to provide funds which together with other revenues pledged will provide net revenues available for debt service equal to at least 125% of the maximum annual debt services requirement. The ratio for the current year is calculated as follows:

Operating income	\$ 137,840
Depreciation	50,549
Net revenue	<u>\$ 188,389</u>
Maximum annual debt service	<u>\$ 25,327</u>
Ratio	<u>7.44 to 1</u>

NOTE I - 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.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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:

Year Ended June 30	Police Car	Total
2016	\$ 8,554	\$ 8,554
Total minimum lease payment	8,554	8,554
Less: Amount representing interest	1,026	1,026
Present value of future minimum lease payments	\$ 7,528	\$ 7,528

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 - UTILITY DEPOSITS

The Authority recorded a liability of \$74,117 for customer utility deposits at June 30, 2015. The deposit is refundable upon termination of utility service.

NOTE L - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

Town of Kiefer participates in two statewide, cost-sharing multiple-employer defined benefit plans on behalf of police officers and firefighters. The systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Oklahoma Police and Firefighter's Pension and Retirement Systems

	Oklahoma Firefighter's Pension And Retirement System
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

TOWN OF KIEFER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 1,140	100%
2014	1,200	100%
2013	1,080	100%

Oklahoma Municipal Retirement Fund

The Town allows employees to participate in Oklahoma Municipal Retirement Fund, a defined contributions plan. The plan is funded by contributions from participants and employees. The following is a summary of eligibility factor, contribution methods, and benefit provision:

Oklahoma Municipal Retirement Fund

Eligibility	All regular, full-time employees except police, firefighters and other employees who are covered under an approved system.
Employer contributions	6.46% of pay.
Employee contributions	3% of pay.
Service	
Credited Service	The last period of continuous employment with the employer excluding any periods before the effective date of the plan specified in the adoption agreement.
Vesting	Credited service plus transferred service from other OMRF employees.
Benefit Eligibility	5 or more years of vesting service.
Final Average Compensation	The average of the 5 highest consecutive annual salaries out of the last 10 years of service.
Accrued Benefit	Plan A 1.5% of final average compensation multiplied by the number of years of credited service.

TOWN OF KIEFER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Normal Retirement Age	Age 65 with 5 or more years of vesting service.
Normal Retirement Eligibility	Termination of employment on or after normal retirement age.
Benefit	The accrued benefit payable immediately.
Early Retirement Eligibility	Termination after age 55 with 5 or more years of vesting.
Benefit	The accrued benefit payable starting at normal retirement, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
Disability Retirement Eligibility	Total and permanent disability after 5 or more years of service.
Benefit	The accrued benefit is payable upon disablement without Reduction for early payment.
Termination Before Retirement Age	
Before Vesting	Return of employee contributions with interest.
After Vesting	The accrued benefit payable starting at age 65, or a reduced benefit payable at an early retirement age.
In-service Death	
Before vesting	Return of member contributions with interest.
After vesting (married participants only)	50% of the accrued benefit is payable to the spouse until death or remarriage.
After Vesting (other participants)	50% of the accrued benefit is payable for 60 months certain.
Payment Options	
Normal form	The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
Optional forms	Disability retirement benefits are paid only under the normal form.
	Other retirement benefits are available under actuarially Equivalent optional forms:
	- Joint and 50% survivor annuity
	- Joint and 66-2/3rds last survivor annuity
	- Joint and 100% survivor annuity
Cost of Living	No cost of living option.

Three years contributions schedule as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	
	<u>Employee</u>	<u>Employer</u>
2015	\$ 5,980	\$ 13,171
2014	2,343	5,488
2013	-	-

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE M - 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 N - 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 O - 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.

NOTE P - SUBSEQUENT EVENTS

The Town management evaluated subsequent events through December 23, 2015, the date which the financial statements were available, to determine if any items need to be disclosed. The City believes there are no events requiring disclosure.

TOWN OF KIEFER, OKLAHOMA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	<u>Special Police</u>	<u>Park</u>	<u>Special Fire</u>	<u>Court</u>	<u>Senior Citizens</u>	<u>Total Nonmajor Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,098	\$ 156	\$ 2,545	\$ 37,417	\$ 5,421	\$ 46,637
TOTAL ASSETS	<u>\$ 1,098</u>	<u>\$ 156</u>	<u>\$ 2,545</u>	<u>\$ 37,417</u>	<u>\$ 5,421</u>	<u>\$ 46,637</u>
 LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Unrestricted	<u>1,098</u>	<u>156</u>	<u>2,545</u>	<u>37,417</u>	<u>5,421</u>	<u>46,637</u>
TOTAL FUND BALANCES	<u>1,098</u>	<u>156</u>	<u>2,545</u>	<u>37,417</u>	<u>5,421</u>	<u>46,637</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,098</u>	<u>\$ 156</u>	<u>\$ 2,545</u>	<u>\$ 37,417</u>	<u>\$ 5,421</u>	<u>\$ 46,637</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, 2015

	Special Police	Park	Special Fire	Court	Senior Citizens	Total Nonmajor Funds
REVENUES						
Fines and forfeits	\$ -	\$ -	\$ -	\$ 45,683	\$ -	\$ 45,683
Donations	541	-	7,968	-	4,280	12,789
Miscellaneous	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>
TOTAL REVENUES	<u>741</u>	<u>-</u>	<u>7,968</u>	<u>45,683</u>	<u>4,280</u>	<u>58,672</u>
EXPENDITURES						
Current						
Park	-	87	-	-	-	87
Public safety	-	-	27,031	4,243	-	31,274
Senior citizens	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,304</u>	<u>1,304</u>
TOTAL EXPENDITURES	<u>-</u>	<u>87</u>	<u>27,031</u>	<u>4,243</u>	<u>1,304</u>	<u>32,665</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(87)</u>	<u>(19,063)</u>	<u>41,440</u>	<u>2,976</u>	<u>26,007</u>
Other financing sources (uses)						
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,000)</u>	<u>-</u>	<u>(52,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,000)</u>	<u>-</u>	<u>(52,000)</u>
Net change in fund balances	741	(87)	(19,063)	(10,560)	2,976	(25,993)
Fund balances, beginning	<u>357</u>	<u>243</u>	<u>21,608</u>	<u>47,977</u>	<u>2,445</u>	<u>72,630</u>
Fund balances, ending	<u>\$ 1,098</u>	<u>\$ 156</u>	<u>\$ 2,545</u>	<u>\$ 37,417</u>	<u>\$ 5,421</u>	<u>\$ 46,637</u>

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the Town Council
Town of Kiefer
Kiefer, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Town of Kiefer, Oklahoma, modified cash basis, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Kiefer's basic financial statements and have issued my report thereon dated December 23, 2015 which did not include Management's Discussion and Analysis or Budgetary Comparison.

Internal Control Over Financial Reporting

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

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

My consideration of internal control 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 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 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*.

Purpose of the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 23, 2015