



CITY OF STIGLER, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2013

THE CITY OF STIGLER, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council of the
City of Stigler, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Stigler, Oklahoma (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position – modified cash basis, and where applicable, cash flows – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Other Matters – Supplementary and Other Information

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

The combining funds schedules – modified cash basis and schedule of expenditures of federal and state awards, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund schedules and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.


Edmond, Oklahoma

January 21, 2014

**CITY OF STIGLER, OKLAHOMA
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The management of the City of Stigler is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$24,904 and the assets of the City exceed its liabilities at June 30, 2013, by \$2,032,914 (net position). Of this amount, \$1,025,749 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$1,538,067.
- At the end of fiscal year 2013, unassigned fund balance for the General Fund was \$0.

ABOUT THE CITY

The City of Stigler is an incorporated municipality with a population of approximately 2,730 located in Haskell County in southeastern Oklahoma. The City is a Council-Manager form of government and operates under a charter that provides for three branches of government:

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

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, library, community development, and through its Municipal Improvement Authority, certain utility services including water, sewer, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Stigler (primary government)** – operates the public safety, cemetery, streets, health and welfare, culture and recreation, and administrative activities of the City.

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- **The Stigler Municipal Improvement Authority (SMIA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City. The City of Stigler is the beneficiary of the trust and the City Council serves as the governing body of the trust.
- **The Stigler Industrial Development Authority** – operates the industrial development services of the City, governed by the trustees who are appointed by the City Council (reported as a discretely presented component unit).

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Board. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City’s financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Stigler (the “City”), the Stigler Municipal Improvement Authority (the “SMIA”), and the Stigler Industrial Development Authority (the “SIDA”). Included in this report are government-wide statements for each of the three categories of activities – governmental, business-type, and a discretely-presented component unit.

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City, through the Municipal Improvement Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting as defined in Note 1.B. The City's proprietary fund is the Stigler Municipal Improvement Authority that accounts for the operation of the water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, and schedules for the expenditures of state and federal awards.

THE CITY AS A WHOLE

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities increased \$24,904.

Following is a summary of net position reported on a modified cash basis for the City of Stigler.

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The City of Stigler's Net Position (000's)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	2012		2013	2012		2013	2012	
Current assets	\$ 1,539	\$ 1,248	23%	\$ 499	\$ 765	-35%	\$ 2,038	\$ 2,013	1%
Total assets	<u>1,539</u>	<u>1,248</u>	23%	<u>499</u>	<u>765</u>	-35%	<u>2,038</u>	<u>2,013</u>	1%
Current liabilities	1	-	100%	4	5	0%	5	5	0%
Total liabilities	<u>1</u>	<u>-</u>	100%	<u>4</u>	<u>5</u>	0%	<u>5</u>	<u>5</u>	0%
Net position									
Restricted	1,007	575	75%	-	-	-	1,007	575	75%
Unrestricted	531	673	-21%	495	760	0%	1,026	1,433	28%
Total net position	<u>\$ 1,538</u>	<u>\$ 1,248</u>	23%	<u>\$ 495</u>	<u>\$ 760</u>	0%	<u>\$ 2,033</u>	<u>\$ 2,008</u>	1%

A portion of the City's net position, \$1,007,165, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,025,749, may be used to meet the government's ongoing needs.

**The City of Stigler's Revenues, Expenses and Changes in Net Position
(Modified Cash Basis) (000's)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	2012		2013	2012		2013	2012	
Revenues									
Charges for service	\$ 167	\$ 182	-8%	\$ 1,024	\$ 996	3%	\$ 1,191	\$ 1,178	1%
Operating grants and contributions	41	58	-29%	-	-	-	41	58	-29%
Capital grants and contributions	229	584	-61%	-	-	-	229	584	-61%
Taxes	1,935	1,900	2%	-	-	-	1,935	1,900	2%
Intergovernmental revenue	90	90	-	-	-	-	90	90	-
Investment income	3	9	-67%	-	4	-100%	3	13	-77%
Miscellaneous	102	211	-52%	85	61	39%	187	272	-31%
Total revenues	<u>2,567</u>	<u>3,034</u>	-15%	<u>1,109</u>	<u>1,061</u>	5%	<u>3,676</u>	<u>4,095</u>	-10%
Expenses									
General government	811	1,159	-30%	-	-	-	811	1,159	-30%
Public safety	887	842	5%	-	-	-	887	842	5%
Streets	344	337	2%	-	-	-	344	337	2%
Culture, parks and recreation	47	83	-43%	-	-	-	47	83	-43%
Health and Welfare	46	49	-6%	-	-	-	46	49	-6%
Economic development	36	34	6%	-	-	-	36	34	6%
Airport	92	563	-84%	-	-	-	92	563	-84%
Principal on long-term debt	21	11	91%	-	-	-	21	11	91%
Interest on long-term debt	2	3	-33%	-	-	-	2	3	-33%
Water	-	-	-	549	764	-28%	549	764	-28%
Sewer	-	-	-	497	-	100%	497	-	100%
Sanitation	-	-	-	319	299	7%	319	299	7%
Total expenses	<u>2,286</u>	<u>3,081</u>	-26%	<u>1,365</u>	<u>1,063</u>	28%	<u>3,651</u>	<u>4,144</u>	-12%
Excess (deficiency) before transfers	281	(47)	-608%	(256)	(2)	12,700%	25	(49)	-151%
Transfers	9	-	100%	(9)	-	-100%	-	-	-
Change in net position	<u>290</u>	<u>(47)</u>	-717%	<u>(265)</u>	<u>(2)</u>	13,150%	<u>25</u>	<u>(49)</u>	-151%
Beginning net position	1,248	1,295	-4%	760	762	0%	2,008	2,057	-2%
Ending net position	<u>\$ 1,538</u>	<u>\$ 1,248</u>	23%	<u>\$ 495</u>	<u>\$ 760</u>	-35%	<u>\$ 2,033</u>	<u>\$ 2,008</u>	1%

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Governmental Activities

The City's governmental activities had an increase in net position of \$289,800. This increase is due in large part to a decrease in airport expenses of \$470,551 from the prior year. The decrease in health and welfare is due in large part to a decrease of \$8,377 of operating grants and contributions from the prior year.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	2012		2013	2012	
General government	\$ 811	\$ 1,159	-30%	(\$700)	(\$1,154)	-39%
Public safety	887	842	5%	(717)	(648)	11%
Streets	344	337	2%	(344)	(237)	45%
Culture, parks and recreation	47	83	-43%	(42)	(77)	-46%
Health and welfare	46	49	-6%	(9)	(4)	126%
Economic development	36	34	6%	(36)	(34)	6%
Airport	92	563	-84%	22	(89)	-124%
Principal on long-term debt	21	11	91%	(21)	(11)	91%
Interest on long-term debt	2	3	-33%	(2)	(3)	-33%
Total	\$ 2,286	\$ 3,081	-26%	(\$1,849)	(\$2,257)	-18%

Business-type Activities

The business-type activities had a decrease in net position of \$264,896. The increase in net expense of service for water and sewer is primarily attributable to an increase in sewer engineering and consulting fees of \$268,722 for the new Wastewater Treatment facility project. The city separated the departmental expenses for water and sewer in the current year. The increase in expense for sanitation is the result of a \$15,000 purchase of a trash truck.

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2013	2012		2013	2012	
Water	\$ 549	\$ 764	-28%	\$ (66)	\$ (64)	3%
Sewer	497	-	100%	(273)	-	-100%
Sanitation	319	299	7%	(2)	(4)	-50%
Total	\$ 1,365	\$ 1,063	28%	\$ (341)	\$ (68)	401%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$1,538,067.

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Other fund highlights include:

- For the year ended June 30, 2013, the General Fund's total fund balance increased by \$287,074, or 23.2%. The increase is due in large part to the decrease in airport project expenditures when compared to the prior year.
- For the year ended June 30, 2013, the General Fund's fund balance classifications were as follows:

Fund Balance Classification:	
Restricted for:	
Capital improvements	438,173
Cemetery	9,207
Public safety	10,505
Streets	183,230
Economic development	256,921
E911	25,005
Assigned to:	
Cemetery	11,514
Future budgetary purposes	516,698
Total General Fund Balance Classifications	\$ 1,451,253

General Fund Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues over final estimates by \$87,758 or a 3.8% positive variance. General Fund actual expenditures were under final appropriations by \$730,296 or a 25.6% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2014 budget is consistent to prior years.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 115 S. Broadway, Stigler, Oklahoma 74462 or telephone at 918-967-2164.

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position (Modified Cash Basis) – June 30, 2013

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Stigler Industrial</u>
	<u>Activities</u>	<u>Activities</u>		<u>Development</u>
				<u>Authority</u>
ASSETS				
Cash and cash equivalents	\$ 1,047,812	\$ 494,420	\$ 1,542,232	\$ 56,189
Investments	490,907	5,000	495,907	47,105
Total Assets	<u>1,538,719</u>	<u>499,420</u>	<u>2,038,139</u>	<u>103,294</u>
LIABILITIES				
Due to depositors	-	4,573	4,573	-
Due to bondholders	652	-	652	-
Total liabilities	<u>652</u>	<u>4,573</u>	<u>5,225</u>	<u>-</u>
NET POSITION				
Restricted for:				
Capital Improvements	438,173	-	438,173	-
Cemetery	9,207	-	9,207	-
Public Safety	10,505	-	10,505	-
Streets	183,230	-	183,230	-
Culture and Recreation	25,005	-	25,005	-
Economic Development	256,921	-	256,921	-
E911	84,124	-	84,124	-
Unrestricted	530,902	494,847	1,025,749	103,294
Total net position	<u>\$ 1,538,067</u>	<u>\$ 494,847</u>	<u>\$ 2,032,914</u>	<u>\$ 103,294</u>

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit Stigler Industrial Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 810,960	4,807	\$ -	\$ 105,950	\$ (700,203)	\$ -	\$ (700,203)	\$ -
Public Safety	887,043	156,424	4,484	8,911	(717,224)	-	(717,224)	-
Streets	344,052	-	-	-	(344,052)	-	(344,052)	-
Culture and Recreation	47,008	5,476	-	-	(41,532)	-	(41,532)	-
Health and Welfare	45,527	-	36,484	-	(9,043)	-	(9,043)	-
Economic Development	35,976	-	-	-	(35,976)	-	(35,976)	-
Airport	92,002	-	-	113,662	21,660	-	21,660	-
Principal on Long-term debt	20,679	-	-	-	(20,679)	-	(20,679)	-
Interest on Long-term debt	2,276	-	-	-	(2,276)	-	(2,276)	-
Total governmental activities	2,285,523	166,707	40,968	228,523	(1,849,325)	-	(1,849,325)	-
Business-type activities:								
Water	549,335	483,134	-	-	-	(66,201)	(66,201)	-
Sewer	497,124	224,082	-	-	-	(273,042)	(273,042)	-
Sanitation	318,662	316,362	-	-	-	(2,300)	(2,300)	-
Total business-type activities	1,365,121	1,023,578	-	-	-	(341,543)	(341,543)	-
Total primary government	3,650,644	1,190,285	40,968	228,523	(1,849,325)	(341,543)	(2,190,868)	-
Component Units								
Industrial development authority	1,400	4,200	-	-	-	-	-	2,800
Total component units	1,400	4,200	-	-	-	-	-	2,800
General revenues:								
Taxes:								
Sales and use taxes					\$ 1,867,147	\$ -	\$ 1,867,147	-
Franchise taxes and public service taxes					78,082	-	78,082	-
Intergovernmental revenue not restricted to specific programs					90,098	-	90,098	-
Unrestricted investment earnings					3,600	400	4,000	222
Miscellaneous					101,678	84,767	186,445	-
Transfers					8,520	(8,520)	-	-
Total general revenues and transfers					2,139,125	76,647	2,215,772	222
Change in net position					289,800	(264,896)	24,904	3,022
Net position - beginning					1,248,267	759,743	2,008,010	100,272
Net position - ending					\$ 1,538,067	\$ 494,847	\$ 2,032,914	\$ 103,294

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,025,618	\$ 22,194	\$ 1,047,812
Investments	426,287	64,620	490,907
Total assets	<u>1,451,905</u>	<u>86,814</u>	<u>1,538,719</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to bondholders	<u>652</u>	<u>-</u>	<u>652</u>
Total liabilities	<u>652</u>	<u>-</u>	<u>652</u>
Fund balances:			
Restricted for:			
Capital improvements	438,173	-	438,173
Cemetery	9,207	-	9,207
Public safety	10,505	-	10,505
Streets	183,230	-	183,230
Economic development	256,921	-	256,921
Culture and recreation	25,005	-	25,005
E911	-	84,124	84,124
Assigned to:			
Cemetery	11,514	-	11,514
E911	-	2,690	2,690
Fiscal year 2014 budget	516,698	-	516,698
Total fund balances	<u>1,451,253</u>	<u>86,814</u>	<u>1,538,067</u>
Total liabilities and fund balances	<u>\$ 1,451,905</u>	<u>\$ 86,814</u>	<u>\$ 1,538,719</u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,935,229	\$ -	\$ 1,935,229
Intergovernmental	217,155	36,484	253,639
Charges for services	9,355	117,677	127,032
Fees and fines	34,868	-	34,868
Licenses and permits	4,807	-	4,807
Investment earnings	3,116	484	3,600
Miscellaneous	207,628	-	207,628
Total revenues	<u>2,412,158</u>	<u>154,645</u>	<u>2,566,803</u>
EXPENDITURES			
Current:			
General government	669,964	-	669,964
Public Safety	765,858	-	765,858
Public Works	285,956	-	285,956
Culture and recreation	42,820	-	42,820
Economic development	15,976	-	15,976
E911	-	115,435	115,435
Nutrition	-	45,527	45,527
Capital Outlay	321,032	-	321,032
Debt Service:			
Principal	20,679	-	20,679
Interest and other charges	2,276	-	2,276
Total Expenditures	<u>2,124,561</u>	<u>160,962</u>	<u>2,285,523</u>
Excess (deficiency) of revenues over expenditures	<u>287,597</u>	<u>(6,317)</u>	<u>281,280</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	9,043	9,043
Transfers out	(523)	-	(523)
Total other financing sources and uses	<u>(523)</u>	<u>9,043</u>	<u>8,520</u>
Net change in fund balances	287,074	2,726	289,800
Fund balances - beginning	1,164,179	84,088	1,248,267
Fund balances - ending	<u>\$ 1,451,253</u>	<u>\$ 86,814</u>	<u>\$ 1,538,067</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Type Enterprise Fund Statement of Net Position (Modified Cash Basis) -- June 30, 2013

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 494,420
Investments	427
Restricted:	
Investments	4,573
Total assets	499,420
LIABILITIES	
Current Liabilities:	
Due to depositors	4,573
Total liabilities	4,573
NET POSITION	
Unrestricted	494,847
Total net position	\$ 494,847

See accompanying notes to the basic financial statements.

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Proprietary Type Enterprise Fund Statement of Revenues, Expenses and Changes in Net Position
(Modified Cash Basis) – Year Ended June 30, 2013

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
REVENUES	
Water	\$ 458,123
Sewer	210,701
Sanitation	279,466
Penalties	18,661
Water taps	7,950
Sewer taps	5,700
Reconnect fees	4,250
Connect fees	10,582
Transfer station	26,708
Miscellaneous	1,437
Total Operating Revenues	1,023,578
OPERATING EXPENSES	
Water	410,291
Sewer	482,388
Sanitation collection	200,463
Transfer station	86,707
Administration	43,964
Total Operating Expenses	1,223,813
Operating income (loss)	(200,235)
NON-OPERATING REVENUES (EXPENSES)	
Capital outlay	(141,308)
Interest and investment revenue	400
Rental Income	53,242
OEPIC insurance reimbursement	31,525
Total non-operating revenue (expenses)	(56,141)
Income (loss) before contributions and transfers	(256,376)
Transfers out	(8,520)
Change in net position	(264,896)
Total net position - beginning	759,743
Total net position - ending	\$ 494,847

See accompanying notes to the basic financial statements.

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Proprietary Type Enterprise Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,108,345
Payments to suppliers	(734,561)
Payments to employees	(489,252)
Refunds of customer meter deposits	(150)
Net cash provided by (used in) operating activities	(115,618)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(141,308)
Net cash provided by (used in) capital and related financing activities	(141,308)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	400
Net cash provided by investing activities	400
Net increase (decrease) in cash and cash equivalents	(265,046)
Balances - beginning of year	759,466
Balances - end of year	\$ 494,420
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	494,420
Total cash and cash equivalents, end of year	494,420
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (200,235)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Miscellaneous revenue	84,767
Change in assets and liabilities:	
Deposits subject to refund	(150)
Net cash provided by (used in) operating activities	\$ (115,618)

See accompanying notes to the basic financial statements.

**CITY OF STIGLER, OKLAHOMA
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STIGLER, OKLAHOMA
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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*", as amended by Statement 61, that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City's financial reporting entity includes two separate legal entities reported as the primary government and one discretely component unit.

- **The City of Stigler** – operates the public safety, cemetery, streets, health and welfare, culture and recreation, and administrative activities of the City, governed by the City Council.
- **The Stigler Municipal Improvement Authority** – that operates the water, sewer, and sanitation services of the City through a public trust of which the City is the beneficiary. The City Council serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the City Council (reported as a blended component unit enterprise fund).
- **The Stigler Industrial Development Authority** – operates the industrial development services of the City, governed by the trustees who are appointed by the City Council (reported as a discretely presented component unit).

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

- cash-based interfund receivables and payables
- other cash-based receivables/payables

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- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as capital assets and related depreciation, accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as long-term debt, accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

- **General government:** License and permits, rents and royalties and fire subscriptions
- **Public safety:** Fine revenue and operating grants
- **Streets and highways:** Gas excise and commercial vehicle taxes
- **Culture and recreation:** Swimming pool fees and concessions
- **Health and welfare:** Operating grants
- **Economic development:** Operating grants
- **Airport:** Capital grant

Governmental Funds:

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

Major Funds:

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

Non-Major Funds:

- Nutrition Fund - accounts for revenues and expenditures of various nutrition grants per grant agreement requirements
- E911 Fund – accounts for E-911 revenues legally restricted for E-911 services

The City reports the General Fund as a major fund, all other governmental funds are considered nonmajor and are reported in the Other Governmental Funds column.

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

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Proprietary Fund:

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

- Stigler Municipal Improvement Authority (SMIA) – accounts for the operation of the water, sewer, and sanitation activities

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

C. Cash, Cash Equivalents, and Investments

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

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

E. Fund Balances and Net Position

Fund Balance:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

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

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

Equity is classified as net position and displayed in two components:

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

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

F. Internal and Interfund Balances and Transfers

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

G. New Accounting Pronouncements

The city implemented the following accounting standards during fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This had no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus – This had no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – A few sentences were removed from "Section B – Proprietary Funds" note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position – The only change required from the implementation of this statement is the removal of the Statement of Net Assets, while replacing it with a Statement of Net Position.

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Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – this had no impact on the city’s financial report.

2. Cash, Cash Equivalents and Investments

For the year ended June 30, 2013, the City recognized \$4,000 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

At June 30, 2013, the primary government held the following deposits and investments:

Primary Government:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 1,541,632
Cash on hand	600
Time deposit - certificates of deposit	495,907
Total deposits and investments	\$ 2,038,139
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,542,232
Investments	495,907
	\$ 2,038,139
 <u>Component Unit:</u>	
Cash and cash equivalents	\$ 56,189
Investments	47,105
	\$ 103,294

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

As of June 30, 2013, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposit will mature within the next 12 months.

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

As of June 30, 2013, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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

Restricted cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for the following:

	Current
	Investments
Meter deposits	\$ 4,573

3. Sales Tax Revenue

Voter approved restricted sales tax revenue per ordinance #180 represents a 3 cent local tax on each dollar of taxable sales within the City. One cent is voter-restricted in accordance with City Ordinance. The entire 3 cents is recorded in the General Fund, 2 cents for the purpose of general operations and the remaining 1 cent is restricted as follows:

Restricted for:	
Capital improvements	50% of 1 cent sales tax
Street & alley	37.5% of 1 cent sales tax
Economic development	12.5% of 1 cent sales tax

4. Property Tax Levy

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

5. Constrained Fund Balance – Governmental Funds:

The following table represents the various governmental fund balance constraints in place at June 30, 2013.

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	<u>General Fund</u>	<u>E-911 Fund</u>	<u>Total</u>
Fund Balance:			
Restricted for:			
Capital improvements	\$ 438,173	\$ -	\$ 438,173
Cemetery	9,207	-	9,207
Public Safety	10,505	-	10,505
Economic Development	256,921	-	256,921
Streets	183,230	-	183,230
Culture and Receptions	25,005	-	25,005
E911	-	84,124	\$ 84,124
Total Restricted Fund Balance	<u>923,041</u>	<u>84,124</u>	<u>1,007,165</u>
Assigned for:			
Cemetery	11,514	-	11,514
E-911	-	2,690	2,690
Future Budgetary Purposes	516,698	-	516,698
Total Assigned Fund Balance	<u>528,212</u>	<u>2,690</u>	<u>530,902</u>
Total Fund Balance	<u>\$ 1,451,253</u>	<u>\$ 86,814</u>	<u>\$ 1,538,067</u>

6. Internal and Interfund Balances and Transfers

Balances:

The City had no interfund receivables and payables at June 30, 2013.

Transfers:

Internal transfers between activities for the year ended June 30, 2013, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Nutrition Fund	523	Operating
Municipal Industrial Authority	Nutrition Fund	8,520	Grant fund matching
Total		<u>9,043</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	9,043	(523)	8,520
Proprietary Funds	-	(8,520)	(8,520)
	<u>9,043</u>	<u>(9,043)</u>	<u>-</u>

7. Risk Management

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

8. Pension Plan Participation

The City of Stigler participates in three pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Public Employees Retirement System (OPERS) – a statewide cost-sharing plan

Firefighter Pension System:

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

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

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

The OFPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2011	\$ 1,200	\$ 1,200
2012	\$ 1,200	\$ 1,200
2013	\$ 1,080	\$ 1,080

OPPRS:

Plan Summary Information. The City of Stigler, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers.

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The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd St., Suite 605
Oklahoma City, OK 73116-7335

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2011	\$ 30,053	\$ 30,053
2012	\$ 30,957	\$ 30,957
2013	\$ 32,348	\$ 32,348

OPERS:

Plan Summary Information: The City has provided a defined contribution plan for all of its full-time employees with the exception of the fire department, through Oklahoma Public Employees Retirement System (OPERS). The City, as employer, contributes 12.5% of the employee's gross wages while the employees contribute 3.5%, with the exception of those employees electing to upgrade at a rate of 6.41%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For the year ended June 30, 2013, the City contributed \$145,352 to the plan, while the employee contributions totaled \$33,497.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

The OPERS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2011	\$ 127,815	\$ 127,815
2012	\$ 134,597	\$ 134,597
2013	\$ 145,352	\$ 145,352

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9. Commitments and Contingencies

Long-term Debt Commitments:

Governmental activities entered into a \$100,000 capital lease for the purchase of a street sweeper in October 2011. The capital lease has an outstanding balance of \$68,349 as of June 30, 2013.

Business-type activities long-term debt payable from net revenues generated by the utility resources pledged to the debt include the following:

Customer Deposits:

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable	\$	4,573
Total Deposits Payable	\$	4,573

Compensated Absences:

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013, is summarized as follows:

General Fund- Vacation leave	\$	365,664
SMIA- Vacation leave		27,016
Total Compensated Absences	\$	392,681

Litigation:

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

Federal and State Award Programs:

The City of Stigler participates in various federal or state grant/loan programs from year to year. In 2013, the City’s involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2013

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 530,980	\$ 530,980	\$ 1,164,179	\$ 633,199
REVENUES				
Taxes	1,897,600	1,897,600	1,935,229	37,629
Intergovernmental	292,850	292,850	217,155	(75,695)
Charges for services	52,500	52,500	9,355	(43,145)
Fees and fines	45,500	45,500	34,868	(10,632)
Licenses and permits	5,950	5,950	5,057	(893)
Investment earnings	8,000	8,000	3,116	(4,884)
Miscellaneous	22,000	22,000	207,378	185,378
Total revenues	<u>2,324,400</u>	<u>2,324,400</u>	<u>2,412,158</u>	<u>87,758</u>
Amounts available for appropriation	<u>2,855,380</u>	<u>2,855,380</u>	<u>3,576,337</u>	<u>720,957</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	727,907	727,907	673,633	54,274
Public Safety	805,290	805,290	771,608	33,682
Highways and Streets	447,085	447,085	344,052	103,033
Culture and Recreation	51,575	51,575	42,820	8,755
Capital Improvement	787,000	787,000	256,472	530,528
Economic development	36,000	36,000	35,976	24
Transfers out	523	523	523	-
Total Charges to Appropriations	<u>2,855,380</u>	<u>2,855,380</u>	<u>2,125,084</u>	<u>730,296</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,451,253</u>	<u>\$ 1,451,253</u>

Footnotes to Budgetary Comparison Schedule:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.

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Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2013

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total - Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 22,194	\$ 22,194
Investments	-	64,620	64,620
Total assets	<u>-</u>	<u>86,814</u>	<u>86,814</u>
Fund balances:			
Restricted for:			
E911	-	84,124	84,124
Assigned to:			
E911	-	2,690	2,690
Total fund balances	<u>-</u>	<u>86,814</u>	<u>86,814</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 86,814</u>	<u>\$ 86,814</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Funds (Modified Cash Basis) – Year Ended June 30, 2013

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 36,484	\$ -	\$ 36,484
Charges for services	-	117,677	117,677
Investment earnings	-	484	484
Total revenues	<u>36,484</u>	<u>118,161</u>	<u>154,645</u>
EXPENDITURES			
Current:			
E911	-	115,435	115,435
Nutrition	45,527	-	45,527
Total Expenditures	<u>45,527</u>	<u>115,435</u>	<u>160,962</u>
Excess (deficiency) of revenues over expenditures	<u>(9,043)</u>	<u>2,726</u>	<u>(6,317)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,043	-	9,043
Total other financing sources and uses	<u>9,043</u>	<u>-</u>	<u>9,043</u>
Net change in fund balances	-	2,726	2,726
Fund balances - beginning	-	84,088	84,088
Fund balances - ending	<u>\$ -</u>	<u>\$ 86,814</u>	<u>\$ 86,814</u>

**CITY OF STIGLER, OKLAHOMA
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Schedule of Expenditures of Federal Awards (Modified Cash Basis) Year Ended June 30, 2013

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Oklahoma Department of Human Services: Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	\$ 36,933	\$ 36,933
Total U.S. Department of Health and Human Services			<u>36,933</u>	<u>36,933</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Airport Improvement Grant	20.106	3-40-0115-007-2011	522,658	
Airport Improvement Grant	20.106	3-40-0115-008-2012	21,780	7,164
Airport Improvement Grant	20.106	3-40-0115-009-2012	49,500	43,205
Total U.S. Department of Transportation			<u>593,938</u>	<u>50,369</u>
TOTAL FEDERAL AWARDS			\$ 630,871	\$ 87,302

Schedule of Expenditures of State Awards (Modified Cash Basis) Year Ended June 30, 2013

STATE AWARDS

KIAMICHI ECONOMIC DEVELOPMENT DISTRICT (KEDDO):

Rural Fire Grant - Oklahoma Department of Agriculture	N/A	N/A	\$ 4,484	\$ 4,484
Total Kiamichi Economic Development District			<u>4,484</u>	<u>\$4,484</u>

OKLAHOMA DEPARTMENT OF COMMERCE:

Rural Economic Action Plan Funds	N/A	N/A	8,911	8,911
Total Oklahoma Department of Commerce			<u>8,911</u>	<u>8,911</u>
TOTAL STATE AWARDS			\$ 13,395	\$13,395

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INTERNAL CONTROL AND COMPLIANCE INFORMATION



Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 City Council of the
City of Stigler, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stigler, Oklahoma, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2014. Our report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Orledge & Associates, P.C.

January 21, 2014