



CITY OF STIGLER, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

THE CITY OF STIGLER, OKLAHOMA

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

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

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

TABLE OF CONTENTS

	Page
Independent Auditor’s Report on Financial Statements	5-6
Other Information - Management’s Discussion and Analysis	7-12
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	14
Statement of Activities (Modified Cash Basis).....	15
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances (MCB)	18
Proprietary Fund Financial Statements:	
Statement of Net Position (Modified Cash Basis)	20
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	21
Statement of Cash Flows (Modified Cash Basis).....	22
Footnotes to the Basic Financial Statements	23-34
Supplementary and Other Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis)– General Fund.....	36
Footnotes to Budgetary Comparison Schedule	36
Combining Non-Major Governmental Fund Statements	
Combining Balance Sheet (Modified Cash Basis).....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (MCB).....	37
Schedule of Expenditures of Federal Awards (Modified Cash Basis).....	38
Schedule of Expenditures of State Awards (Modified Cash Basis).....	38
Internal Control and Compliance Information:	
Independent Auditor’s Report on Internal Control and Compliance.....	41-42

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis 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, 2015, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 modified cash basis financial position 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, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining financial statements – modified cash basis, federal and state awards information, 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 financial statements – modified cash basis and federal and state awards information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the federal and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis and 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 October 28, 2015, 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.

Arledge & Associates, P.C.

October 28, 2015

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

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, 2015. 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 \$83,013 and the assets of the City exceed its liabilities at June 30, 2015, by \$1,937,095 (net position). Of this amount, \$863,041 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$1,222,048.
- At the end of fiscal year 2015, 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 2,685 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 Trusts, certain utility services including water, sewer, sanitation and industrial development.

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.
- **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 (reported as a blended component unit).

- **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 Council. 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 using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the 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, combining and individual financial statements and schedules, and schedules for the expenditures of state and federal awards.

THE CITY AS A WHOLE

For the year ended June 30, 2015, net position on a modified cash basis for the governmental and business-type activities increased \$83,013.

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

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

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Current assets	\$ 1,223	\$ 1,379	-11%	\$ 719	\$ 480	50%	\$ 1,942	\$ 1,859	4%
Total assets	<u>1,223</u>	<u>1,379</u>	-11%	<u>719</u>	<u>480</u>	50%	<u>1,942</u>	<u>1,859</u>	4%
Current liabilities	1	1	-	4	4	-	5	5	-
Total liabilities	<u>1</u>	<u>1</u>	-	<u>4</u>	<u>4</u>	-	<u>5</u>	<u>5</u>	-
Net position									
Restricted	1,074	1,048	2%	-	-	-	1,074	1,048	2%
Unrestricted	148	330	-55%	715	476	50%	863	806	7%
Total net position	<u>\$ 1,222</u>	<u>\$ 1,378</u>	-11%	<u>\$ 715</u>	<u>\$ 476</u>	50%	<u>\$ 1,937</u>	<u>\$ 1,854</u>	4%

A portion of the City's net position, \$1,074,054, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$863,041, 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.)
	2015	2014		2015	2014		2015	2014	
Revenues									
Charges for service	\$ 165	\$ 161	2%	\$ 1,288	\$ 1,210	6%	\$ 1,453	\$ 1,371	6%
Operating grants and contributions	49	47	4%	-	-	-	49	47	4%
Capital grants and contributions	43	6	617%	66	185	-64%	109	191	-43%
Taxes	1,999	1,957	2%	-	-	-	1,999	1,957	2%
Intergovernmental revenue	96	90	7%	-	-	-	96	90	7%
Investment income	3	3	-	-	-	-	3	3	-
Miscellaneous	71	105	-32%	47	73	-36%	118	178	-34%
Total revenues	<u>2,426</u>	<u>2,369</u>	2%	<u>1,401</u>	<u>1,468</u>	-5%	<u>3,827</u>	<u>3,837</u>	-1%
Expenses									
General government	766	773	-1%	-	-	-	766	773	-1%
Public safety	1,001	966	4%	-	-	-	1,001	966	4%
Streets	555	368	51%	-	-	-	555	368	51%
Culture, parks and recreation	75	60	25%	-	-	-	75	60	25%
Health and Welfare	48	48	0%	-	-	-	48	48	-
Economic development	64	34	88%	-	-	-	64	34	88%
Principal on long-term debt	21	20	5%	-	-	-	21	20	5%
Interest on long-term debt	1	2	-50%	-	-	-	1	2	-50%
Water	-	-	-	510	1,030	-50%	510	1,030	-50%
Sewer	-	-	-	342	371	-8%	342	371	-8%
Sanitation	-	-	-	361	344	5%	361	344	5%
Total expenses	<u>2,531</u>	<u>2,271</u>	11%	<u>1,213</u>	<u>1,745</u>	-30%	<u>3,744</u>	<u>4,016</u>	-7%
Excess (deficiency) before transfers	(105)	98	-207%	188	(277)	-168%	83	(179)	-146%
Transfers	(51)	(258)	-80%	51	258	80%	-	-	-
Change in net position	(156)	(160)	-3%	239	(19)	-1358%	83	(179)	-146%
Beginning net position	1,378	1,538	-10%	476	495	-4%	1,854	2,033	-9%
Ending net position	<u>\$ 1,222</u>	<u>\$ 1,378</u>	-11%	<u>\$ 715</u>	<u>\$ 476</u>	50%	<u>\$ 1,937</u>	<u>\$ 1,854</u>	4%

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

Governmental Activities

The City's governmental activities had a decrease in net position of \$155,928. This decrease is due in large part to a transfer of water capital expenses of \$55,700 at the government-wide level and an increase in economic development expenses of \$29,972 in personal services.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	\$ 766	\$ 773	-1%	(\$723)	(\$763)	-5%
Public safety	1,001	966	4%	(834)	(809)	3%
Streets	555	368	51%	(555)	(368)	51%
Culture, parks and recreation	75	60	25%	(71)	(57)	25%
Health and welfare	48	48	0%	(4)	(5)	-20%
Economic development	64	34	88%	(64)	(34)	88%
Principal on long-term debt	21	20	5%	(20)	(20)	-
Interest on long-term debt	1	2	-50%	(1)	(2)	-50%
Total	\$ 2,531	\$ 2,271	11%	(\$2,273)	(\$2,058)	10%

Business-type Activities

The business-type activities had an increase in net position of \$238,941. The decrease in net expense of service for water is primarily attributable to a decrease in water capital expenses for the new Water System project from the prior year. The decrease in net expense for sewer is due in part to receipt of a USDA Rural Utility Services grant in the amount of \$50,805 in the current year and a decrease in sewer expenses of \$28,569.

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Water	\$ 510	\$ 1,030	-50%	\$ (43)	\$ (335)	-87%
Sewer	342	371	-8%	182	(29)	-728%
Sanitation	361	344	5%	2	15	-87%
Total	\$ 1,213	\$ 1,745	-30%	\$ 141	\$ (349)	-140%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$1,222,048.

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

Other fund highlights include:

- For the year ended June 30, 2015, the General Fund’s total fund balance decreased by \$153,356, or 12%. The decrease is due in large part to a Department of Commerce grant received in the prior year of \$185,000.
- For the year ended June 30, 2015, the General Fund’s fund balance classifications were as follows:

Fund Balance Classification:	
Restricted for:	
Capital improvements	\$ 392,609
Cemetery	1,644
Public safety	10,415
Streets	283,215
Economic development	310,924
Assigned to:	
Cemetery	22,013
Future budgetary purposes	122,502
Total General Fund Balance Classifications	<u>\$ 1,143,322</u>

General Fund Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues under final estimates by \$600,798 or a 21% negative variance. General Fund actual expenditures were under final appropriations by \$1,181,347 or a 49% positive variance. The differences in revenues and expenditures was due to the airport project, which was budgeted for \$765,000, not being completed at year end.

ECONOMIC FACTORS AND NEXT YEAR’S ESTIMATES

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

- The FY 2016 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.

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

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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

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

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Stigler Industrial</u> <u>Development</u> <u>Authority</u>
ASSETS				
Cash and cash equivalents	\$ 730,017	\$ 714,352	\$ 1,444,369	\$ 54,609
Investments	492,757	5,000	497,757	47,281
Total Assets	<u>1,222,774</u>	<u>719,352</u>	<u>1,942,126</u>	<u>101,890</u>
LIABILITIES				
Due to depositors	-	4,305	4,305	-
Due to bondholders	726	-	726	-
Total liabilities	<u>726</u>	<u>4,305</u>	<u>5,031</u>	<u>-</u>
NET POSITION				
Restricted for:				
Capital Improvements	392,609	-	392,609	-
Cemetery	1,644	-	1,644	-
Public Safety	10,415	-	10,415	-
Streets	283,215	-	283,215	-
Economic Development	310,924	-	310,924	-
E911	75,247	-	75,247	-
Unrestricted	147,994	715,047	863,041	101,890
Total net position	<u>\$ 1,222,048</u>	<u>\$ 715,047</u>	<u>\$ 1,937,095</u>	<u>\$ 101,890</u>

See accompanying notes to the basic financial statements.

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

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants, Loan Proceeds and Contributions	Governmental Activities	Business-type Activities	Total	Stigler Industrial Development Authority
Primary government								
Governmental Activities								
General government	\$ 765,741	\$ 4,274	\$ -	\$ 38,111	\$ (723,356)	\$ -	\$ (723,356)	\$ -
Public safety	1,001,203	156,762	4,984	5,290	(834,167)	-	(834,167)	-
Streets	554,913	-	-	-	(554,913)	-	(554,913)	-
Culture and recreation	75,050	3,917	-	-	(71,133)	-	(71,133)	-
Health and welfare	48,206	-	43,807	-	(4,399)	-	(4,399)	-
Economic development	64,203	-	-	-	(64,203)	-	(64,203)	-
Principal on long-term debt	20,296	-	-	-	(20,296)	-	(20,296)	-
Interest on long-term debt	1,199	-	-	-	(1,199)	-	(1,199)	-
Total governmental activities	<u>2,530,811</u>	<u>164,953</u>	<u>48,791</u>	<u>43,401</u>	<u>(2,273,666)</u>	<u>-</u>	<u>(2,273,666)</u>	<u>-</u>
Business-type activities:								
Water	510,274	452,075	-	15,000	-	(43,199)	(43,199)	-
Sewer	342,279	473,198	-	51,034	-	181,953	181,953	-
Sanitation	361,254	362,907	-	-	-	1,653	1,653	-
Total business-type activities	<u>1,213,807</u>	<u>1,288,180</u>	<u>-</u>	<u>66,034</u>	<u>-</u>	<u>140,407</u>	<u>140,407</u>	<u>-</u>
Total primary government	<u>3,744,618</u>	<u>1,453,133</u>	<u>48,791</u>	<u>109,435</u>	<u>(2,273,666)</u>	<u>140,407</u>	<u>(2,133,259)</u>	<u>-</u>
Component Units								
Industrial development authority	9,018	4,200	-	-	-	-	-	(4,818)
Total component units	<u>9,018</u>	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,818)</u>
General revenues:								
Taxes:								
Sales and use taxes					\$ 1,922,962	\$ -	\$ 1,922,962	-
Franchise taxes and public service taxes					76,564	-	76,564	-
Intergovernmental revenue not restricted to specific programs					95,731	-	95,731	-
Unrestricted investment earnings					2,870	350	3,220	140
Miscellaneous					71,051	46,744	117,795	-
Transfers					(51,440)	51,440	-	-
Total general revenues and transfers					<u>2,117,738</u>	<u>98,534</u>	<u>2,216,272</u>	<u>140</u>
Change in net position					(155,928)	238,941	83,013	(4,678)
Net position - beginning					1,377,976	476,106	1,854,082	106,568
Net position - ending					<u>\$ 1,222,048</u>	<u>\$ 715,047</u>	<u>\$ 1,937,095</u>	<u>\$ 101,890</u>

See accompanying notes to the basic financial statements.

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

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 716,527	\$ 13,490	\$ 730,017
Investments	427,521	65,236	492,757
Total assets	1,144,048	78,726	1,222,774
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to bondholders	726	-	726
Total liabilities	726	-	726
Fund balances:			
Restricted for:			
Capital improvements	392,609	-	392,609
Cemetery	1,644	-	1,644
Public safety	10,415	-	10,415
Streets	283,215	-	283,215
Economic development	310,924	-	310,924
E911	-	75,247	75,247
Assigned to:			
Cemetery	22,013	-	22,013
E911	-	3,479	3,479
Fiscal year 2016 budget	122,502	-	122,502
Total fund balances	1,143,322	78,726	1,222,048
Total liabilities and fund balances	\$ 1,144,048	\$ 78,726	\$ 1,222,774

See accompanying notes to the basic financial statements.

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

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,999,526	\$ -	\$ 1,999,526
Intergovernmental	158,616	43,807	202,423
Charges for services	5,204	119,063	124,267
Fees and fines	36,412	-	36,412
Licenses and permits	4,274	-	4,274
Investment earnings	2,499	371	2,870
Miscellaneous	71,551	-	71,551
Total revenues	<u>2,278,082</u>	<u>163,241</u>	<u>2,441,323</u>
EXPENDITURES			
Current:			
General government	714,771	-	714,771
Public Safety	838,051	-	838,051
Public Works	315,345	-	315,345
Culture and recreation	48,877	-	48,877
Economic development	43,453	-	43,453
E911	-	121,063	121,063
Nutrition	-	48,206	48,206
Capital Outlay	449,307	943	450,250
Debt Service:			
Principal	20,296	-	20,296
Interest and other charges	1,199	-	1,199
Total Expenditures	<u>2,431,299</u>	<u>170,212</u>	<u>2,601,511</u>
Excess (deficiency) of revenues over expenditures	<u>(153,217)</u>	<u>(6,971)</u>	<u>(160,188)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	4,399	4,399
Transfers out	(139)	-	(139)
Total other financing sources and uses	<u>(139)</u>	<u>4,399</u>	<u>4,260</u>
Net change in fund balances	(153,356)	(2,572)	(155,928)
Fund balances - beginning	1,296,678	81,298	1,377,976
Fund balances - ending	<u>\$ 1,143,322</u>	<u>\$ 78,726</u>	<u>\$ 1,222,048</u>

See accompanying notes to the basic financial statements.

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

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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

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

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 714,352
Investments	695
Restricted:	
Investments	<u>4,305</u>
Total assets	<u>719,352</u>
LIABILITIES	
Current Liabilities:	
Due to depositors	<u>4,305</u>
Total liabilities	<u>4,305</u>
NET POSITION	
Unrestricted	<u>715,047</u>
Total net position	<u><u>\$ 715,047</u></u>

See accompanying notes to the basic financial statements.

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

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

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
REVENUES	
Water	\$ 434,912
Sewer	454,423
Sanitation	327,230
Penalties	24,933
Water taps	3,500
Sewer taps	4,500
Reconnect fees	3,975
Connect fees	8,950
Transfer station	25,397
Miscellaneous	360
Total Operating Revenues	1,288,180
OPERATING EXPENSES	
Water	406,319
Sewer	299,473
Sanitation collection	207,814
Transfer station	129,042
Administration	54,550
Total Operating Expenses	1,097,198
Operating income	190,982
NON-OPERATING REVENUES (EXPENSES)	
Capital outlay	(45,909)
Interest and investment revenue	350
Rental Income	43,150
Loan Proceeds	51,034
OEPIIC insurance reimbursement	3,594
Total non-operating revenue (expenses)	52,219
Income before transfers	243,201
Transfers out	(4,260)
Change in net position	238,941
Total net position - beginning	476,106
Total net position - ending	\$ 715,047

See accompanying notes to the basic financial statements.

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

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

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,334,924
Payments to suppliers	(592,763)
Payments to employees	(504,470)
Refunds of customer meter deposits	(75)
Net cash provided by operating activities	237,616
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(4,260)
Net cash provided by (used in) noncapital financing activities	(4,260)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(45,909)
Proceeds from debt	51,034
Net cash provided by (used in) capital and related financing activities	5,125
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	350
Net cash provided by investing activities	350
Net increase in cash and cash equivalents	238,831
Balances - beginning of year	475,521
Balances - end of year	\$ 714,352
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	714,352
Total cash and cash equivalents, end of year	714,352
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 190,982
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	46,744
Change in assets and liabilities:	
Miscellaneous payroll liabilities	(35)
Deposits subject to refund	(75)
Net cash provided by operating activities	\$ 237,616

See accompanying notes to the basic financial statements.

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 presented 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
- investments
- utility deposit liabilities

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

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.

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.

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

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.

Net position is displayed in two components:

- a. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws 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.

2. Cash, Cash Equivalents and Investments

For the year ended June 30, 2015, the City recognized \$3,220 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.

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

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

Primary Government:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 1,443,769
Cash on hand	600
Time deposit - certificates of deposit	497,757
Total deposits and investments	\$ 1,942,126
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,444,369
Investments	497,757
	\$ 1,942,126
 <u>Component Unit:</u>	
Cash and cash equivalents	\$ 54,609
Investments	47,281
	\$ 101,890

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, 2015, 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.

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.

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

As of June 30, 2015, 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	\$ 4,305

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. Fund Balance – Governmental Funds:

The following table represents the various governmental fund balance constraints that were in place at June 30, 2015.

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

	<u>General Fund</u>	<u>E-911 Fund</u>	<u>Total</u>
Fund Balance:			
Restricted for:			
Capital improvements	\$ 392,609	\$ -	\$ 392,609
Cemetery	1,644	-	1,644
Public safety	10,415	-	10,415
Economic development	310,924	-	310,924
Streets	283,215	-	283,215
E911	-	75,247	75,247
Total restricted fund balance	<u>998,807</u>	<u>75,247</u>	<u>1,074,054</u>
Assigned for:			
Cemetery	22,013	-	22,013
E-911	-	3,479	3,479
Future budgetary purposes	122,502	-	122,502
Total assigned fund balance	<u>144,515</u>	<u>3,479</u>	<u>147,994</u>
Total fund balance	<u>\$ 1,143,322</u>	<u>\$ 78,726</u>	<u>\$ 1,222,048</u>

6. Internal and Interfund Balances and Transfers

Balances:

The City had no interfund receivables and payables at June 30, 2015.

Transfers:

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Nutrition Fund	139	Operating
Municipal Improvement Authority	Nutrition Fund	4,260	Grant fund matching
Total		<u>4,399</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	4,399	(139)	4,260
Proprietary Funds	-	(4,260)	(4,260)
	<u>4,399</u>	<u>(4,399)</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net transfer	4,260
Business-type capital outlay activity recorded in governmental funds	<u>(55,700)</u>
Transfers - internal activity	<u>(51,440)</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
2013	\$ 1,080	\$ 1,080
2014	\$ 1,200	\$ 1,200
2015	\$ 1,200	\$ 1,200

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

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.

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
2013	\$ 32,348	\$ 32,348
2014	\$ 32,160	\$ 32,160
2015	\$ 32,202	\$ 32,202

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 and police department, through Oklahoma Public Employees Retirement System (OPERS). The City, as employer, contributes 16.5% 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, 2015, the City contributed \$149,623 to the plan, while the employee contributions totaled \$34,516.

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
2013	\$ 145,352	\$ 145,352
2014	\$ 140,999	\$ 140,999
2015	\$ 149,623	\$ 149,623

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

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 \$28,365 as of June 30, 2015.

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

Notes Payable:

2015 note payable to USDA for wastewater utility improvements, original amount of \$4,991,000, with current year drawdown of \$41,034, payable in monthly installments of \$15,473 with interest at 2.125%, final payment due May 2055.	\$ 41,034
2015 note payable to USDA for wastewater utility improvements, original amount of \$649,000, with current year drawdown of \$10,000, payable in monthly installments of \$2,012 with interest at 2.125%, final payment due May 2055.	\$ 10,000
Total Notes Payable	<u>\$ 51,034</u>

Customer Deposits:

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable	\$ 4,305
Total Deposits Payable	<u>\$ 4,305</u>

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, 2015, is summarized as follows:

General Fund- Vacation leave	\$ 105,333
SMIA- Vacation leave	<u>22,072</u>
Total Compensated Absences	<u>\$ 127,405</u>

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

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

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

SUPPLEMENTARY AND OTHER INFORMATION

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

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

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 717,855	\$ 733,905	\$ 1,296,678	\$ 562,773
REVENUES				
Taxes	1,925,000	1,925,000	1,999,526	74,526
Intergovernmental	859,200	859,200	158,616	(700,584)
Charges for services	7,500	7,500	5,204	(2,296)
Fees and fines	30,100	30,100	36,412	6,312
Licenses and permits	4,280	4,280	4,274	(6)
Investment earnings	2,850	2,850	2,499	(351)
Miscellaneous	49,950	49,950	71,551	21,601
Total revenues	<u>2,878,880</u>	<u>2,878,880</u>	<u>2,278,082</u>	<u>(600,798)</u>
Amounts available for appropriation	<u>3,596,735</u>	<u>3,612,785</u>	<u>3,574,760</u>	<u>(38,025)</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	860,985	860,846	730,507	130,339
Public Safety	864,140	864,140	843,603	20,537
Highways and Streets	486,100	486,100	362,940	123,160
Culture and Recreation	51,885	51,885	48,877	3,008
Capital Improvement	1,285,000	1,285,000	381,169	903,831
Economic development	48,625	64,675	64,203	472
Transfers out	-	139	139	-
Total Charges to Appropriations	<u>3,596,735</u>	<u>3,612,785</u>	<u>2,431,438</u>	<u>1,181,347</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,143,322</u>	<u>\$ 1,143,322</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.

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

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

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total - Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 13,490	\$ 13,490
Investments	-	65,236	65,236
Total assets	<u>-</u>	<u>78,726</u>	<u>78,726</u>
Fund balances:			
Restricted for:			
E911	-	75,247	75,247
Assigned to:			
E911	-	3,479	3,479
Total fund balances	<u>-</u>	<u>78,726</u>	<u>78,726</u>
Total fund balances	<u>\$ -</u>	<u>\$ 78,726</u>	<u>\$ 78,726</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Funds (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 43,807	\$ -	\$ 43,807
Charges for services	-	119,063	119,063
Investment earnings	-	371	371
Total revenues	<u>43,807</u>	<u>119,434</u>	<u>163,241</u>
EXPENDITURES			
Current:			
E911	-	121,063	121,063
Nutrition	48,206	-	48,206
Capital Outlay	-	943	943
Total Expenditures	<u>48,206</u>	<u>122,006</u>	<u>170,212</u>
Excess (deficiency) of revenues over expenditures	<u>(4,399)</u>	<u>(2,572)</u>	<u>(6,971)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,399	-	4,399
Total other financing sources and uses	<u>4,399</u>	<u>-</u>	<u>4,399</u>
Net change in fund balances	-	(2,572)	(2,572)
Fund balances - beginning	-	81,298	81,298
Fund balances - ending	<u>\$ -</u>	<u>\$ 78,726</u>	<u>\$ 78,726</u>

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

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

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 HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce: Community development	14.228	14799 CDBG 11	\$ 15,000	\$ 15,000
Total U.S. Department of Housing and Urban Development			<u>15,000</u>	<u>15,000</u>
<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	43,946	43,946
Total U.S. Department of Health and Human Services			<u>43,946</u>	<u>43,946</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Passed through Rural Development: USDA RUS Grant	10.760	92-01	40,805	40,805
USDA RUS Grant	10.760	92-03	10,000	10,000
Total U.S. Department of Agriculture			<u>50,805</u>	<u>50,805</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Airport Improvement Grant	20.106	3-40-0115-010-2014	40,441	40,441
Total U.S. Department of Transportation			<u>40,441</u>	<u>40,441</u>
TOTAL FEDERAL AWARDS			<u>\$ 150,192</u>	<u>\$ 150,192</u>

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

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>
TOTAL STATE AWARDS			<u>\$ 4,484</u>	<u>\$ 4,484</u>

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

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

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

To the Honorable Mayor and Members of the City Council
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2015. Our report included an emphasis-of-a-matter paragraph related to 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. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arlidge & Associates, P.C.

October 28, 2015