



CITY OF STIGLER, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2016

THE CITY OF STIGLER, OKLAHOMA

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

AS OF AND FOR THE FISCAL YEAR ENDED June 30, 2016

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CITY OF STIGLER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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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, 2016, 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 City'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 City'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, 2016, 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 opinions are not modified with respect to this matter.

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 schedules – modified cash basis, 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 schedules – modified cash basis 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 schedules and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, 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* in considering the City's internal control over financial reporting and compliance.



December 13, 2016

**CITY OF STIGLER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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, 2016. 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 decreased by \$116,748 and the assets of the City exceed its liabilities at June 30, 2016, by \$1,820,347 (net position). Of this amount, \$984,458 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$1,037,257.
- At the end of fiscal year 2016, 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, 2016, net position on a modified cash basis for the governmental and business-type activities decreased \$116,748.

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.)
	2016	2015		2016	2015		2016	2015	
Current assets	\$ 1,039	\$ 1,223	-15%	\$ 787	\$ 719	9%	\$ 1,826	\$ 1,943	-6%
Total assets	<u>1,039</u>	<u>1,223</u>	-15%	<u>787</u>	<u>719</u>	9%	<u>1,826</u>	<u>1,943</u>	-6%
Current liabilities	2	1	100%	4	4	-	6	5	20%
Total liabilities	<u>2</u>	<u>1</u>	100%	<u>4</u>	<u>4</u>	-	<u>6</u>	<u>5</u>	20%
Net position									
Restricted	836	1,074	-22%	-	-	-	836	1,074	-22%
Unrestricted	201	148	36%	783	715	10%	984	863	14%
Total net position	<u>\$ 1,037</u>	<u>\$ 1,222</u>	-15%	<u>\$ 783</u>	<u>\$ 715</u>	10%	<u>\$ 1,820</u>	<u>\$ 1,937</u>	-6%

A portion of the City's net position, \$835,889, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$984,458, 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.)
	2016	2015		2016	2015		2016	2015	
Revenues									
Charges for service	\$ 167	\$ 165	1%	\$ 1,370	\$ 1,288	6%	\$ 1,537	\$ 1,453	6%
Operating grants and contributions	66	49	35%	-	-	-	66	49	35%
Capital grants, debt proceeds and contributions	661	43	1437%	4,516	66	6742%	5,177	109	4650%
Taxes	2,017	1,999	1%	-	-	-	2,017	1,999	1%
Intergovernmental revenue	93	96	-3%	-	-	-	93	96	-3%
Investment income	3	3	0%	-	-	-	3	3	0%
Miscellaneous	300	71	323%	67	47	43%	367	118	211%
Total revenues	<u>3,307</u>	<u>2,426</u>	36%	<u>5,953</u>	<u>1,401</u>	325%	<u>9,260</u>	<u>3,827</u>	142%
Expenses									
General government	1,617	766	111%	-	-	-	1,617	766	111%
Public safety	1,047	1,001	5%	-	-	-	1,047	1,001	5%
Streets	411	555	-26%	-	-	-	411	555	-26%
Culture, parks and recreation	106	75	41%	-	-	-	106	75	41%
Health and Welfare	49	48	2%	-	-	-	49	48	2%
Economic development	154	64	141%	-	-	-	154	64	141%
Principal on long-term debt	21	21	0%	-	-	-	21	21	0%
Interest on long-term debt	1	1	0%	-	-	-	1	1	0%
Water	-	-	-	502	510	-2%	502	510	-2%
Sewer	-	-	-	5,042	342	1374%	5,042	342	1374%
Sanitation	-	-	-	427	361	18%	427	361	18%
Total expenses	<u>3,406</u>	<u>2,531</u>	35%	<u>5,971</u>	<u>1,213</u>	392%	<u>9,377</u>	<u>3,744</u>	150%
Excess (deficiency) before transfers	(99)	(105)	-6%	(18)	188	-110%	(117)	83	-241%
Transfers	(86)	(51)	69%	86	51	69%	-	-	-
Change in net position	(185)	(156)	19%	68	239	-72%	(117)	83	-241%
Beginning net position	1,222	1,378	-11%	715	476	50%	1,937	1,854	4%
Ending net position	<u>\$ 1,037</u>	<u>\$ 1,222</u>	-15%	<u>\$ 783</u>	<u>\$ 715</u>	10%	<u>\$ 1,820</u>	<u>\$ 1,937</u>	-6%

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Governmental Activities

The City's governmental activities had a decrease in net position of \$184,791. This decrease is due in large part to an increase in general government expenses of \$851,000, which was partially offset by an increase in capital grants, debt proceeds and contributions of \$578,714 related to an airport grant. In addition, an increase occurred in economic development expenses of \$90,156 and a decrease in street expense of \$143,811.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
General government	\$ 1,617	\$ 766	111%	(\$984)	(\$723)	36%
Public safety	1,047	1,001	5%	(868)	(834)	4%
Streets	411	555	-26%	(411)	(555)	-26%
Culture, parks and recreation	106	75	41%	(84)	(71)	18%
Health and welfare	49	48	2%	(5)	(4)	25%
Economic development	154	64	141%	(138)	(64)	116%
Principal on long-term debt	21	21	0%	(21)	(21)	0%
Interest on long-term debt	1	1	0%	(1)	(1)	0%
Total	\$ 3,406	\$ 2,531	35%	(\$2,512)	(\$2,273)	11%

Business-type Activities

The business-type activities had an increase in net position of \$68,043. The increase in net expense of service for water is primarily attributable to a decrease in water charges for services from the prior year. The decrease in net revenue for sewer is due in part to receipt of a USDA Rural Utility Services loan in the amount of \$4,516,016 in the current year net with an increase in sewer expenses of \$4,699,797. In addition, sewer charges for services increased \$74,207 from the prior year.

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Water	\$ 502	\$ 510	-2%	\$ (99)	\$ (43)	130%
Sewer	5,042	342	1374%	21	182	-88%
Sanitation	427	361	18%	(7)	2	-450%
Total	\$ 5,971	\$ 1,213	392%	\$ (85)	\$ 141	-160%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$1,037,257.

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Other fund highlights include:

- For the year ended June 30, 2016, the General Fund's total fund balance decreased by \$171,097, or 15%. The decrease is due in large part to an increase in Capital Improvement department expenditures of \$882,995 with only \$582,073 reimbursed from various granting agencies.
- For the year ended June 30, 2016, the General Fund's fund balance classifications were as follows:

Fund Balance Classification:	
Restricted for:	
Capital improvements	\$ 315,240
Cemetery	2,188
Public safety	11,296
Streets	196,504
Economic development	249,549
Assigned to:	
Cemetery	25,819
Future budgetary purposes	171,629
Total General Fund Balance Classifications	<u>\$ 972,225</u>

General Fund Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues over final estimates by \$273,848 or a 9.5% positive variance. General Fund actual expenditures were under final appropriations by \$464,547 or a 12.3% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2017 budget is relatively 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
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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, 2016

	<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	\$ 810,789	\$ 782,342	\$ 1,593,131	\$ 47,518
Investments	228,080	5,000	233,080	47,349
Total Assets	<u>1,038,869</u>	<u>787,342</u>	<u>1,826,211</u>	<u>94,867</u>
LIABILITIES				
Due to depositors	-	4,252	4,252	-
Due to bondholders	1,612	-	1,612	-
Total liabilities	<u>1,612</u>	<u>4,252</u>	<u>5,864</u>	<u>-</u>
NET POSITION				
Restricted for:				
Capital Improvements	315,240	-	315,240	-
Cemetery	2,188	-	2,188	-
Public Safety	11,296	-	11,296	-
Streets	196,504	-	196,504	-
Economic Development	249,549	-	249,549	-
E911	61,112	-	61,112	-
Unrestricted	201,368	783,090	984,458	94,867
Total net position	<u>\$ 1,037,257</u>	<u>\$ 783,090</u>	<u>\$ 1,820,347</u>	<u>\$ 94,867</u>

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Debt Proceeds and Contributions	Governmental Activities	Business-type Activities	Total	Stigler Industrial Development Authority
Primary government								
Governmental Activities								
General government	\$ 1,617,107	\$ 2,565	\$ -	\$ 630,668	\$ (983,874)	\$ -	\$ (983,874)	\$ -
Public safety	1,046,707	163,203	5,309	10,000	(868,195)	-	(868,195)	-
Streets	411,102	-	-	-	(411,102)	-	(411,102)	-
Culture and recreation	105,984	1,463	-	20,523	(83,998)	-	(83,998)	-
Health and welfare	49,335	-	44,710	-	(4,625)	-	(4,625)	-
Economic development	154,359	-	16,000	-	(138,359)	-	(138,359)	-
Principal on long-term debt	20,912	-	-	-	(20,912)	-	(20,912)	-
Interest on long-term debt	583	-	-	-	(583)	-	(583)	-
Total governmental activities	<u>3,406,089</u>	<u>167,231</u>	<u>66,019</u>	<u>661,191</u>	<u>(2,511,648)</u>	<u>-</u>	<u>(2,511,648)</u>	<u>-</u>
Business-type activities:								
Water	501,571	402,023	-	-	-	(99,548)	(99,548)	-
Sewer	5,042,076	547,405	-	4,516,016	-	21,345	21,345	-
Sanitation	427,035	420,186	-	-	-	(6,849)	(6,849)	-
Total business-type activities	<u>5,970,682</u>	<u>1,369,614</u>	<u>-</u>	<u>4,516,016</u>	<u>-</u>	<u>(85,052)</u>	<u>(85,052)</u>	<u>-</u>
Total primary government	<u>\$ 9,376,771</u>	<u>\$ 1,536,845</u>	<u>\$ 66,019</u>	<u>\$ 5,177,207</u>	<u>(2,511,648)</u>	<u>(85,052)</u>	<u>(2,596,700)</u>	<u>-</u>
Component Units								
Industrial development authority	\$ 11,346	\$ 4,200	\$ -	\$ -	-	-	-	(7,146)
Total component units	<u>\$ 11,346</u>	<u>\$ 4,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,146)</u>
General revenues:								
Taxes:								
Sales and use taxes					\$ 1,935,610	\$ -	\$ 1,935,610	-
Franchise taxes and public service taxes					81,679	-	81,679	-
Intergovernmental revenue not restricted to specific programs					92,655	-	92,655	-
Unrestricted investment earnings					3,062	381	3,443	123
Miscellaneous					299,607	66,958	366,565	-
Transfers					(85,756)	85,756	-	-
Total general revenues and transfers					<u>2,326,857</u>	<u>153,095</u>	<u>2,479,952</u>	<u>123</u>
Change in net position					(184,791)	68,043	(116,748)	(7,023)
Net position - beginning					1,222,048	715,047	1,937,095	101,890
Net position - ending					<u>\$ 1,037,257</u>	<u>\$ 783,090</u>	<u>\$ 1,820,347</u>	<u>\$ 94,867</u>

See accompanying notes to the basic financial statements.

CITY OF STIGLER, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 745,757	\$ 65,032	\$ 810,789
Investments	228,080	-	228,080
Total assets	<u>\$ 973,837</u>	<u>\$ 65,032</u>	<u>\$ 1,038,869</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to bondholders	\$ 1,612	-	\$ 1,612
Total liabilities	<u>1,612</u>	<u>-</u>	<u>1,612</u>
Fund balances:			
Restricted for:			
Capital improvements	315,240	-	315,240
Cemetery	2,188	-	2,188
Public safety	11,296	-	11,296
Streets	196,504	-	196,504
Economic development	249,549	-	249,549
E911	-	61,112	61,112
Assigned to:			
Cemetery	25,819	-	25,819
E911	-	3,920	3,920
Fiscal year 2017 budget	171,629	-	171,629
Total fund balances	<u>972,225</u>	<u>65,032</u>	<u>1,037,257</u>
Total liabilities and fund balances	<u>\$ 973,837</u>	<u>\$ 65,032</u>	<u>\$ 1,038,869</u>

See accompanying notes to the basic financial statements.

CITY OF STIGLER, OKLAHOMA
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As of and for the Year Ended June 30, 2016

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 2,017,289	\$ -	\$ 2,017,289
Intergovernmental	737,613	44,710	782,323
Charges for services	3,626	116,455	120,081
Fees and fines	44,585	-	44,585
Licenses and permits	2,565	-	2,565
Investment earnings	2,621	441	3,062
Miscellaneous	337,149	-	337,149
Total revenues	<u>3,145,448</u>	<u>161,606</u>	<u>3,307,054</u>
EXPENDITURES			
Current:			
General government	676,622	-	676,622
Public Safety	842,112	-	842,112
Public Works	265,093	-	265,093
Culture and recreation	47,197	-	47,197
Economic development	131,359	-	131,359
E911	-	130,590	130,590
Nutrition	-	49,335	49,335
Capital Outlay	1,332,302	-	1,332,302
Debt Service:			
Principal	20,912	-	20,912
Interest and other charges	583	-	583
Total Expenditures	<u>3,316,180</u>	<u>179,925</u>	<u>3,496,105</u>
Excess (deficiency) of revenues over expenditures	<u>(170,732)</u>	<u>(18,319)</u>	<u>(189,051)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	4,625	4,625
Transfers out	(365)	-	(365)
Total other financing sources and uses	<u>(365)</u>	<u>4,625</u>	<u>4,260</u>
Net change in fund balances	(171,097)	(13,694)	(184,791)
Fund balances - beginning	1,143,322	78,726	1,222,048
Fund balances - ending	<u>\$ 972,225</u>	<u>\$ 65,032</u>	<u>\$ 1,037,257</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2016

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 782,342
Investments	748
Restricted:	
Investments	<u>4,252</u>
Total assets	<u>787,342</u>
LIABILITIES	
Current Liabilities:	
Due to depositors	<u>4,252</u>
Total liabilities	<u>4,252</u>
NET POSITION	
Unrestricted	<u>783,090</u>
Total net position	<u><u>\$ 783,090</u></u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2016

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
REVENUES	
Water	\$ 387,030
Sewer	528,174
Sanitation	382,332
Penalties	28,553
Water taps	2,000
Sewer taps	1,500
Reconnect fees	3,575
Connect fees	10,300
Transfer station	25,019
Miscellaneous	1,131
Total Operating Revenues	1,369,614
OPERATING EXPENSES	
Water	324,949
Sewer	436,305
Sanitation collection	219,339
Transfer station	173,723
Administration	62,643
Total Operating Expenses	1,216,959
Operating income	152,655
NON-OPERATING REVENUES (EXPENSES)	
Capital outlay	(4,436,402)
Debt service:	
Principal	(190,125)
Interest expense	(37,180)
Interest and investment revenue	381
Rental Income	56,500
Miscellaneous income	2,747
Debt Proceeds	4,516,016
OEPIC insurance reimbursement	7,711
Total non-operating revenue (expenses)	(80,352)
Income before transfers	72,303
Transfers out	(4,260)
Change in net position	68,043
Total net position - beginning	715,047
Total net position - ending	\$ 783,090

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2016

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,436,572
Payments to suppliers	(635,593)
Payments to employees	(581,366)
Refunds of customer meter deposits	(53)
Net cash provided by operating activities	219,560
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	(4,436,402)
Proceeds from debt	4,516,016
Principal paid on debt	(190,125)
Interest and fiscal agent fees paid on debt	(37,180)
Net cash provided by (used in) capital and related financing activities	(147,691)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	381
Net cash provided by investing activities	381
Net increase in cash and cash equivalents	67,990
Balances - beginning of year	714,352
Balances - end of year	\$ 782,342
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	782,342
Total cash and cash equivalents, end of year	782,342
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 152,655
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	66,958
Change in assets and liabilities:	
Deposits subject to refund	(53)
Net cash provided by operating activities	\$ 219,560

See accompanying notes to the basic financial statements.

CITY OF STIGLER, OKLAHOMA
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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 of Stigler, Oklahoma (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

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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.

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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, 2016, the City recognized \$3,443 of investment income. Due to the minimal rates of return on allowable investments in the current environment, the City's deposits are in demand and short-term time deposits.

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At June 30, 2016, the primary government held the following deposits and investments:

Primary Government:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 1,592,631
Cash on hand	500
Time deposit - certificates of deposit	233,080
Total deposits and investments	\$ 1,826,211
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,593,131
Investments	233,080
	\$ 1,826,211
 <u>Component Unit:</u>	
Cash and cash equivalents	\$ 47,518
Investments	47,349
	\$ 94,867

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, 2016, 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.

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As of June 30, 2016, 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	\$ 4,252

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, 2016.

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	<u>General Fund</u>	<u>E-911 Fund</u>	<u>Total</u>
Fund Balance:			
Restricted for:			
Capital improvements	\$ 315,240	\$ -	\$ 315,240
Cemetery	2,188	-	2,188
Public safety	11,296	-	11,296
Economic development	249,549	-	249,549
Streets	196,504	-	196,504
E911	-	61,112	61,112
Total restricted fund balance	<u>774,777</u>	<u>61,112</u>	<u>835,889</u>
Assigned for:			
Cemetery	25,819	-	25,819
E-911	-	3,920	3,920
Future budgetary purposes	171,629	-	171,629
Total assigned fund balance	<u>197,448</u>	<u>3,920</u>	<u>201,368</u>
Total fund balance	<u>\$ 972,225</u>	<u>\$ 65,032</u>	<u>\$ 1,037,257</u>

6. Internal and Interfund Balances and Transfers

Balances:

The City had no interfund receivables and payables at June 30, 2016.

Transfers:

Internal transfers between activities for the year ended June 30, 2016, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Nutrition Fund	\$ 365	Operating
Municipal Improvement Authority	Nutrition Fund	4,260	Grant fund matching
Total		<u>\$ 4,625</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 4,625	\$ (365)	\$ 4,260
Proprietary Funds	-	(4,260)	(4,260)
	<u>\$ 4,625</u>	<u>\$ (4,625)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net transfer	\$ 4,260
Business-type capital outlay activity recorded in governmental funds	(90,016)
Transfers - internal activity	<u>\$ (85,756)</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
2014	\$ 1,200	\$ 1,200
2015	\$ 1,200	\$ 1,200
2016	\$ 1,200	\$ 1,200

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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
2014	\$ 32,160	\$ 32,160
2015	\$ 32,202	\$ 32,202
2016	\$ 35,982	\$ 35,982

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, 2016, the City contributed \$157,837 to the plan, while the employee contributions totaled \$36,373.

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
2014	\$ 140,999	\$ 140,999
2015	\$ 149,623	\$ 149,623
2016	\$ 157,837	\$ 157,837

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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 \$7,453 as of June 30, 2016.

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 \$4,321,580, payable in monthly installments of \$15,473 with interest at 2.125%, final payment due May 2055.	\$ 4,196,963
2015 note payable to USDA for wastewater utility improvements, original amount of \$649,000, with current year drawdown of \$194,436, payable in monthly installments of \$2,012 with interest at 2.125%, final payment due May 2055.	\$ 179,962
Total Notes Payable	<u>\$ 4,376,925</u>

Customer Deposits:

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable	\$ 4,252
Total Deposits Payable	<u>\$ 4,252</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, 2016, is summarized as follows:

City General Fund- Vacation leave	\$ 105,270
SMIA- Vacation leave	<u>21,092</u>
Total Compensated Absences	<u>\$ 126,362</u>

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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 2016, the City's involvement in federal and state award programs was considered 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 AND OTHER INFORMATION

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Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2016

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 876,492	\$ 909,492	\$ 1,143,322	\$ 233,830
REVENUES				
Taxes	1,950,000	1,950,000	2,017,289	67,289
Intergovernmental	828,400	828,400	737,613	(90,787)
Charges for services	5,100	5,100	3,626	(1,474)
Fees and fines	33,350	33,350	44,585	11,235
Licenses and permits	4,175	4,175	2,565	(1,610)
Investment earnings	2,100	2,100	2,621	521
Miscellaneous	48,475	48,475	337,149	288,674
Total revenues	<u>2,871,600</u>	<u>2,871,600</u>	<u>3,145,448</u>	<u>273,848</u>
Amounts available for appropriation	<u>3,748,092</u>	<u>3,781,092</u>	<u>4,288,770</u>	<u>507,678</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	831,835	831,470	682,115	149,355
Public Safety	876,465	876,465	847,512	28,953
Highways and Streets	590,000	590,000	395,102	194,898
Culture and Recreation	52,425	52,425	47,197	5,228
Capital Improvement	1,275,500	1,275,500	1,189,895	85,605
Economic development	121,867	154,867	154,359	508
Transfers out	-	365	365	-
Total Charges to Appropriations	<u>3,748,092</u>	<u>3,781,092</u>	<u>3,316,545</u>	<u>464,547</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 972,225</u>	<u>\$ 972,225</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, 2016

Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2016

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total - Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 65,032	\$ 65,032
Total assets	<u>-</u>	<u>65,032</u>	<u>65,032</u>
Fund balances:			
Restricted for:			
E911	-	61,112	61,112
Assigned to:			
E911	-	3,920	3,920
Total fund balances	<u>-</u>	<u>65,032</u>	<u>65,032</u>
Total fund balances	<u>\$ -</u>	<u>\$ 65,032</u>	<u>\$ 65,032</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Funds (Modified Cash Basis) – Year Ended June 30, 2016

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 44,710	\$ -	\$ 44,710
Charges for services	-	116,455	116,455
Investment earnings	-	441	441
Total revenues	<u>44,710</u>	<u>116,896</u>	<u>161,606</u>
EXPENDITURES			
Current:			
E911	-	130,590	130,590
Nutrition	49,335	-	49,335
Total Expenditures	<u>49,335</u>	<u>130,590</u>	<u>179,925</u>
Excess (deficiency) of revenues over expenditures	<u>(4,625)</u>	<u>(13,694)</u>	<u>(18,319)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,625	-	4,625
Total other financing sources and uses	<u>4,625</u>	<u>-</u>	<u>4,625</u>
Net change in fund balances	-	(13,694)	(13,694)
Fund balances - beginning	-	78,726	78,726
Fund balances - ending	<u>\$ -</u>	<u>\$ 65,032</u>	<u>\$ 65,032</u>

**CITY OF STIGLER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Schedule of Expenditures of State Awards (Modified Cash Basis) Year Ended June 30, 2016

STATE AWARDS

KIAMICHI ECONOMIC DEVELOPMENT DISTRICT (KEDDO):

Rural Fire Grant - Oklahoma Department of Agriculture	N/A	N/A	\$ 4,290	\$ 4,290
Total Kiamichi Economic Development District			<u>4,290</u>	<u>4,290</u>

OKLAHOMA DEPARTMENT OF COMMERCE:

Rural Economic Action Plan Funds - REAP	N/A	2016 REAP K0009	13,843	13,843
Total Oklahoma Department of Commerce			<u>13,843</u>	<u>13,843</u>

TOTAL STATE AWARDS			<u>\$ 18,133</u>	<u>\$ 18,133</u>
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CITY OF STIGLER, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
JUNE 30, 2016

CITY OF STIGLER, OKLAHOMA

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Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit
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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***

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2016. 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.

Arledge & Associates, P.C.

December 13, 2016



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Stigler, Oklahoma’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2016. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 13, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 13, 2016

CITY OF STIGLER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (MODIFIED CASH BASIS)
 Year Ended June 30, 2016

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	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		\$ 45,033
Total U.S. Department of Health and Human Services				<u>\$ 45,033</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Airport Improvement Grant	20.106	3-40-0115-007-2014		\$ 614,495
Total U.S. Department of Transportation				<u>\$ 614,495</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through Oklahoma District Attorney's Council:				
Justice Assistance Grant - Local Law Enforcement	16.017	JAG-LLE-2015 CI-00127		\$ 10,000
Total U.S. Department of Justice				<u>\$ 10,000</u>
<u>U.S. Department of Housing and Urban Development:</u>				
Passed through Oklahoma Department of Commerce:				
Water and Waste Disposal Systems for Rural Communities	10.760	92-01		\$ 4,321,580
Water and Waster Disposal Systems for Rural Communities	10.760	92-03		\$ 194,436
Total U.S. Department of Agriculture				<u>\$ 4,516,016</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 5,185,544</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF STIGLER, OKLAHOMA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Note A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal award activity of the City of Stigler, Oklahoma (the “City”) under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C—SUBRECIPIENTS

During the year ended June 30, 2016, the City did not provide any federal awards to subrecipients.

CITY OF STIGLER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified

not considered to be material weakness(es)?

_____ yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
the Uniform Guidance?

_____ yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

CITY OF STIGLER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued
Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None.

Internal Control Findings

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None.

Internal Control Findings

None.

CITY OF STIGLER, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

No matters were reported.