

THE CITY OF STIGLER, OKLAHOMA

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

AS OF AND FOR THE FISCAL YEAR ENDED June 30, 2012

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CITY OF STIGLER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stigler, Oklahoma, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position – modified cash basis and, where applicable, cash flows – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The financial information presented as supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements and the debt service coverage information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1.


Edmond, Oklahoma
January 23, 2013

**CITY OF STIGLER, OKLAHOMA
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The management of the City of Stigler is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2012. 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 assets decreased by \$49,223 and the assets of the City exceed its liabilities at June 30, 2012, by \$2,008,010 (net assets). Of this amount, \$672,815 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$1,248,267.
- At the end of fiscal year 2012, unassigned fund balance for the General Fund was \$134,703 or 4.9% of General Fund revenues.

ABOUT THE CITY

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

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

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

The City's Financial Reporting Entity

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

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

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- **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.
- **The Stigler Industrial Development Authority** – operates the industrial development services of the City, governed by the trustees who are appointed by the City Council (reported as a discretely presented component unit).

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Board. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does 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") and the Stigler Municipal Improvement Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

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

Reporting the City as a Whole

The Statement of Net Assets 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 Assets 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 Assets and the Statement of Activities, we divide the City 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. The City's two kinds of funds -- *governmental and proprietary* - use different accounting approaches.

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 and current financial resources measurement focus that is different from other funds. 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 reported on the modified cash basis of accounting as defined in Note 1.B. and an economic resources measurement focus to the extent applicable to the modifications made to the cash basis transactions. 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.

THE CITY AS A WHOLE

For the year ended June 30, 2012, net assets on a modified cash basis for the governmental and business-type activities decreased \$49,223.

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

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Current assets	\$ 1,248	\$ 1,297	-4%	\$ 764	\$ 767	0%	\$ 2,013	\$ 2,064	-2%
Total assets	<u>1,248</u>	<u>1,297</u>	-4%	<u>764</u>	<u>767</u>	0%	<u>2,013</u>	<u>2,064</u>	-2%
Current liabilities	-	2	100%	5	5	0%	5	7	-33%
Total liabilities	<u>-</u>	<u>2</u>	100%	<u>5</u>	<u>5</u>	0%	<u>5</u>	<u>7</u>	-33%
Net assets									
Restricted	575	129	346%	-	-		575	129	346%
Unrestricted	673	1,166	-42%	760	762	0%	1,433	1,928	26%
Total net assets	<u>\$ 1,248</u>	<u>\$ 1,295</u>	-4%	<u>\$ 760</u>	<u>\$ 762</u>	0%	<u>\$ 2,008</u>	<u>\$ 2,057</u>	-2%

A portion of the City's net assets, \$575,452, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$672,815, may be used to meet the government's ongoing needs.

**The City of Stigler's Revenues, Expenses and Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2012 (000's)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues									
Charges for service	\$ 182	\$ 166	10%	\$ 996	\$ 923	8%	\$ 1,178	\$ 1,089	8%
Operating grants and contributions	58	65	-11%	-	-		58	65	-11%
Capital grants and contributions	584	105	456%	-	-		584	105	456%
Taxes	1,900	1,825	4%	-	-		1,900	1,825	4%
Intergovernmental revenue	90	91	-1%	-	-		90	91	-1%
Investment income	9	13	-31%	4	4	0%	13	17	-24%
Miscellaneous	211	186	13%	61	171	-64%	272	357	-24%
Total revenues	<u>3,034</u>	<u>2,451</u>	24%	<u>1,061</u>	<u>1,098</u>	-3%	<u>4,095</u>	<u>3,549</u>	15%
Expenses									
General government	1,170	1,042	12%	-	-		1,170	1,042	12%
Public safety	842	825	2%	-	-		842	825	2%
Streets	337	415	-19%	-	-		337	415	-19%
Culture, parks and recreation	83	96	-14%	-	-		83	96	-14%
Health and Welfare	49	49	0%	-	-		49	49	0%
Economic development	34	40	-15%	-	-		34	40	-15%
Airport	563	46	1124%	-	-		563	46	1124%
Interest on long-term debt	3	-	300%	-	-		3	-	300%
Water and wastewater	-	-	-	764	664	15%	764	664	15%
Sanitation	-	-	-	299	373	-20%	299	373	-20%
Total expenses	<u>3,081</u>	<u>2,513</u>	23%	<u>1,063</u>	<u>1,037</u>	3%	<u>4,144</u>	<u>3,550</u>	17%
Excess (deficiency) before transfers	(47)	(62)	-24%	(2)	61	-103%	(49)	(1)	4800%
Transfers	-	-	0%	-	-	0%	-	-	0%
Change in net assets	<u>(47)</u>	<u>(62)</u>	-24%	<u>(2)</u>	<u>61</u>	-103%	<u>(49)</u>	<u>(1)</u>	4800%
Beginning net assets	1,295	1,357	-5%	762	701	9%	2,057	2,058	0%
Ending net assets	<u>\$ 1,248</u>	<u>\$ 1,295</u>	-4%	<u>\$ 760</u>	<u>\$ 762</u>	0%	<u>\$ 2,008</u>	<u>\$ 2,057</u>	-2%

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Governmental Activities

The City's governmental activities had a decrease in net assets of \$46,860. This decrease is due in large part to an increase in airport expenses of \$516,182 from the prior year and an increase in capital grants and contributions of \$478,933 over prior year. The decrease in culture, parks and recreation is due in large to a decrease of \$100,000 of capital grants and contributions from the prior year.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2012	2011		2012	2011	
General government	\$ 1,170	\$ 1,042	12%	(\$1,165)	(\$1,037)	12%
Public safety	842	825	2%	(649)	(642)	1%
Streets	337	415	-19%	(237)	(415)	-43%
Culture, parks and recreation	83	96	-14%	(77)	7	-1198%
Health and welfare	49	49	0%	(4)	(4)	0%
Economic development	34	40	-15%	(34)	(39)	-13%
Airport	563	46	1124%	(89)	(46)	93%
Interest on long-term debt	3	-	100%	(3)	-	100%
Total	\$ 3,081	\$ 2,513	23%	(\$2,257)	(\$2,176)	4%

Business-type Activities

The business-type activities had a decrease in net assets of \$2,363. The increase in net expense of service for water and wastewater is primarily attributable to an increase in water and sewer maintenance cost of \$44,642 when compared to the prior year. The decrease in net expense of service for sanitation is a result of prior year expense including a \$50,000 purchase of a trash truck.

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2012	2011		2012	2011	
Water and wastewater	\$ 764	\$ 663	15%	\$ (64)	\$ (34)	88%
Sanitation	299	373	-20%	(4)	(79)	-95%
Total	\$ 1,063	\$ 1,036	3%	\$ (68)	\$(113)	-40%

**CITY OF STIGLER, OKLAHOMA
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A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$1,248,267.

Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance decreased by \$31,650, or 2.7%. The decrease is due in large part to the airport project expenditures.
- For the year ended June 30, 2012, the General Fund fund balance classifications were as follows:

Fund Balance Classification:	
Restricted for:	
Capital improvements	\$ 153,714
Cemetery	8,265
Public safety	10,505
Streets	102,423
Economic development	218,663
E911	81,882
Assigned to:	
Cemetery	4,926
E911	2,206
Future budgetary purposes	530,980
Unassigned	134,703
Total General Fund Balance Classifications	\$ 1,248,267

General Fund Budgetary Highlights

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues over final estimates by \$205,940 or a 7.7% positive variance. General Fund actual expenditures were under final appropriations by \$297,724 or a 9.3% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2013 budget is consistent to prior years.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET ASSETS AND ACTIVITIES

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Statement of Net Assets (Modified Cash Basis) – June 30, 2012

	<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	\$ 759,054	\$ 759,466	\$ 1,518,520	\$ 53,295
Investments	489,367	5,000	494,367	46,977
Total Assets	1,248,421	764,466	2,012,887	100,272
LIABILITIES				
Due to depositors	-	4,723	4,723	-
Due to bondholders	154	-	154	-
Total liabilities	154	4,723	4,877	-
NET ASSETS				
Restricted for:				
Capital Improvements	153,714	-	153,714	-
Cemetery	8,265	-	8,265	-
Public Safety	10,505	-	10,505	-
Streets	102,423	-	102,423	-
Economic Development	218,663	-	218,663	-
E911	81,882	-	81,882	-
Unrestricted	672,815	759,743	1,432,558	100,272
Total net assets	\$ 1,248,267	\$ 759,743	\$ 2,008,010	\$ 100,272

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis)- Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Units Stigler Industrial Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 1,170,279	\$ 4,899	\$ -	\$ -	\$ (1,165,380)	\$ -	\$ (1,165,380)	\$ -
Public Safety	841,965	171,848	12,624	9,722	(847,771)	-	(847,771)	-
Streets	336,908	-	-	100,000	(236,908)	-	(236,908)	-
Culture and Recreation	82,564	5,670	-	-	(78,894)	-	(78,894)	-
Health and Welfare	49,209	-	44,861	-	(4,348)	-	(4,348)	-
Economic Development	33,780	-	-	-	(33,780)	-	(33,780)	-
Airport	562,553	-	-	473,981	(88,572)	-	(88,572)	-
Interest on Long-term debt	3,358	-	-	-	(3,358)	-	(3,358)	-
Total governmental activities	3,060,616	182,417	57,485	583,703	(2,257,011)	-	(2,257,011)	-
Business-type activities:								
Water and wastewater	764,177	700,334	-	-	-	(63,843)	(63,843)	-
Sanitation	299,293	295,615	-	-	-	(3,678)	(3,678)	-
Total business-type activities	1,063,470	995,949	-	-	-	(67,521)	(67,521)	-
Total primary government	4,144,086	1,178,366	57,485	583,703	(2,257,011)	(67,521)	(2,324,532)	
Component Units								
Industrial development authority	1,102	7,000	-	-	-	-	-	5,898
Total component units	1,102	7,000	-	-	-	-	-	5,898
General revenues:								
Taxes:								
Sales and use taxes					\$ 1,822,126	\$ -	\$ 1,822,126	-
Franchise taxes and public service taxes					77,778	-	77,778	-
Intergovernmental revenue not restricted to specific programs					90,427	-	90,427	-
Unrestricted investment earnings					9,161	4,051	13,212	704
Miscellaneous					210,659	61,107	271,766	-
Transfers					-	-	-	-
Total general revenues and transfers					2,210,151	65,158	2,275,309	704
Change in net assets					(48,860)	(2,363)	(49,223)	6,602
Net assets - beginning					1,295,127	762,106	2,057,233	83,670
Net assets - ending					\$ 1,246,267	\$ 759,743	\$ 2,006,010	\$ 100,272

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF STIGLER, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 739,232	\$ 19,822	\$ 759,054
Investments	425,101	64,266	489,367
Total assets	<u>1,164,333</u>	<u>84,088</u>	<u>1,248,421</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to bondholders	<u>154</u>	<u>-</u>	<u>154</u>
Total liabilities	<u>154</u>	<u>-</u>	<u>154</u>
Fund balances:			
Restricted for:			
Capital improvements	153,714	-	153,714
Cemetery	8,265	-	8,265
Public safety	10,505	-	10,505
Streets	102,423	-	102,423
Economic development	218,663	-	218,663
E911	-	81,882	81,882
Assigned to:			
Cemetery	4,926	-	4,926
E911	-	2,206	2,206
Future budgetary purposes	530,980	-	530,980
Unassigned	134,703	-	134,703
Total fund balances	<u>1,164,179</u>	<u>84,088</u>	<u>1,248,267</u>
Total liabilities and fund balances	<u>\$ 1,164,333</u>	<u>\$ 84,088</u>	<u>\$ 1,248,421</u>

See accompanying notes to the basic financial statements.

CITY OF STIGLER, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,899,904	\$ -	\$ 1,899,904
Intergovernmental	586,754	44,861	631,615
Charges for services	10,558	117,145	127,703
Fees and fines	49,815	-	49,815
Licenses and permits	4,899	-	4,899
Investment earnings	8,501	660	9,161
Miscellaneous	210,659	-	210,659
Total revenues	<u>2,771,090</u>	<u>162,666</u>	<u>2,933,756</u>
EXPENDITURES			
Current:			
General government	678,530	-	678,530
Public Safety	703,900	-	703,900
Public Works	268,429	-	268,429
Culture and recreation	54,461	-	54,461
Economic development	13,780	-	13,780
E911	-	132,930	132,930
Nutrition	-	49,209	49,209
Capital Outlay	1,164,962	85	1,165,047
Debt Service:			
Principal	10,972	-	10,972
Interest and other charges	3,358	-	3,358
Total Expenditures	<u>2,898,392</u>	<u>182,224</u>	<u>3,080,616</u>
Excess (deficiency) of revenues over expenditures	<u>(127,302)</u>	<u>(19,558)</u>	<u>(146,860)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	100,000	-	100,000
Transfers in	-	4,348	4,348
Transfers out	(4,348)	-	(4,348)
Total other financing sources and uses	<u>95,652</u>	<u>4,348</u>	<u>100,000</u>
Net change in fund balances	(31,650)	(15,210)	(46,860)
Fund balances - beginning	1,195,829	99,298	1,295,127
Fund balances - ending	<u>\$ 1,164,179</u>	<u>\$ 84,088</u>	<u>\$ 1,248,267</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

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Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2012

	<u>Stigler Municipal Improvement Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 759,466
Investments	277
Restricted:	
Investments	4,723
Total current assets	<u>764,466</u>
Total assets	<u><u>764,466</u></u>
LIABILITIES	
Current Liabilities:	
Due to depositors	4,723
Total current liabilities	<u>4,723</u>
Total liabilities	<u>4,723</u>
NET ASSETS	
Unrestricted	759,743
Total net assets	<u><u>\$ 759,743</u></u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2012

	<u>Stigler Municipal Improvement Authority</u>
REVENUES	
Water	\$ 461,655
Sewer	202,349
Sanitation	259,015
Penalties	21,649
Water taps	4,500
Sewer taps	4,500
Reconnect fees	4,150
Connect fees	11,128
Transfer station	26,080
Miscellaneous	923
Total Operating Revenues	995,949
OPERATING EXPENSES	
Water/sewer maintenance	273,025
Water/sewer plant	306,643
Water/sewer collection	59,098
Sanitation collection	194,188
Transfer station	88,327
Administration	47,019
Total Operating Expenses	968,300
Operating income	27,649
NON-OPERATING REVENUES (EXPENSES)	
Capital outlay	(95,170)
Interest and investment revenue	4,051
Rental Income	31,200
OEPIIC insurance reimbursement	29,907
Total non-operating revenue (expenses)	(30,012)
Change in net assets	(2,363)
Total net assets - beginning	762,106
Total net assets - ending	\$ 759,743

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, 2012

	<u>Stigler Municipal Improvement Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,057,056
Payments to suppliers	(484,247)
Payments to employees	(484,053)
Refunds of customer meter deposits	(110)
Net cash provided by operating activities	88,646
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(95,170)
Net cash provided by (used in) capital and related financing activities	(95,170)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	4,051
Net cash provided by investing activities	4,051
Net increase (decrease) in cash and cash equivalents	(2,473)
Balances - beginning of year	761,939
Balances - end of year	\$ 759,466
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	759,466
Total cash and cash equivalents, end of year	759,466
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 27,649
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Miscellaneous revenue	61,107
Change in assets and liabilities:	
Deposits subject to refund	(110)
Net cash provided by operating activities	\$ 88,646

See accompanying notes to the basic financial statements.

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

- **The City of Stigler** – operates the public safety, cemetery, streets, health and welfare, culture and recreation, and administrative activities of the City, governed by the City Council.
- **The Stigler Municipal Improvement Authority** – that operates the water, wastewater, 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.
- **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 statement of net assets 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

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 and current financial resources measurement focus. 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, wastewater, and sanitation activities

The proprietary fund is reported on a modified cash basis, as defined above, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, 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. Capital Assets and Depreciation

Due to the use of the modified cash basis of accounting, capital assets are recorded as an expense when purchased, and therefore, there are no capital assets recorded in the financial statements.

E. Long-Term Debt

Due to the use of the modified cash basis of accounting, the City's long-term debt is disclosed in the commitment section of these notes and not recorded in the financial statements.

F. 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.

G. Equity Classifications

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of “restricted”.

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

Fund Statements

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

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

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

Proprietary fund equity is classified the same as in the government-wide statements. See Note 5 for additional disclosures.

H. Internal and Interfund Balances and Transfers

The City’s policy is to eliminate interfund transfers and balances in the statement of activities and net assets 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

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column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

2. Deposits and Investments

For the year ended June 30, 2012, the City recognized \$13,212 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.

Primary Government:

At June 30, 2012, the primary government held the following deposits and investments:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 1,571,215
Cash on hand	600
Time deposit - certificates of deposit	541,344
Total deposits and investments	\$ 2,113,159
 Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 1,518,520
Investments	494,367
	\$ 2,012,887
 Component Unit:	
Cash and cash equivalents	\$ 53,295
Investments	46,977
	\$ 100,272

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, 2012, the City was not exposed to custodial credit risk as defined above.

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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.

As of June 30, 2012, 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 assets are comprised of amounts restricted for the following:

	Current	
	Cash and cash equivalents	Investments
Meter deposits	\$ -	\$ 4,723

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. 1 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.

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5. Fund Equity

The following table represents the various government-wide net asset restrictions in place at June 30, 2012.

	<u>State Statutes</u>	<u>Enabling Legislation</u>	<u>Contractual Agreements</u>	<u>Total</u>
Governmental Activities:				
Cemetery	\$ 8,265	\$ -	\$ -	\$ 8,265
Economic Development	-	-	218,663	218,663
Capital improvements	-	-	153,714	153,714
Public Safety	10,505	-	-	10,505
Streets	-	-	102,423	102,423
E911	-	81,882	-	81,882
Total Governmental Activities	<u>\$ 18,770</u>	<u>\$ 81,882</u>	<u>\$ 474,800</u>	<u>\$ 575,452</u>
TOTAL RESTRICTED NET ASSETS	<u>\$ 18,770</u>	<u>\$ 81,882</u>	<u>\$ 474,800</u>	<u>\$ 575,452</u>

6. Internal and Interfund Balances and Transfers

Balances:

The City had no interfund receivables and payables at June 30, 2012.

Transfers:

Internal transfers between activities for the year ended June 30, 2012, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Nutrition Fund	4,348	Operating
Total		<u>\$ 4,348</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	<u>\$ 4,348</u>	<u>\$ (4,348)</u>	<u>\$ -</u>

7. Risk Management

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

8. Pension Plan Participation

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

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

Firefighter Pension System:

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

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

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

The OFPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2010	\$ 1,200	\$ 1,200
2011	\$ 1,200	\$ 1,200
2012	\$ 1,200	\$ 1,200

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:

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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
2010	\$ 15,668	\$ 15,668
2011	\$ 30,053	\$ 30,053
2012	\$ 30,957	\$ 30,957

Fiscal year 2010 was the City of Stigler's first year to participate in the OPPRS plan.

OPERS:

Plan Summary Information: The City has provided a defined contribution plan for all of its full-time employees with the exception of the fire department, through Oklahoma Public Employees Retirement System (OPERS). The City, as employer, contributes 12.5% of the employee's gross wages while the employees contribute 3.5%, with the exception of those employees electing to upgrade at a rate of 6.41%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For the year ended June 30, 2012, the City contributed \$134,597 to the plan, while the employee contributions totaled \$31,107.

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
2010	\$ 79,260	\$ 79,260
2011	\$ 127,815	\$ 127,815
2012	\$ 134,597	\$ 134,597

9. Commitments and Contingencies

Long-term Debt Commitments:

Governmental activities entered into a \$100,000 capital lease for the purchase of a street sweeper. The capital lease has an outstanding balance of \$89,028 as of June 30, 2012.

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

Customer Deposits:

Refundable customer deposits reported as a liability within the Statement of Net Assets are comprised of utility customer deposits payable	\$	4,723
Total Deposits Payable	\$	<u>4,723</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, 2012, is summarized as follows:

General Fund- Vacation leave	\$	347,642
SMIA- Vacation leave		24,741
Total Compensated Absences	\$	<u>372,383</u>

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 2012, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

10. Subsequent Events

Governmental activities renewed the capital lease for the purchase of a street sweeper. The capital lease is payable in annual installments of \$21,495, interest rate 2.8%, with the final payment due December 29, 2016.

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SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2012

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 520,984	\$ 535,314	\$ 1,195,829	\$ 660,515
REVENUES				
Taxes	1,821,000	1,821,000	1,899,904	78,904
Intergovernmental	636,450	636,450	586,754	(49,696)
Charges for services	11,000	11,000	10,558	(442)
Fees and fines	50,000	50,000	49,815	(185)
Licenses and permits	4,700	4,700	4,899	199
Investment earnings	12,000	12,000	8,501	(3,499)
Miscellaneous	30,000	30,000	210,659	180,659
Proceeds from long term debt	-	100,000	100,000	-
Total revenues	<u>2,565,150</u>	<u>2,665,150</u>	<u>2,871,090</u>	<u>205,940</u>
Amounts available for appropriation	<u>3,086,134</u>	<u>3,200,464</u>	<u>4,066,919</u>	<u>866,455</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	717,149	709,951	685,523	24,428
Public Safety	759,625	741,625	708,950	32,675
Highways and Streets	414,385	429,385	336,908	92,477
Culture and Recreation	54,675	60,525	54,461	6,064
Capital Improvement	1,104,000	1,218,330	1,078,770	139,560
Economic development	36,300	36,300	33,780	2,520
Transfers out	-	4,348	4,348	-
Total Charges to Appropriations	<u>3,086,134</u>	<u>3,200,464</u>	<u>2,902,740</u>	<u>297,724</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,164,179</u>	<u>\$ 1,164,179</u>

Footnotes to Budgetary Comparison Schedules:

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

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Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2012

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total - Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 19,822	\$ 19,822
Investments	-	64,266	64,266
Total assets	-	84,088	84,088
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
E911	-	81,882	81,882
Assigned to:			
E911	-	2,206	2,206
Total fund balances	-	84,088	84,088
Total liabilities and fund balances	\$ -	\$ 84,088	\$ 84,088

CITY OF STIGLER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Funds
(Modified Cash Basis) – Year Ended June 30, 2012

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 44,861	\$ -	\$ 44,861
Charges for services	-	117,145	117,145
Investment earnings	-	660	660
Total revenues	<u>44,861</u>	<u>117,805</u>	<u>162,666</u>
EXPENDITURES			
Current:			
E911	-	132,930	132,930
Nutrition	49,209	-	49,209
Capital Outlay	-	85	85
Total Expenditures	<u>49,209</u>	<u>133,015</u>	<u>182,224</u>
Excess (deficiency) of revenues over expenditures	<u>(4,348)</u>	<u>(15,210)</u>	<u>(19,558)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,348	-	4,348
Total other financing sources and uses	<u>4,348</u>	<u>-</u>	<u>4,348</u>
Net change in fund balances	-	(15,210)	(15,210)
Fund balances - beginning	-	99,298	99,298
Fund balances - ending	<u>\$ -</u>	<u>\$ 84,088</u>	<u>\$ 84,088</u>

**CITY OF STIGLER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Schedule of Expenditures of State Awards (Modified Cash Basis) Year Ended June 30, 2012

STATE AWARDS

KIAMICHI ECONOMIC DEVELOPMENT DISTRICT (KEDDO):

Rural Fire Grant - Oklahoma Department of Agriculture	N/A	N/A	4,413	\$4,413
Total Kiamichi Economic Development District			4,413	\$4,413

OKLAHOMA DEPARTMENT OF COMMERCE:

Rural Economic Action Plan Funds	N/A	N/A	8,211	8,211
Total Oklahoma Department of Commerce			8,211	8,211

TOTAL STATE AWARDS			\$ 12,624	\$12,624
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CITY OF STIGLER, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2012

CITY OF STIGLER, OKLAHOMA

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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 of the
City of Stigler, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 23, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended solely for the information and use of the Mayor, the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arledge & Associates, P.C.
Edmond, Oklahoma
January 23, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Stigler, Oklahoma (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness over 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated January 23, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The 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 information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Edmond, Oklahoma
January 23, 2013

CITY OF STIGLER, OKLAHOMA
 SCHEDULE OF FEDERAL AWARDS (MODIFIED CASH BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Oklahoma Department of Human Services:				
Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	\$ 46,209	\$ 46,209
Total US Department of Health and Human Services			\$ 46,209	\$ 46,209
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Airport Improvement Grant	20.106	3-40-0115-007-2011	\$ 522,658	\$ 522,658
Airport Improvement Grant	20.106	3-40-0115-008-2012	21,780	14,616
Airport Improvement Grant	20.106	3-40-0115-009-2012	49,500	-
Total U.S. Department of Transportation			\$ 593,938	\$ 537,274
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through Oklahoma District Attorney's Council:				
JAG-LLE Grant	16.738	J09-10-082(JAG-LLE)	\$ 9,721	\$ 9,721
Total US Department of Justice			\$ 9,721	\$ 9,721
TOTAL FEDERAL AWARDS			\$ 649,868	\$ 593,204

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

The Accompanying Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF STIGLER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

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
Reportable condition(s) identified
not considered to be material weakness(es)? _____ yes X none reported

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

Any audit findings disclosed that are required
to be reported in accordance with
OMB Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF STIGLER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

There were no findings or questioned costs in the prior period.