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January 11, 2016

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Honorable Mayor and Board of Trustees
Town of Sterling, Oklahoma

We have compiled the Annual Survey of City and Town Finances of the Town of Sterling, Oklahoma as of June 30, 2015, included in the accompanying prescribed form. We have not audited or reviewed the Annual Survey of City and Town Finances included in the accompanying prescribed form and, accordingly, do not express an opinion or provide any assurance about whether the Annual Survey of City and Town Finances is in accordance with the form prescribed by the Office of the State Auditor and Inspector.

Management is responsible for the preparation and fair presentation of the Annual Survey of City and Town Finances included in the form prescribed by the Office of the State Auditor and Inspector and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the Annual Survey of City and Town Finances.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of the Annual Survey of City and Town Finances without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the Annual Survey of City and Town Finances.

The Annual Survey of City and Town Finances included in the accompanying prescribed form is presented in accordance with the requirements of the Office of the State Auditor and Inspector, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Office of the State Auditor and Inspector and is not intended to be and should not be used by anyone other than this specified party.

Johnson, Badertscher & Moore, P.C.

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Certified Public Accountants

DUE DATE: Six months after Fiscal-Year-End

IMPORTANT
This report is to be compiled by your auditor from the audited financial statements of the municipality as required by Oklahoma Statutes, Section 17-105.1 of Title 11, Section 17-105.1 of Title 11, SSARS 193.27 requires an accountant's compilation report to accompany this form.

This report details the funds available to the municipality and the use of those funds including information relating to the duly constituted authorities of the municipality (public trusts, etc.) for the fiscal year ending 2015. See supplementary instructions (coverage of this report) for information related to entities and activities to be included in this report on page 5 of this document.

This report, principally for planning purposes at the local, State, and national level, is used by the Office of the State Auditor, the Oklahoma Municipal League, public interest groups, State and Federal agencies and universities.

When completed, please file electronically at www.sai.ok.gov.

**OFFICE OF THE STATE AUDITOR AND INSPECTOR
STATE OF OKLAHOMA
GARY JONES, AUDITOR AND INSPECTOR
ANNUAL SURVEY OF CITY AND TOWN FINANCES**

Sterling Town
Name

Po Box 277
Address

Sterling OK 73567-0277
City State ZIP Code

RETURN TO Office of the Auditor and Inspector
State of Oklahoma at www.sai.ok.gov

Part I TAX REVENUES
Items 1-3 — Report collections from all taxes imposed by your government. Include current and delinquent amounts, penalties, and interest. Do not include receipts from service charges, special assessments, interest earnings, fines, or any other sources that are not taxes or licenses.

Item	Amount (Omit cents)	Item	Amount (Omit cents)
1. Property taxes — General fund, building fund, and sinking fund	T01	e. Use tax	T09 3795
2. Local sales taxes — Taxes on goods and services, measured as a percent of sales or receipts, or as an amount per unit sold (gallon, package, etc.). Report only these taxes imposed by your government; shares of taxes imposed by another government are to be reported under part 1A below.	T09	3. Occupation and business licensing and permits	T28
a. General sales tax	80470	a. Enter here licenses and inspection charges on occupations and businesses — for example, inspection of restrooms, restaurants, and food manufacturing plants; food handler permits; plumbing permits; taxicab licenses; tags; animal tags; vending licenses, and liquor licenses; business licenses; etc.	5502
b. Franchise fee or tax	T15 17046	b. Other licensing and permits	T29
c. Cigarette tax	C30 963	4. Other — Specify	T99
d. Hotel/Motel	T19		

Part 1A INTERGOVERNMENTAL REVENUE
Report all amounts received by your government from other governments, including grants, shares of taxes imposed by other governments, payments in lieu of taxes and reimbursements for services performed for other governments, excluding loans. Also exclude here and report as "Tax Revenues" in part I, any taxes imposed by your government which were collected for it by another government.

Column (a) — Report all amounts your government received from the State (other than as collection fees), including any amounts financed wholly or in part from Federal grants to the State.
Column (c) — Report only amounts received directly from the Federal Government.

Purpose for which received	Amount (Omit cents)		
	From State (a)	From other local governments (b)	From Federal Government (directly) (c)
General support — Total amounts received (as per capita grants, shared taxes, etc.) without restrictions as to particular programs or purposes to be financed.	C30	D30	B30
1. Alcoholic beverage tax	2140		
2. Street and highways	C48 7172	D48	B48
3. Health or hospital	C42	D42	B42
4. Grants received for water utilities	C91	D91	B91
5. Grants received for waste water utilities	C80	D80	B80
6. Grants received for housing, economic, and community development	C50	D50	B50
7. Airports	C89	D89	B89
8. Mass transit rail and/or bus system	C94	D94	B94
9. Grants received for transportation	C89	D89	B89
10. ALL OTHER (From State — code C89; From Federal Government — Code B89) — Include in the appropriate box, receipts from various payments such as —	C89	D89	B89
a. Parks and recreation (BOR or HUD)	C89	D89	B89
b. Public safety	C89	D89	B89
c. Job training	C89	D89	B89
d. Library grants	C89	D89	B89
Other —Specify	C89	D89	B89
e.	C89	D89	B89
f.	C89	D89	B89

Part 1B OTHER REVENUES — Other than tax and intergovernmental revenues
Enter below amounts of the stated types of revenue (net of refunds and interfund transfers) received by your government during the fiscal year. Be sure to include revenues of all funds other than the exceptions noted in the special instructions.

Item	Amount (Omit cents)	Item	Amount (Omit cents)
1. Utility sales revenue — Gross receipts of any water, electric, gas, or transit systems operated by your government, from utility sales and charges. Exclude any amounts paid to such utilities by the parent government.	A91	2. Other sales and service revenue — Gross receipts from sales, rentals, maintenance assessments, and other charges for municipal services, aside from utility receipts (carried in item 1) and exclusive of amounts received from other governments.	A80
a. Water supply system	174760	a. Sewerage charges	74897
b. Electric power system	A92	b. Refuse collection charges	A81
c. Gas supply system	A93	c. Hospital charges received on behalf of individual patients under the Medicare program or other insurance-type arrangements. Exclude Medicaid and amounts for hospital purposes received from other governments.	A36
d. Transit	A94		

Part IB OTHER REVENUES — Other than tax and intergovernmental revenues — Continued

Enter below amounts of the stated types of revenue (net of refunds and interfund transfers) received by your government during the fiscal year. Be sure to include revenues of all funds other than the exceptions noted in the special instructions.

2. Other sales and service revenue — Continued	Amount (Omit cents)	5. Interest earnings — Interest received on all deposits and investment holdings of your government and its agencies excluding earnings of any employee pension fund.	Amount (Omit cents)
d. Recreation charges (swimming, golf, auditoriums, etc.)	A61		U20 512
e. Airports — Include rentals and gross sales of gas and oil.	A01	6. Rents — Exclude housing, airport, and all other rental revenue reported from specific municipal services in item 2.	U40 1959
f. Parking facilities (parking lots, garages, parking meters)	A60	7. Royalties — Compensation or portion of proceeds from extraction of natural resources such as oil.	U41 2567
g. Municipal housing project rentals (gross)	A50	8. Fines and forfeitures — (City or town share only)	U30 27419
h. Ambulance services	A89	9. Private donations	U50
i. Miscellaneous commercial activities (cemeteries)	A03	10. Miscellaneous other revenue — Revenue of your government and its agencies not covered by items above, except tax and intergovernmental revenues, include insurance adjustments, etc. DO NOT include: (1) proceeds from borrowing; (2) receipts from sale of holdings; (3) transfers between funds or agencies of your government; or (4) employee's contributions to, and interest earnings of, any employee pension fund. a. <u>Misc.</u>	26534
j. Other (including miscellaneous fee collections)	A89		
3. Special assessments — Compulsory contributions and reimbursements from owners or property benefited by improvements (streets, sewers, sidewalks, water extensions, etc.) Do not include proceeds from sales of special assessment bonds. Report maintenance assessments under item 2 on page 1.	U01		
4. Receipts from sale of property — Amounts from sale of realty, other than by tax sales, including property sold to other governments.	U11	TOTAL miscellaneous other revenue Sum of items 10a-10c. → U99 \$0 26534	

Part II DIRECT EXPENDITURES BY PURPOSE AND TYPE

Please note that payments made to other governments (State or local) should NOT be included in amounts reported here, but should be reported at part III.

Enter below all amounts expended during the fiscal year for the purposes listed (net of interfund transfers). Be sure to include expenditures of all funds other than the exceptions noted in the instructions on the first page.

Column (a) — Gross salaries and wages without deduction of withholdings for income taxes, employee contributions for Social Security or retirement

coverage, etc. Exclude: (1) capital outlay (report in columns (c) and (d)); and (2) amounts paid to other governments (report in part III).

Column (b) — Enter in the appropriate functional category direct expenditure for supplies, materials, and contractual services.

Column (c) — Report construction outlays from all sources; i.e., bond proceeds, assessments, grants, etc.

PURPOSE	EXPENDITURES BY PURPOSE AND TYPE			
	Personal services (a)	Operations and maintenance (b)	CAPITAL OUTLAY	
			Construction (c)	Purchase of land, equipment, and structures (d)
GOVERNMENTAL ADMINISTRATION	E23	E23	F23	G23
1. Financial administration — Office of the finance director, auditor, comptroller, treasurer, tax assessment and collection, central accounting and purchasing services, budgeting, etc. (including related data processing, information technology).	78860	95873		
2. Judicial and legal — All municipal court and court-related activities including juries, probate officials, prosecutors, public defenders, municipal attorneys, and legal departments. Exclude probation and parole (report in item 16).	E25	E25	F25	G25
3. Central administration — City council, aldermen or commissioners, mayor, manager, city clerk's office, recorder, planning, zoning, and personnel.	E29	E29	F29	G29
HEALTH AND WELFARE	E79	E79	F79	G79
4. Social services				
5. Own hospitals — Construction and operation of hospitals by your government. Nursing homes are to be reported in item 7.	E36	E36	F36	G36
6. Other hospitals — Payments to hospitals operated privately. Exclude here and report in item 6, any payments under public welfare programs. Report payments to hospitals operated by other governments in part III.				
7. Welfare institutions — Construction and operation of nursing homes and welfare institutions by your government for veterans and needy persons.	E77	E77	F77	G77
8. Health (other than hospitals) — All public health activities except provision of hospital care. Include environmental health activities; health regulation and inspection, water and air pollution control, mosquito control, and inspection of food handling establishments. Also include public health nursing, vital statistics collection, and all other services performed directly by the public health department. Report in item 6 payments under public welfare programs.	E32	E32	F32	G32
TRANSPORTATION	E44	E44	F44	G44
9. Highways — Construction and maintenance of municipal streets, sidewalks, bridges. Also includes street lighting, snow removal, and highway engineering, control, and safety. Exclude here and report in item 21f, street cleaning expenditure. Include in part III any payments to the State or county for highway purposes. Report interest on highway debt in item 22e.				
10. Toll highways and facilities — Operation and maintenance of highways, roads, and bridges operated on fee or toll basis	E45	E45	F45	G45
11. Municipal airports	E01	E01	F01	G01
12. Parking facilities — Municipal garages, parking lots, etc., and all purchase and maintenance of meters (including on-street meters)	E60	E60	F60	G60
PUBLIC SAFETY	E62	E62	F62	G62
13. Police — Include municipal police agencies for preventing, controlling, or reducing crime; coroners, medical examiners; special police for highways, tunnels, bridges, and vehicular control; vehicular inspection activities; and traffic control and safety activities. Exclude highway engineering and planning (report in item 9).				5635
14. Fire — All costs incurred for firefighting and fire prevention, including contributions to volunteer fire units. Include any municipal contribution to a State fire pension fund.	E24	E24	F24	G24

Part II DIRECT EXPENDITURE BY PURPOSE AND TYPE — Continued				
PURPOSE	EXPENDITURES BY PURPOSE AND TYPE			
	Personal services (a)	Operations and maintenance (b)	CAPITAL OUTLAY	
			Construction (c)	Purchase of land, equipment, and structures (d)
PUBLIC SAFETY — Continued	E84	E84	F84	G84
15. Correction institutions — Operation of facilities for confinement, correction and rehabilitation of adults or juveniles.				
16. Other corrections — Probation and parole activities — But exclude "lock-up" operations (report in item 15).	E85	E85	F85	G85
17. Protection inspection and regulation, n.e.c. — Regulation of private enterprise for the protection of the public and inspection of hazardous activities (including building inspection), except when related to major functions, such as health, natural resources, etc.	E86	E86	F86	G86
AMBULANCE	E32	E32	F32	G32
18. All expenditures for city operated or subsidized ambulance services				
CULTURE AND RECREATION	E61	E61	F61	G61
19. Parks, cultural activities, and other recreation — Include playgrounds, golf courses, swimming pools, museums, marinas, community music, drama, celebrations, and zoos.				
20. Libraries — Include payments to nongovernmental libraries as well as libraries operated by the city. <i>Aid to other governmental libraries should be excluded and reported in part III.</i>	E52	E52	F52	G52
UTILITIES	E91	E91	F91	G91
21. Gross expenditure for utility systems operated by your government. <i>Exclude interest (report in item 19); also exclude utility contributions to the parent government and deduct the cost of providing services to the parent government (e.g., for street lighting, hydrant rental, etc.).</i>				
a. Water supply system	41171	126015		
b. Electric power supply	E92	E92	F92	G92
c. Gas supply system	E93	E93	F93	G93
d. Transit system	E94	E94	F94	G94
e. Sewers and storm sewers — Construction, maintenance and operation of sanitary and storm sewer systems and sewage disposal plants	17644	54006	F80	G80
f. Solid waste and landfill — The collection and disposal of garbage and landfill operations	E81	E81	F81	G81
INTEREST ON DEBT				
22. Amounts of interest paid, including any interest on short-term or nonguaranteed obligations, as well as general obligations.		I91		
a. Water supply system		I92		
b. Electric power supply		I93		
c. Gas supply system		I94		
d. Transit system		I89		
e. All interest not covered by items 19a through 19d				
ALL OTHER EXPENDITURES				
23. Include any amounts which have not been allocated above by purpose, such as: your employer contribution to a State administered retirement system or to the Federal Social Security System; judgments and insurance premiums; and municipal service agencies, such as a central garage or an engineering department, which serve more than one functional agency, and whose expenses are not allocated to the various departments. <i>Do not include: (1) Payments for retirement of debt, (2) payments for purchase of securities, (3) transfer between funds or agencies of your government, or (4) benefits and payments from distinct employee pension funds.</i>				
a. Housing and community development — Gross expenditure for urban renewal, slum clearance, municipal housing projects, and similar activities.	E58	E58	F58	G58
b. Economic development	E59	E59	F59	G59
c. Civil defense	E93	E93	F93	G93
d. Cemetery operations and maintenance	E03	E03	F03	G03
e. Miscellaneous commercial activities	E89	E89	F89	G89
Other — Specify <input checked="" type="checkbox"/>				
f. _____				
g. _____				
h. _____				

Part III INTERGOVERNMENTAL EXPENDITURES

Please detail all payments made to other governments for services or programs performed on a reimbursement or cost-sharing basis — e.g., for hospital care, highways, school tuition, or support, etc. (Such amounts should be excluded from expenditure figures reported in column (b) of part II.) Enter "None" if your government made no reportable payments to other governments during the fiscal year.

Item	Type of recipient government(s) (County, State, school districts, etc.) (a)	Amount (Omit cents) (b)	Item	Type of recipient government(s) (County, State, school districts, etc.) (a)	Amount (Omit cents) (b)
1.			5.		
2.			6.		
3.			7.		
4.			8.		

Part IV SALARIES, WAGES, AND FORCE ACCOUNT

Report the total expenditure for salaries and wages included in column (a) of part II, as well as any salaries and wages paid on force account construction projects.

Amount (Omit cents)	220	137675
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Part V DEBT OUTSTANDING, ISSUED, AND RETIRED — Report special obligations of all agencies of your government as well as general city or town debt.

1. Long-term debt — Bonds, mortgages, etc., with an original term of more than one year issued in the name of your government or of particular agencies.

When an advance refunding has resulted in a legal or an in-substance defeasance, the debt may be considered extinguished, reported as retired in the year of defeasance and should not be reported herein in subsequent years.

	AMOUNT, BY PURPOSE (Omit cents)			
	Outstanding at beginning of fiscal year (a)	DURING FISCAL YEAR		Outstanding total (a) plus (b) minus (c) (d)
		Issued (b)	Retired (c)	
a. Sewer debt	19U	29U	39U	49U \$0
b. Water supply system debt	19U	29U	39U	49U \$0
c. Electric power system debt	19U	29U	39U	49U \$0
d. Gas supply system debt	19U	29U	39U	49U \$0
e. Transit	19U	29U	39U	49U \$0
f. Industrial revenue and pollution control debt	19T	24T	34T	44T \$0
g. All other purposes	19U	29U	39U	49U \$0

2. Short-term (interest-bearing) debt — Tax anticipation notes, bond anticipation notes, interest-bearing warrants, and other obligations with a term of one year or less — Exclude accounts payable and other noninterest-bearing obligations.

Amount (Omit cents)	61V
a. Amount outstanding at beginning of fiscal year	
b. Amount outstanding at end of fiscal year	64V

Part VI CASH AND INVESTMENTS HELD AT END OF FISCAL YEAR

Report separately for each of the three types of funds listed below, the total amount of cash on hand and on deposit and investments in Federal Government, Federal agency, State and local government, and non-governmental securities. Report all investments at carrying value. Include in the sinking fund total any mortgages and notes receivable held as offsets to housing and industrial financing loans. Exclude accounts receivable, value of real property, and all non-security assets. Assets obtained and held pursuant to an advance refunding that results in a legal or in-substance defeasance should not be reported herein.

Type of fund	Amount at end of fiscal year (Omit cents)
1. Sinking funds — Reserves held for redemption of long-term debt. All cash held for statutory sinking fund and revenue bond related accounts and any other reserves held for redemption of long-term debt.	W01
2. Bond funds — Unexpended proceeds from sale of G.O. and revenue bond issues held pending disbursement	W31
3. All other funds except employee retirement funds	W61 349909
4. Retirement systems — Single employer plans only	

Remarks

Part VII AUDITOR INFORMATION

NOTE — This report will not be considered complete unless an accompanying "accountants compilation report on financial statements included in certain prescribed forms" is attached to the report. The municipality's auditor should follow the guidelines in AR Section 300 of the AICPA Professional Standards in preparing such compilation report.

Auditor's firm name						
Johnson Badertscher : Moore PC						
Address — Number and street				TELEPHONE		
PO Box 1405				Area code	Number	Extension
City		State	ZIP Code			
Chickasha		OK	73023	405	224 6212	
Name of contact person/Email						
Jimmie P Johnson CPA						

COVERAGE OF THIS REPORT

The financial reporting entity for which information is to be presented should comply with generally accepted accounting principles for governments. Current authoritative guidance is provided in GASB Codification Section 2100 and/or GASB Statement No. 14. These statements prescribe that the financial reporting entity should consist of the primary government or oversight unit and all blended and discretely presented component units.

Oklahoma Statutes, Section 17-105.1 of Title 11 require that municipalities include information relating to all of its duly constituted authorities. Copies of this form may be distributed to component units for their completion. Forms completed by component units should not be filed separately but should be returned to the appropriate municipality for inclusion in the report filed for the financial reporting entity. Such component units would include special districts, hospitals, boards, trusts, and authorities meeting the inclusion criteria of the statements reference above.

**SUPPLEMENTARY INSTRUCTIONS FOR OKLAHOMA MUNICIPALITIES
2015 ANNUAL SURVEY OF CITY AND TOWN FINANCES**

COVERAGE OF THIS REPORT

In addition to the fiscal activities of your general government, include the revenues, expenditures, assets and debt of the following types of agencies, if they are operative in your city or town.

- City water districts
- Medical center authorities
- Joint airport boards
- Municipal parking districts
- Rural water, sewer, gas, and solid waste management districts with ex officio boards
- Public trusts (Title 60, Section 176 of the Oklahoma Statutes)
- Separate road districts
- Sewer districts
- Utilities authorities
- Zoning districts

Exclude internal/Service funds

Part I — TAX REVENUES

This part refers to all city-imposed taxes. It does not include service charges, special assessments (such as those for paving districts), or interest earnings, fines, or any other sources which are not taxes or licenses.

1. Property taxes (code T01)

Also include city-imposed ad valorem property taxes collected by the county and paid to the city for the repayment of G.O. bonds.

2. Local sales taxes

a. General sales tax (code T09)

Report revenue from city-imposed sales tax only. This tax is collected by the State and paid back to the city minus a small percentage withheld by the State for handling expenses. Be sure to enter only the amount of the check received from the State.

b. Franchise fee or tax, public utilities (code T15)

Enter here any franchise tax collected from a private utility to operate within the city such as gas, electric, telephone, cable TV, etc.

d. Other — Specify any sales tax not mentioned above.

3. Licenses, permits, and other taxes

a. Occupation and business licensing and permits (code T28)

Enter here licenses and inspection charges on occupation and business.

b. Report only licenses and permits not included in 3a. (code T29)

Part IA — INTERGOVERNMENTAL REVENUE

1. General support

From State (code C30) — Enter amount received from alcoholic beverage tax county distribution.

2. Streets and highways (codes C46, D46, and B46)

Enter receipts from commercial vehicle tags, gasoline tax, bus mileage tax, registration tags.

3. Health or hospitals (codes C42, D42, and B42)

In the appropriate column, list any intergovernmental revenues received for operation of a hospital, health facility, or health department, (grants, not loans) or funds received from other government jurisdictions for health services or facilities operated by your government.

4. Grants received for utilities (codes C91 to B91)

7. Grants received for mass transit and/or bus systems (codes C94 to B94)

9. All other (From State —code C-89; From Federal Government — code B89)

Include in the appropriate box, receipts from various payments such as:

- Park and recreation (BOR or HUD)
- Community development and urban renewal
- Civic defense
- Water and sewer facilities
- Manpower planning and utilization

Part 1B — OTHER REVENUE

3. Special assessment funds

Include —

- All transactions of special assessment funds established to finance streets, sidewalks, or other local improvements within the city.
- Assessments collected from property owners at part IB, item 3.
- Expenditure from improvements at part II. Report as capital outlay.
- Interest paid on special assessment obligations at part II, item 19e.
- Transactions of special assessment bonds at part V.
- Cash and security holdings of special assessment funds at part VI.

Part IV — SALARIES, WAGES, AND FORCE ACCOUNT

Report salaries and wages for all employees full- and part-time. Include salaries paid for employees of any utility owned and operated by your government. Report salaries in gross amounts before deductions for income taxes, Social Security, or retirement coverage.

Part V — DEBT OUTSTANDING, ISSUED, AND RETIRED

Also include industrial revenue or pollution control bonds, if issued by your city or town.

Hospitals — The following hospitals are classified as agencies of various municipal governments and their transactions should be included in the appropriate parts of this report.

Municipality	Hospital
Carnegie	Carnegie Tri-County Municipal Hospital
Cleveland	Cleveland Area Hospital
El Reno	Mercy Hospital El Reno
Fairview	Fairview Regional Medical Center Authority
Holdenville	Holdenville General Hospital
Lindsay	Lindsay Municipal Hospital
Norman	Norman Regional Hospital
Okeene	Okeene Municipal Hospital
Pauls Valley	Pauls Valley General Hospital
Pawnee	Pawnee Municipal Hospital
Tahlequah	Tahlequah City Hospital
Watonga	Watonga Municipal Hospital

AUDIT REPORT
OF
TOWN OF STERLING, OKLAHOMA

AS OF
JUNE 30, 2015

BY
JOHNSON, BADERTSCHER & MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF STERLING, OKLAHOMA

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Sterling, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Sterling, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Sterling, State of Oklahoma, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 14 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 about 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Town of Sterling, State of Oklahoma's basic financial statements. The introductory section and statistical section (Management Discussion and Analysis) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the Town of Sterling, Oklahoma'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 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 Town of Sterling, Oklahoma's internal control over financial reporting and compliance.


JOHNSON, BADERTSCHER & MOORE, P.C.
Certified Public Accountants

Chickasha, Oklahoma
September 28, 2015

TOWN OF STERLING, OKLAHOMA
Management Discussion and Analysis

Our discussion and analysis of the Town of Sterling's financial performance provided an overview of the Town's financial activities for the year ended June 30, 2015.

Using the Audited Financial Statements

The financial statements consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, the fund financial 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 Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting on the Town as a Whole

The Statement of Net Position and the Statement of Activities report information about the town as a whole and about its activities in a way that helps answer the question, did the Town's financial condition improve or deteriorate during the period in question. These statements include all assets and liabilities of the Town and are prepared using the accrual basis of accounting. Revenues and expenses are recorded when earned and incurred not when received. The government wide statements are broken up into two categories: governmental activities and business activities. Governmental activities include police, fire, streets and garbage services. Business activities are primarily water and sewer services.

Fund Financial Statements

The fund financial statements consist of the individual funds that are maintained by the Town. The general fund accounts for most Town services including fire, town and street maintenance and garbage. The street and alley fund accounts for street maintenance. The general fund and special revenue funds are classified as governmental funds. The Sterling PWA accounts for the sale of water and sewer services. The Sterling PWA is classified as an enterprise fund. What is not presented with the fund financial statements is any long-term debt associated with the governmental funds nor are the fixed assets associated with the governmental funds presented in the fund financial statements.

Presented at the bottom of the government wide financial statements is a reconciliation of the government wide financial statements net position to the fund financial statements net assets and changes in fund net assets.

(Unaudited)

TOWN OF STERLING, OKLAHOMA

FINANCIAL DATA

Selected financial data from the Town's government wide financial statements as follows:

	<u>2015</u>	<u>2014</u>
Total non-capital assets	\$ 515,965	\$ 508,755
Total capital assets	\$ 933,366	\$ 979,900
Total current liabilities	\$ 46,300	\$ 45,622
Total noncurrent liabilities	\$ 0	\$ 0
Net assets unrestricted	\$ 443,813	\$ 438,500
Investment in capital assets net of related debt	\$ 933,366	\$ 979,900
Revenues		
Charges for services	\$ 39,384	\$ 44,097
Grants and contributions	\$ 0	\$ 4,474
Water and sewer	\$ 249,657	\$ 248,894
Sales taxes	\$ 80,470	\$ 79,479
Other taxes	\$ 31,116	\$ 36,327
Interest and other	\$ 25,109	\$ 2,736
Total revenues	\$ 425,736	\$ 416,007
Expenses		
General government	\$ 76,395	\$ 52,181
Street maintenance	\$ 23,065	\$ 15,153
Fire department	\$ 39,485	\$ 29,417
Police department	\$ 52,680	\$ 33,865
Water and sewer	\$ 274,113	\$ 286,210
Total expenses	\$ 465,738	\$ 416,826
Change in net position	(\$ 40,002)	(\$ 819)
Ending net position	\$1,403,031	\$1,443,033

Analysis of Financial Position and Results of Operations

The overall financial condition of the Town of Sterling is good. The governmental funds continue to maintain a high rate of liquidity with cash representing 34% of total assets. The business type funds have unrestricted cash representing 17% of total assets. An inventory of fixed assets has been compiled and will continue to be maintained in the future. Overall, the Town had a net loss of (\$40,002). Total unrestricted cash increased by \$9,152.

For the year ending June 30, 2015, there were no significant changes to the approved budget. There were purchases of \$5,635 in fixed assets.

(Unaudited)

TOWN OF STERLING, OKLAHOMA**Statement of Net Position**-----
June 30, 2015

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 166,370	\$ 157,687	\$ 324,057
Restricted cash	0	25,852	25,852
Receivables	13,289	18,767	32,056
Investments	15,000	119,000	134,000
Capital assets (net of depreciation)	<u>332,075</u>	<u>601,291</u>	<u>933,366</u>
Total assets	<u>\$ 526,734</u>	<u>\$ 922,597</u>	<u>\$ 1,449,331</u>
DEFERRED OUTFLOWS OF RESOURCES			0
LIABILITIES			
Accounts payable	\$ 3,717	\$ 11,846	\$ 15,563
Compensated absences	3,005	1,880	4,885
Customer deposits	<u>0</u>	<u>25,852</u>	<u>25,852</u>
Total liabilities	<u>6,722</u>	<u>39,578</u>	<u>46,300</u>
DEFERRED INFLOWS OF RESOURCES			0
NET POSITION			
Net investment in capital assets	332,075	601,291	933,366
Restricted for customer deposits	0	25,852	25,852
Unrestricted	<u>187,937</u>	<u>255,876</u>	<u>443,813</u>
Total net position	<u>\$ 520,012</u>	<u>\$ 883,019</u>	<u>\$ 1,403,031</u>

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

TOWN OF STERLING, OKLAHOMA

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government		Total
		Charges for Services	Grants And Contributions	Governmental Activities	Business Type Activities	
Primary Government Government Activities:						
General government	\$ 76,395	\$ 11,965		(\$ 64,430)		(\$ 64,430)
Street maintenance	23,065			(23,065)		(23,065)
Fire department	39,485			(39,485)		(39,485)
Police department	<u>52,680</u>	<u>27,419</u>		<u>(25,261)</u>		<u>(25,261)</u>
Total governmental activities	191,625	39,384		(152,241)		(152,241)
Business type activities:						
Water and sewer	<u>274,113</u>	<u>249,657</u>			(\$ 24,456)	<u>(24,456)</u>
Total business activities	<u>274,113</u>	<u>249,657</u>		<u>(152,241)</u>	<u>(24,456)</u>	
Total primary government	<u>\$465,738</u>	<u>\$289,041</u>		<u>(\$152,241)</u>	<u>(\$ 24,456)</u>	<u>(\$176,697)</u>
General Revenues						
Taxes:						
Sales tax				80,470		80,470
Other taxes				31,116		31,116
Interest income				123	389	512
Other				<u>24,597</u>		<u>24,597</u>
Total general revenues				<u>136,306</u>	<u>389</u>	<u>136,695</u>
Change in net position				(15,935)	(24,067)	(40,002)
Net position beginning				<u>535,947</u>	<u>907,086</u>	<u>1,443,033</u>
Net position ending				<u>\$ 520,012</u>	<u>\$ 883,019</u>	<u>\$1,403,031</u>

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

TOWN OF STERLING, OKLAHOMA

Balance Sheet
Governmental Funds

June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 142,130	\$ 24,240	\$ 166,370
Accounts receivable	13,289		13,289
Investments	<u>15,000</u>		<u>15,000</u>
Total assets	<u>\$ 170,419</u>	<u>\$ 24,240</u>	<u>\$ 194,659</u>
LIABILITIES			
Accounts payable	\$ 3,717		\$ 3,717
Compensated absences	<u>3,005</u>		<u>3,005</u>
Total liabilities	<u>6,722</u>	0	<u>6,722</u>
Fund balances	<u>163,697</u>	<u>24,240</u>	<u>187,937</u>
Total liabilities and fund balances	<u>\$ 170,419</u>	<u>\$ 24,240</u>	<u>\$ 194,659</u>

Reconciliation of total Governmental Fund
Balance to net assets of Governmental
activities June 30, 2015

Total Governmental Fund Balances \$ 187,937

Amounts reported for governmental
activities in the statement of net
are different because:

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

332,075

Net position of Governmental Activities

\$ 520,012

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

TOWN OF STERLING, OKLAHOMA**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**-----
For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Total
Revenues:			
Taxes	\$ 104,414	\$ 7,172	\$ 111,586
Charges for services	39,384		39,384
Interest	123		123
Intergovernmental	<u>24,597</u>		<u>24,597</u>
Total revenues	<u>168,518</u>	<u>7,172</u>	<u>175,690</u>
Expenditures:			
Current operations			
General government	76,227		76,227
Street maintenance	20,606	2,459	23,065
Fire department	29,530		29,530
Police department	<u>51,546</u>		<u>51,546</u>
Total expenditures	<u>177,909</u>	<u>2,459</u>	<u>180,368</u>
Excess revenues and other revenues			
Over (under) expenditures and other uses	(9,391)	4,713	(4,678)
Fund balance at beginning of year	173,088	19,527	192,615
Fund balance at end of year	<u>\$ 163,697</u>	<u>\$ 24,240</u>	<u>\$ 187,937</u>
Reconciliation of the Statement of Revenues, Expenditures and changes in Fund Balances of Governmental Funds to the Statement of activities for the year ended June 30, 2015			
Net change in fund balances – total governmental funds			(\$ 4,678)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Depreciation expense			(16,892)
Capital outlays expended			<u>5,635</u>
Changes in net position of governmental activities			<u>(\$ 15,935)</u>

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

TOWN OF STERLING, OKLAHOMA**Statement of Net Position
Proprietary Funds****June 30, 2015****ASSETS**

Current assets:

Cash – unrestricted	\$ 157,687
Cash – restricted	25,852
Accounts receivable	18,767
Investments	<u>119,000</u>
Total current assets	321,306
Non current assets	
Net capital assets	<u>601,291</u>
Total assets	<u>\$ 922,597</u>

LIABILITIES AND NET POSITION

Current liabilities

Accounts payable	\$ 11,846
Compensated absences	1,880
Trust liability	<u>25,852</u>
Total current liabilities	39,578
Noncurrent liabilities	<u>0</u>
Total liabilities	<u>39,578</u>

NET ASSETS

Invested in capital assets, net of related debt	601,291
Restricted for meter deposits	25,852
Unrestricted	<u>255,876</u>
Total net position	<u>883,019</u>
Total liabilities and net position	<u>\$ 922,597</u>

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

TOWN OF STERLING, OKLAHOMA
Statement of Revenue Over Expenditures
and Changes in Net Position
Proprietary Fund Type

For the Year Ended June 30, 2015

Operating Revenues:	
Water and sewer	<u>\$ 249,657</u>
Operating expenses:	
Personal services	58,815
Maintenance and operations	180,021
Depreciation	<u>35,277</u>
Total operating expenses	<u>274,113</u>
Operating income (loss)	(24,456)
Non operating resources	
Interest	<u>389</u>
Change in net position	(24,067)
Net position, beginning of year	<u>907,086</u>
Net position, end of year	<u>\$ 883,019</u>

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

TOWN OF STERLING, OKLAHOMA
Statement of Cash Flows
Proprietary Fund

For the Fiscal Year Ended June 30, 2015

<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 249,497
Cash paid to employees	(60,557)
Cash paid to suppliers	(178,079)
Net cash from operating activities	<u>10,861</u>
<u>Cash flows from non-capital financing activities</u>	
Change in restricted cash	<u>3,200</u>
Net cash from non-capital financing activities	<u>3,200</u>
<u>Cash flows from capital and related financing activities</u>	
Grants received	0
Acquisition of capital assets	<u>0</u>
Net cash from capital and related financing activities	<u>0</u>
<u>Cash flows from investing activities</u>	
Interest income	389
Change in investments	<u>0</u>
Net cash from investing activities	<u>389</u>
Net change in cash	14,450
Cash, beginning of year	<u>169,089</u>
Cash, end of year	<u>\$ 183,539</u>
<u>Reconciliation of operating income to net cash from operating activities</u>	
Operating profit (loss)	(\$ 24,067)
Depreciation	35,277
Change in accounts receivable	(549)
Change in accounts payable	1,942
Change in compensated absences	(1,742)
Net cash from operating activities	<u>\$ 10,861</u>

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

TOWN OF STERLING, OKLAHOMA
Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2015

General Fund

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales tax	\$ 71,704	\$ 81,874	\$ 10,170
Fines	23,283	27,419	4,136
Franchises	15,715	17,046	1,331
Other tax	9,489	8,795	(694)
Miscellaneous, permits, royalty	11,453	8,068	(3,385)
Interest	184	123	(61)
Other	<u>10,689</u>	<u>26,534</u>	<u>15,845</u>
Total Revenues	<u>142,517</u>	<u>169,859</u>	<u>27,342</u>
 <u>Expenditures</u>			
Personal services	90,000	78,141	11,859
Maintenance and operations	90,000	94,874	(4,874)
Capital outlay	<u>128,438</u>	<u>5,635</u>	<u>122,803</u>
Total Expenditures	<u>308,438</u>	<u>178,650</u>	<u>129,788</u>
Excess of revenues over expenditures	<u>(\$ 165,921)</u>	<u>(\$ 8,791)</u>	<u>\$ 157,130</u>

(Unaudited)

Town of Sterling, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Sterling, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2015, the Town had only one component unit, the Sterling Public Works Authority.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A Fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

If applying the susceptible to accrual concept under the accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations for the current period.) This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of meter deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2015.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 28, 2015, which is the date the report was issued.

Note 2 – Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Sterling is considered a separate entity from Sterling Public Works Authority for FDIC deposit insurance.

In accordance with GABS No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity’s name. (Referred to as category 1).
2. Collateralized with securities held by pledging financial institution’s trust department or agent in the entity’s name. (Referred to as category 2).
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity’s name. (Referred to as category 3).

Note 3 – Capital Asset Activity

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Governmental</u>				
Fire Department	\$ 416,269			\$ 416,269
Police Department	33,372	\$ 5,635		39,007
General government	<u>304,877</u>	<u> </u>		<u>304,877</u>
Total government	754,518	5,635		760,153
Less: accumulated depre	<u>(411,186)</u>	<u>(16,892)</u>		<u>(428,078)</u>
Net governmental	<u>343,332</u>	<u>(11,257)</u>		<u>332,075</u>
Proprietary	1,481,401			1,481,401
Less: accumulated depre	<u>(844,833)</u>	<u>(35,277)</u>		<u>(880,110)</u>
Net proprietary	<u>636,568</u>	<u>(35,277)</u>		<u>601,291</u>
Total government-wide	<u>\$ 979,900</u>	<u>(\$ 46,534)</u>		<u>\$ 933,366</u>

Note 3 - continued

Capital assets are depreciated over their estimated useful lives. Current depreciation expense:

Governmental	\$ 16,892
Proprietary	<u>35,277</u>
Total	<u>\$ 52,169</u>

Note 4 – Investments

Investments in the Public Works Authority and Government Activities consist of:

Certificates of Deposit	<u>\$ 134,000</u>
-------------------------	-------------------

All CD's are considered current and interest is at the current market rate.

Note 5 – Supplementary Information

Minor Funds combining statements are required to be presented as “Supplementary Information” with the total of such funds presented in the body of the financial statements. However, the Town of Sterling has only one Proprietary Fund and two Governmental Funds. All three of the funds are presented separately in the body of the financial statements. Therefore, no “Supplementary Information” related to Major and Minor Funds is required.

Note 6

FASB ASC 820, Fair Value Measurements, provides a framework for measuring fair value that requires an entity to determine the fair value based on exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 Asset and Liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 Asset and Liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data by substantially the full term of the assets or liabilities.
- Level 3 Asset and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level or any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value at June 30, 2015.

The fair value of certificates are valued at face value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Town believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Town's investments at fair value as of June 30, 2015:

INVESTMENTS AT FAIR VALUE AS OF JUNE 30, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bank Certificates	-0-	\$134,000	-0-	\$134,000

Note 7 – Fund Balances and Net Assets

Fund Statements

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54 in the current fiscal year, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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) laws 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 Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by town council action or management decision when the town council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through 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 Town's

policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town'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.

Note 8 – Pension Plan

The Town does not participate in the Oklahoma Municipal Employee Retirement Plan or any other pension plan.

Note 9 – Worker's Compensation Plan

At June 30, 2015, the Town had loss funds available of \$7,771 with Oklahoma Municipal Assurance Group.

JOHNSON, BADERTSCHER & MOORE, P.C.

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Report 2

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

To the Town Council
Town of Sterling, 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 and the business-type activities of Sterling, Oklahoma, as of and for the year ended June 20, 2015, and the related notes to the financial statements, which collectively comprise Sterling, Oklahoma's basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Sterling, Oklahoma'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 Town of Sterling, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Sterling, Oklahoma'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 Town of Sterling, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

 **JOHNSON, BADERTSCHER & MOORE, P.C.**
Certified Public Accountants

Chickasha, Oklahoma
September 28, 2015