

City of



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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

THE CITY OF STILWELL, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE FISCAL YEAR ENDED
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CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022

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MICHAEL W. GREEN
Certified Public Accountant

827 W. Locust St.
Stilwell, Ok. 74960
(918) 696-6298

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Stilwell, Oklahoma

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stilwell, Oklahoma (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension exhibits, as listed in the table of contents, with related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 28, 2022, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Michael W. Green". The signature is stylized and cursive.

Michael W. Green, CPA

December 28, 2022

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CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

The management of the City of Stilwell 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 fiscal year ended June 30, 2022. 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.

About the City

The City of Stilwell is a home rule charter city with a population of approximately 3,700 located in Adair County in eastern Oklahoma. The City is governed by a five-member Board and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a five-member governing body elected by the citizens by Ward
- Executive – the City Mayor is the Chief Executive Officer and is elected for a four year term
- 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, and community development.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Stilwell Council is fiscally responsible. These activities, defined as the City's financial reporting entity, make up the primary government.

The City's financial reporting entity includes the primary government (City of Stilwell), the Stilwell Improvement Authority, a blended component unit that operates to provide financing and capital for the benefit of the City, and the Stilwell Area Development Authority, a discretely presented component unit that operates the electric, water, and sewer systems for the City. The reporting entity for financial reporting purposes is as follows:

- **The City of Stilwell** – that operates the public safety, health and welfare, streets and highways, parks and recreation, economic and community development, and administrative activities.
- **The Stilwell Improvement Authority** – a public trust that operates to provide financing and capital for the City. This Authority is presented as a governmental fund type blended component unit.
- **The Stilwell Area Development Authority** – a public trust that operates the electric, water and sewer systems for the City. This Authority is presented as a discretely presented component unit.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$1,188,033 with the assets and deferred outflows of the City exceeding its liabilities and deferred inflows by \$12,780,018 (net position) as of June 30th, 2022. Of this amount, \$2,310,077 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position).
- As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$3,584,235. Of this amount, \$2,489,190 is available for spending at the government's discretion of the General Fund (unassigned fund balance).
- As of the end of fiscal year 2022, the aforementioned unassigned fund balance of the General Fund was 47.0% of General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

Included in this report are government-wide financial statements for the governmental activities of the City. The government-wide statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting principles. These statements include all assets of the City (including infrastructure) and deferred outflows, as well as all liabilities (including long-term debt) and deferred inflows. They also reveal how these activities or services were financed in the short term, and what resources are available for future spending. Also included in this report are fund financial statements, which report the City's operations in greater detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the current year's activities?" The Statement of Net Position and the Statement of Activities help to answer this question by reporting information about the City as a whole, and its activities. Additionally, one will also need to consider non-financial factors to assess the overall health of the city, including, but not limited to, changes in the City's sales tax base, the condition of the City's roads, and the quality of service to assess the overall health of the City. These statements report all assets and deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, are *governmental activities* that report most of the City's basic services, including, but not limited to, the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Discretely-presented component unit – This accounts for activity of the City's reporting entity that do not meet the criteria for blending, and includes the Stilwell Area Development Authority.

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 various legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on the inflow and outflow of resources and the balances available at year-end for future spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which reports all cash and all other financial assets that can readily be converted to cash. For example, these funds present the acquisition of capital assets and payments for debt principal as expenditures, 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 determine (through a review of changes to fund balance) whether there are more or less financial resources available in the near future to finance the City's programs. The difference 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.

Notes to the Financial Statements

The notes provide additional information that is essential to gaining and understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found on pages 23-43 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the Street & Alley Fund, combining financial statements for non-major governmental funds, and a federal and state award schedule.

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

THE CITY AS A WHOLE

For the year ended June 30, 2022, net position for the governmental activities increased \$1,188,033. The following is a summary of the change in net position for the City of Stilwell.

NET POSITION (In Thousands)

| | Governmental Activities | | % Inc. (Dec.) |
|----------------------------------|------------------------------------|------------------|--------------------------|
| | <u>2022</u> | <u>2021</u> | |
| Current assets | \$ 4,133 | \$ 2,848 | 45% |
| Capital assets, net | 9,711 | 9,769 | -1% |
| Other non-current assets | 522 | - | 100% |
| Total assets | <u>14,366</u> | <u>12,617</u> | 14% |
| Deferred outflows | 478 | 417 | 14% |
| Current liabilities | 542 | 327 | 66% |
| Non-current liabilities | 639 | 936 | -32% |
| Total liabilities | <u>1,181</u> | <u>1,263</u> | -7% |
| Deferred inflows | 884 | 179 | 395% |
| Net position | | | |
| Net investment in capital assets | 9,413 | 9,429 | 0% |
| Restricted | 1,057 | 851 | 24% |
| Unrestricted | 2,310 | 1,312 | 76% |
| Total net position | <u>\$ 12,780</u> | <u>\$ 11,592</u> | 10% |

Current assets increased by 45% primarily due to an increase in cash from ARPA grant money received, but not spent as of the end of the fiscal year, and an increase in tax collections. Other non-current assets increased 100% due to the City recording a net pension asset in the current year of \$522,055, instead of a net pension liability.

Current liabilities increased 66% due to the receipt of American Rescue Plan Act (ARPA) funds not spent as of fiscal year end. Non-current liabilities decreased by 32% due to the city's recording of a net pension asset, mentioned above, instead of a net pension liability.

Deferred inflows of resources increased 395% due to an increase in deferred inflows relating to Oklahoma Municipal Retirement Fund (OMRF) pension activity.

The largest portion of the City's net position reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. At year end, the net investment in capital assets, amounted to \$9,413,298. A portion of the City's net position, \$1,056,643, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,310,077 (unrestricted net position) may be used to meet the government's ongoing needs.

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2022

Following is a summary of change in net position for the City of Stilwell.

CHANGES IN NET POSITION (In Thousands)

| | <u>Governmental Activities</u> | | % Inc. (Dec.) |
|------------------------------------|------------------------------------|------------------|--------------------------|
| | <u>2022</u> | <u>2021</u> | |
| Revenues | | | |
| Charges for services | \$ 548 | \$ 418 | 31% |
| Operating grants and contributions | 77 | 370 | -79% |
| Capital grants and contributions | 530 | 491 | 8% |
| Taxes | 4,025 | 3,673 | 10% |
| Intergovernmental revenue | 136 | 139 | -2% |
| Investment income | 3 | 6 | -50% |
| Miscellaneous | 268 | 118 | 127% |
| Payment from Development Authority | 390 | 328 | 19% |
| Total revenues | <u>5,977</u> | <u>5,543</u> | 8% |
| Expenses | | | |
| General government | 733 | 796 | -8% |
| Public safety | 1,823 | 1,889 | -3% |
| Streets | 979 | 1,089 | -10% |
| Sanitation | 408 | 398 | 3% |
| Culture, parks and recreation | 471 | 350 | 35% |
| Economic development | 360 | - | 100% |
| Interest on long-term debt | 15 | 16 | -6% |
| Total expenses | <u>4,789</u> | <u>4,538</u> | 6% |
| Change in net position | 1,188 | 1,005 | -18% |
| Beginning net position | <u>11,592</u> | <u>10,587</u> | 9% |
| Ending net position | <u>\$ 12,780</u> | <u>\$ 11,592</u> | 10% |

Governmental Activities

The City's governmental activities' increase in net position of \$1,188,033 represents an 18% improvement over the previous year's increase in net position.

**Net Revenue (Expense) of Governmental Activities
(In Thousands)**

| | <u>Total Expense of Services</u> | | % Inc. (Dec.) | <u>Net Revenue (Expense) of Services</u> | | % Inc. (Dec.) |
|-------------------------------|--------------------------------------|-----------------|--------------------------|--|------------------|--------------------------|
| | <u>2022</u> | <u>2021</u> | | <u>2022</u> | <u>2021</u> | |
| General government | \$ 733 | \$ 796 | -8% | (\$532) | (\$612) | -13% |
| Public safety | 1,823 | 1,889 | -3% | (1,647) | (1,469) | 12% |
| Streets | 979 | 1,089 | -10% | (905) | (779) | 16% |
| Sanitation | 408 | 398 | 3% | (51) | (84) | -39% |
| Culture, parks and recreation | 471 | 350 | 35% | (282) | (299) | -6% |
| Economic development | 360 | - | 100% | (201) | - | 100% |
| Interest on long-term debt | 15 | 16 | -6% | (15) | (16) | -6% |
| Total | <u>\$ 4,789</u> | <u>\$ 4,538</u> | 6% | <u>(\$3,633)</u> | <u>(\$3,259)</u> | 11% |

The Economic development change of 100% was primarily due to expenses associated with the receipt of grant revenues in the current year amounting to \$159,300.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2022 fiscal year, the governmental funds reported a combined fund balance of \$3,584,235 or a 43.4% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2022, the General Fund's total fund balance increased by \$910,341, or 55.2%.

General Fund Budgetary Highlights

For the year ended June 30, 2022, the General Fund reported actual budgetary basis revenues over final estimates by \$1,034,049 or a 25.9% positive variance. General Fund actual expenditures were under final appropriations by \$333,749 or a 7.5% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had approximately \$9.7 million invested in capital assets including land, buildings, machinery and equipment, and park facilities. This represents a net decrease of \$57,806 from last year.

Below are details regarding the change in the City's capital assets for the year ended June 30, 2022.¹

| Capital Assets | | |
|--|---------------------|-----------------|
| (In Thousands) | | |
| (Net of accumulated depreciation) | | |
| | Governmental | |
| | Activities | |
| | <u>2022</u> | <u>2021</u> |
| Land | \$ 962 | \$ 962 |
| Buildings and Improvements | 7,496 | 7,719 |
| Machinery and Equipment | 1,043 | 1,047 |
| Construction in progress | 210 | 41 |
| Totals | <u>\$ 9,711</u> | <u>\$ 9,769</u> |

This year's more significant capital asset additions include the following:

- | | |
|---|-----------|
| • 2022 Kenworth T370 Sanitation Truck | \$108,879 |
| • Division Street LED Street Lighting Upgrade | 95,292 |
| • Parking Lot Striping & Sealing | 76,399 |
| • Bobcat MT 100 Mini Track Loader | 28,044 |

¹ For more detailed information on capital asset activity please refer to page 28, Note 5. Capital Assets and Depreciation

CITY OF STILWELL, OKLAHOMA
Management’s Discussion and Analysis
As of and for the Year Ended June 30, 2022

Debt Administration

At year-end, the City had \$722,665 in long-term debt outstanding during FY 22.²

| | Long-Term Debt (In Thousands) | | Total Percentage Change |
|------------------|----------------------------------|----------------------|-------------------------------|
| | Governmental Activities | | |
| | <u>2022</u> | <u>2021</u> | |
| Accrued absences | \$ 406 | \$ 362 | 12.2% |
| Notes payable | 298 | 340 | -12.4% |
| Totals | <u>\$ 704</u> | <u>\$ 702</u> | |

ECONOMIC FACTORS AND NEXT YEAR’S ESTIMATES

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

- An additional Capital Improvement Tax of .25% has been enacted effective October 1, 2021 allowing for improvements in streets and drainage as well as a new City Hall. The City also secured financing with USDA in the amount of \$2.5 million for the construction of a new City Hall.
- Each year, a new Schedule of Fees is established to more accurately reflect the costs involved with permits and licensing.
- A “Safe Routes to School” grant for \$200,000 has been finalized, implementation was finalized in January of 2022, but the grant has not been received as of the end of the fiscal year.
- The City was approved for a CDBG Grant in the amount of \$300,000 on June 22nd, 2022, but has not received any money as of fiscal year end.
- The City received the first half of ARPA funds totaling \$354,550, but did not spend any of the money as of fiscal year end.

Contacting City 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 and expends. If you have questions about this report or need additional financial information, contact the City Clerk’s office at 503 West Division, Stilwell, Oklahoma 74960 or telephone at 918-696-8111.

² For more detailed information on long-term debt activity please refer to page 29, Note 6. Long-Term Debt.

**CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022

Statement of Net Position– June 30, 2022

| | <u>Governmental</u> <u>Activities</u> | <u>SADA</u> <u>Component Unit</u> |
|---|--|--------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,261,311 | \$ 3,545,278 |
| Investments | 126,147 | 1,551,736 |
| Accounts receivable, net of allowance | 114,852 | 1,088,749 |
| Due from other governmental agencies | 575,115 | - |
| Due (to) from component unit / primary government | 30,202 | (30,202) |
| Inventories | - | 523,508 |
| Prepaid Assets | 25,705 | 18,303 |
| Restricted investments | - | 48,264 |
| Capital Assets: | | |
| Land and construction in progress | 1,171,455 | 1,767,627 |
| Other capital assets, net of accumulated depreciation | 8,539,454 | 16,393,637 |
| Net pension asset | 522,055 | 327,456 |
| Total Assets | <u>14,366,296</u> | <u>25,234,356</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts related to pensions | <u>478,116</u> | <u>291,669</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses | 102,149 | 1,306,588 |
| Unearned revenue | 354,550 | |
| Due to other governments | 1,409 | - |
| Long-term liabilities: | | |
| Due within one year | 84,006 | 28,425 |
| Due in more than one year | 638,659 | 1,821,549 |
| Total liabilities | <u>1,180,773</u> | <u>3,156,562</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amounts related to pensions | <u>883,621</u> | <u>514,308</u> |
| NET POSITION | | |
| Net investment in capital assets | 9,413,298 | 16,705,284 |
| Restricted for: | | |
| Streets | 229,512 | - |
| Cemetery | 57,314 | - |
| Capital improvements | 503,210 | - |
| Library | 8,213 | - |
| Grants | 188,199 | - |
| Police | 48,139 | - |
| Fire | 17,453 | - |
| Parks | 4,603 | - |
| Debt service | - | 48,264 |
| Unrestricted | 2,310,077 | 5,101,607 |
| Total net position | <u>\$ 12,780,018</u> | <u>\$ 21,855,155</u> |

See accompanying notes to the basic financial statements.

**CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

Statement of Activities – Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) | SADA Component Unit |
|---|-------------------|---------------------------------|---|---|--|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position | |
| | | | | | Governmental Activities | |
| Primary government | | | | | | |
| Governmental Activities | | | | | | |
| General Government | \$ 732,627 | \$ 61,879 | \$ - | \$ 138,929 | \$ (531,819) | \$ - |
| Public Safety | 1,822,694 | 106,598 | 41,046 | 28,000 | (1,647,050) | - |
| Highways and streets | 979,606 | - | 36,321 | 38,178 | (905,107) | - |
| Sanitation | 407,970 | 356,708 | - | - | (51,262) | - |
| Culture and Recreation | 470,768 | 22,951 | - | 165,558 | (282,259) | - |
| Economic Development | 360,477 | - | - | 159,300 | (201,177) | - |
| Interest on Long-term debt | 14,512 | - | - | - | (14,512) | - |
| Total governmental activities | <u>4,788,654</u> | <u>548,136</u> | <u>77,367</u> | <u>529,965</u> | <u>(3,633,186)</u> | <u>-</u> |
| Total primary government | <u>4,788,654</u> | <u>548,136</u> | <u>77,367</u> | <u>529,965</u> | <u>(3,633,186)</u> | |
| Component unit: | | | | | | |
| Stilwell Area Development Authority | 10,245,428 | 10,923,693 | - | 467,044 | | 1,145,309 |
| Total component unit | <u>10,245,428</u> | <u>10,923,693</u> | <u>-</u> | <u>467,044</u> | | <u>1,145,309</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Sales taxes | | | | \$ 3,279,355 | \$ - | |
| Use taxes | | | | 701,195 | - | |
| Franchise taxes and public service taxes | | | | 44,044 | - | |
| Intergovernmental revenue not restricted to specific programs | | | | 135,870 | - | |
| Unrestricted investment earnings | | | | 2,657 | 26,041 | |
| Miscellaneous | | | | 267,859 | 4,846 | |
| Payment from Development Authority | | | | 390,239 | - | |
| Total general revenues | | | | <u>4,821,219</u> | <u>30,887</u> | |
| Change in net position | | | | 1,188,033 | 1,176,196 | |
| Net position - beginning | | | | 11,591,985 | 20,678,959 | |
| Net position - ending | | | | <u>\$ 12,780,018</u> | <u>\$ 21,855,155</u> | |

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF STILWELL, OKLAHOMA
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Governmental Funds Balance Sheet – June 30, 2022

| | <u>General Fund</u> | <u>ARPA Fund</u> | <u>Street and Alley Fund</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------|----------------------------------|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 2,214,291 | \$ 354,550 | \$ 123,185 | \$ 265,422 | \$ 303,863 | \$ 3,261,311 |
| Investments | 3,570 | - | 122,577 | - | - | 126,147 |
| Due from other governments | 524,296 | - | 22,256 | - | 28,563 | 575,115 |
| Due from other funds | - | - | - | 225,398 | - | 225,398 |
| Due from component unit | 38,737 | - | - | - | - | 38,737 |
| Franchise tax receivable | 931 | - | - | - | - | 931 |
| Hotel/motel tax receivable | 1,805 | - | - | - | - | 1,805 |
| Court fines receivable, net | 77,570 | - | - | - | - | 77,570 |
| Utilities receivable, net | 34,456 | - | - | - | - | 34,456 |
| Other receivables | 90 | - | - | - | - | 90 |
| Prepaid expenses | 25,705 | - | - | - | - | 25,705 |
| Total assets | <u>2,921,451</u> | <u>354,550</u> | <u>268,018</u> | <u>490,820</u> | <u>332,426</u> | <u>4,367,265</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | 51,706 | - | 2,775 | 15,437 | 706 | 70,624 |
| Accrued payroll payable | 31,525 | - | - | - | - | 31,525 |
| Unearned revenue | - | 354,550 | - | - | - | 354,550 |
| Due to other governments | 1,409 | - | - | - | - | 1,409 |
| Due to other funds | 225,398 | - | - | - | - | 225,398 |
| Due to component unit | 8,535 | - | - | - | - | 8,535 |
| Total liabilities | <u>318,573</u> | <u>354,550</u> | <u>2,775</u> | <u>15,437</u> | <u>706</u> | <u>692,041</u> |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue | 43,493 | - | 18,933 | - | 28,563 | 90,989 |
| Fund balances: | | | | | | |
| Restricted | 70,195 | - | 229,512 | 456,541 | 300,395 | 1,056,643 |
| Assigned | - | - | 16,798 | 18,842 | 2,762 | 38,402 |
| Unassigned | 2,489,190 | - | - | - | - | 2,489,190 |
| Total fund balances | <u>2,559,385</u> | <u>-</u> | <u>246,310</u> | <u>475,383</u> | <u>303,157</u> | <u>3,584,235</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 2,921,451</u> | <u>\$ 354,550</u> | <u>\$ 268,018</u> | <u>\$ 490,820</u> | <u>\$ 332,426</u> | <u>\$ 4,367,265</u> |

See accompanying notes to the basic financial statements.

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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

| | | |
|--|----|-----------|
| Total fund balance, governmental funds | \$ | 3,584,235 |
|--|----|-----------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | | |
|---|--|-----------|
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | 9,710,909 |
|---|--|-----------|

Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:

| | | |
|------------------------|--|---------|
| Court fines receivable | | 43,493 |
| Grants receivable | | 47,496 |
| Net pension asset | | 522,055 |

Deferred outflows are not available to pay current fund liabilities and therefore are not reported in the funds:

| | | |
|-----------------------------------|--|---------|
| Pension related deferred outflows | | 478,116 |
|-----------------------------------|--|---------|

Some liabilities are not due and payable in the current period and they, along with deferred inflows, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

| | | |
|----------------------------------|--|-----------|
| Accrued compensated absences | | (405,940) |
| Notes payable | | (297,611) |
| Pension related deferred inflows | | (883,621) |
| Net pension liability | | (19,114) |

| | | |
|--|--|------------|
| Net Position of Governmental Activities in the Statement of Net Position | | 12,780,018 |
|--|--|------------|

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance – Year Ended June 30, 2022

| | <u>General Fund</u> | <u>ARPA Fund</u> | <u>Street and Alley Fund</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|------------------|----------------------------------|---|---|---|
| REVENUES | | | | | | |
| Taxes | \$ 4,024,594 | \$ - | \$ - | \$ - | \$ - | \$ 4,024,594 |
| Intergovernmental | 299,933 | - | 71,321 | 33,100 | - | 404,354 |
| Licenses and permits | 53,548 | - | - | - | - | 53,548 |
| Charges for services | 378,569 | - | - | - | 9,421 | 387,990 |
| Fines and forfeitures | 118,396 | - | - | - | - | 118,396 |
| Investment income | 1,254 | - | 1,166 | 157 | 80 | 2,657 |
| Miscellaneous | 424,890 | - | - | 139,500 | - | 564,390 |
| Total revenues | <u>5,301,184</u> | <u>-</u> | <u>72,487</u> | <u>172,757</u> | <u>9,501</u> | <u>5,555,929</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| General government | 480,923 | - | - | - | - | 480,923 |
| Clerk/treasurer | 223,036 | - | - | - | - | 223,036 |
| Community building | 39,725 | - | - | - | - | 39,725 |
| Public Safety and Judiciary: | | | | | | |
| Fire | 168,379 | - | - | - | - | 168,379 |
| Civil defense | 10,350 | - | - | - | - | 10,350 |
| Police | 1,221,139 | - | - | - | - | 1,221,139 |
| Code enforcement | 238,673 | - | - | - | - | 238,673 |
| Municipal court | 62,972 | - | - | - | - | 62,972 |
| Ambulance | 19,990 | - | - | - | - | 19,990 |
| Streets | 642,871 | - | 2,099 | - | - | 644,970 |
| Sanitation | 345,900 | - | - | - | - | 345,900 |
| Cultural, Parks, and Recreation: | | | | | | |
| Parks and recreation | 229,987 | - | - | - | - | 229,987 |
| Library | 9,316 | - | - | - | - | 9,316 |
| Cemetery | 32,656 | - | - | - | 93 | 32,749 |
| Economic Development | 275,984 | - | - | - | - | 275,984 |
| Capital Outlay | 68,973 | - | 56,363 | 645,999 | 28,563 | 799,898 |
| Debt Service: | | | | | | |
| Principal | - | - | - | - | 42,097 | 42,097 |
| Interest and other charges | - | - | - | - | 14,512 | 14,512 |
| Total Expenditures | <u>4,070,874</u> | <u>-</u> | <u>58,462</u> | <u>645,999</u> | <u>85,265</u> | <u>4,860,600</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,230,310</u> | <u>-</u> | <u>14,025</u> | <u>(473,242)</u> | <u>(75,764)</u> | <u>695,329</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Payment from Development Authority | 390,239 | - | - | - | - | 390,239 |
| Transfers in | - | - | - | 510,208 | 256,610 | 766,818 |
| Transfers out | <u>(710,208)</u> | <u>-</u> | <u>-</u> | <u>(56,610)</u> | <u>-</u> | <u>(766,818)</u> |
| Total other financing sources and uses | <u>(319,969)</u> | <u>-</u> | <u>-</u> | <u>453,598</u> | <u>256,610</u> | <u>390,239</u> |
| Net change in fund balances | 910,341 | - | 14,025 | (19,644) | 180,846 | 1,085,568 |
| Fund balances - beginning | 1,649,044 | - | 232,285 | 495,027 | 122,311 | 2,498,667 |
| Fund balances - ending | <u>\$ 2,559,385</u> | <u>\$ -</u> | <u>\$ 246,310</u> | <u>\$ 475,383</u> | <u>\$ 303,157</u> | <u>\$ 3,584,235</u> |

See accompanying notes to the basic financial statements.

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Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds: \$ 1,085,568

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

| | |
|---------------------------------------|-----------|
| Capital asset purchases capitalized | 622,572 |
| Capital assets contributed | 105,829 |
| Book Value on capital assets disposed | (10,519) |
| Depreciation expense | (775,687) |

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

170,420

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | |
|-------------------------------|---------|
| Change in unavailable revenue | (8,621) |
|-------------------------------|---------|

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

| | |
|--------------------------------------|--------|
| Principal payments on long-term debt | 42,097 |
|--------------------------------------|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

| | |
|--|----------|
| Change in accrued compensated absences | (43,626) |
|--|----------|

| | |
|---|--------------|
| Change in net position of governmental activities | \$ 1,188,033 |
|---|--------------|

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. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Stilwell), one governmental fund type blended component unit, and one discretely presented component unit as follows:

- **The City of Stilwell** – that operates the public safety, streets and highways, parks and recreation, health and social services, public improvements, and general administration.
- **The Stilwell Improvement Authority** – A public trust that operates to provide financing and capital for the City. This Authority is reported as a governmental fund type blended component unit.
- **The Stilwell Area Development Authority** – A public trust that operates the electric, water and wastewater services of the City, and is reported as a discretely presented component unit. Separate audited component unit financial statements are issued by the Stilwell Area Development Authority and may be obtained at their administrative offices located at 925 W. Hickory St., Stilwell, OK 74960.

In determining the financial reporting entity, the City uses the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus*” and includes all component units for which the City is financially accountable.

Each of these 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.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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, moving and hauling revenue, cemetery donations and capital grants and contributed capital
- Public safety:

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- Fine revenue, an operating grant from Oklahoma Department of Agriculture, and police and fire donations.
- Cultural, parks and recreation:
 - Cemetery fees and donations.
- Street:
 - Gas excise and commercial vehicle taxes, capital grants from REAP and the U.S. Department of Transportation
- Sanitation:
 - Charges for trash service
- Economic Development:
 - Capital grants from the U.S. Department of Commerce

All other revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Use of Estimates

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

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
- Street and Alley Fund – a special revenue fund that accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
- Capital Improvement Fund – A capital project fund that accounts for revenues received from voter-restricted sales tax and other sources and expenditure for capital improvements.
- ARPA Fund – A special revenue fund that accounts for revenues received from the American Rescue Plan Act (ARPA) and related expenditures.

Aggregated Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

- Library Fund – Accounts for revenues received and restricted for the library

Capital Project Funds:

- Cemetery Care Fund - Accounts for statutorily restricted cemetery revenues and the expenditures of those revenues.
- CDBG Grant Fund – Accounts for Community Development Block Grant funds in accordance with state and federal program guidelines.

Debt Service Funds:

- Stilwell Improvement Authority – Accounts for financing and capital for the City.

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The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund, Street and Alley Fund, Capital Improvement Fund and ARPA Fund are the major funds and are displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds. The combining financial statements for these non-major funds can be found in the supplemental information section of this report.

3. Cash, Cash Equivalents, Deposits and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, 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. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and mutual funds. These non-negotiable certificates of deposit are carried at cost. Marketable investments are carried at fair value.

For the year ended June 30, 2022, the City recognized \$2,657 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2022, the primary government held the following deposits and investments:

| Type | Carrying Value |
|---|---------------------|
| Deposits: | |
| Demand deposits | \$ 3,261,311 |
| Time deposit | 126,147 |
| Total deposits and investments | \$ 3,387,458 |
| Reconciliation to Statement of Net Position: | |
| Cash and cash equivalents | \$ 3,261,311 |
| Investments | 126,147 |
| | \$ 3,387,458 |

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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 Security for Local Public Deposits Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. As of June 30, 2022, none of the City's deposits were exposed to custody credit risk. 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, 2022, none of the City's investments were subject to custody credit risk.

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.

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, 2022, 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.

4. Accounts Receivable

Accounts Receivable - Governmental activities receivables include garbage and court fines receivables.

| | Accounts Receivable | Less: Allowance for Uncollectible Accounts | Net Accounts Receivable |
|-------------------------------|------------------------|--|-------------------------------|
| | | | |
| Governmental Activities: | | | |
| Franchise taxes | \$ 931 | \$ - | \$ 931 |
| Court fines | 310,277 | (232,707) | 77,570 |
| Garbage utilities | 34,909 | (453) | 34,456 |
| Hotel/motel tax | 1,805 | - | 1,805 |
| Other | 90 | - | 90 |
| Total Governmental Activities | \$ 348,012 | \$ (233,160) | \$ 114,852 |

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5. Capital Assets and Depreciation

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$5,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2004. Prior to July 1, 2004, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired since July 1, 2004 are recorded at cost. The \$3,519,992 Edna M. Carson Stilwell Community Park is held in the name of the Stilwell Improvement Authority, a blended component unit.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings, improvements and infrastructure 10 - 50 years
- Machinery and equipment 3-10 years

For the year ended June 30, 2022, capital assets balances changed as follows:

| | Balance at July 01, 2021 | Additions | Disposals | Balance at June 30, 2022 |
|---|-----------------------------|--------------------|------------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 961,814 | \$ - | \$ - | \$ 961,814 |
| Construction in progress | 41,063 | 168,578 | - | 209,641 |
| Total capital assets not being depreciated | <u>1,002,877</u> | <u>168,578</u> | <u>-</u> | <u>1,171,455</u> |
| Other capital assets: | | | | |
| Buildings | 23,632,232 | 205,554 | 10,038 | 23,827,748 |
| Machinery, furniture and equipment | 3,844,260 | 354,268 | 133,235 | 4,065,293 |
| Total other capital assets at historical cost | <u>27,476,492</u> | <u>559,822</u> | <u>143,273</u> | <u>27,893,041</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 15,913,289 | 427,853 | 10,038 | 16,331,104 |
| Machinery, furniture and equipment | 2,797,365 | 347,834 | 122,716 | 3,022,483 |
| Total accumulated depreciation | <u>18,710,654</u> | <u>775,687</u> | <u>132,754</u> | <u>19,353,587</u> |
| Other capital assets, net | 8,765,838 | (215,865) | 10,519 | 8,539,454 |
| Governmental activities capital assets, net | <u>\$ 9,768,715</u> | <u>\$ (47,287)</u> | <u>\$ 10,519</u> | <u>\$ 9,710,909</u> |

Component Unit:

| | Balance at July 01, 2021 | Additions | Disposals | Balance at June 30, 2022 |
|---|-----------------------------|---------------------|---------------------|-----------------------------|
| Stilwell Area Development Authority: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 8,619,861 | \$ - | \$ 6,852,234 | \$ 1,767,627 |
| Total capital assets not being depreciated | <u>8,619,861</u> | <u>-</u> | <u>6,852,234</u> | <u>1,767,627</u> |
| Other capital assets: | | | | |
| Machinery, furniture and equipment | 25,596,344 | 7,685,554 | - | 33,281,898 |
| Total other capital assets at historical cost | <u>25,596,344</u> | <u>7,685,554</u> | <u>-</u> | <u>33,281,898</u> |
| Less accumulated depreciation for: | | | | |
| Machinery, furniture and equipment | 16,158,353 | 729,908 | - | 16,888,261 |
| Total accumulated depreciation | <u>16,158,353</u> | <u>729,908</u> | <u>-</u> | <u>16,888,261</u> |
| Other capital assets, net | 9,437,991 | 6,955,646 | - | 16,393,637 |
| Governmental activities capital assets, net | <u>\$ 18,057,852</u> | <u>\$ 6,955,646</u> | <u>\$ 6,852,234</u> | <u>\$ 18,161,264</u> |

Depreciation:

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

| Governmental Activities: | |
|----------------------------------|-------------------|
| General government | \$ 20,611 |
| Public safety | 160,403 |
| Highways and streets | 276,629 |
| Culture, tourism, and recreation | 176,615 |
| Economic Development | 83,600 |
| Sanitation | 57,829 |
| | <u>\$ 775,687</u> |

6. Long-Term Debt

For the year ended June 30, 2022, the reporting entity's long-term debt changed as follows:

| <u>Type of Debt</u> | <u>Balance July 01, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2022</u> | <u>Due Within One Year</u> |
|---|----------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Notes payable - direct borrowing | \$ 339,708 | \$ - | \$ 42,097 | 297,611 | \$ 43,412 |
| Accrued compensated absences | 362,314 | 43,626 | - | 405,940 | 40,594 |
| Total Governmental Activities | <u>\$ 702,022</u> | <u>\$ 43,626</u> | <u>\$ 42,097</u> | \$ 703,551 | <u>\$ 84,006</u> |
| Net pension liability | | | | <u>19,114</u> | |
| | | | | <u>\$ 722,665</u> | |
| Reconciliation to Statement of Net Position: | | | | | |
| Governmental Activities: | | | | | |
| Due within one year | | | | \$ 84,006 | |
| Due in more than one year | | | | <u>638,659</u> | |
| Total Governmental Activities Long-term liabilities | | | | <u>\$ 722,665</u> | |

Governmental activities long-term debt payable from taxes and other general revenues includes the following note payable:

Accrued Compensated Absences

| | |
|------------------------------------|-------------------|
| Current portion | 40,594 |
| Noncurrent portion | 365,346 |
| Total Accrued Compensated Absences | <u>\$ 405,940</u> |

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Notes Payable (Direct Borrowing)

Note Payable to Bank of Commerce dated April 30, 2012, original amount \$250,000 with annual interest rate of 4.25%, due in monthly installments of principal and interest of \$1,394 beginning October 30, 2012, final installment due May 1, 2038, secured with a property lien from Stilwell Improvement Authority resources. In the event of default, the lender may: 1) accelerate maturity; 2) increase interest rate 3% from date of default until date of payment; 3) assess a late payment charge of \$22.50 or 5% of the regular payment amount if payment is more than 10 days late; 4) exercise any and all rights and remedies possessed by lender. \$ 205,244

Note Payable to Bank of Commerce dated December 19, 2019, original amount \$119,875 with annual interest rate of 3.39%, due in monthly installments of principal and interest of \$2,177 beginning January 30, 2020, final installment due December 30, 2024, secured with a property lien from Stilwell Improvement Authority resources. In the event of default, the lender may: 1) exercise any and all rights and remedies possessed by lender; 2) repossess the collateral; 3) sell or dispose of the collateral. 61,539

Note Payable to Bank of Commerce dated October 31, 2019, original amount \$63,250 with annual interest rate of 3.39%, due in monthly installments of principal and interest of \$1,148 beginning November 30, 2019, final installment due October 30, 2024, secured with a property lien from Stilwell Improvement Authority resources. In the event of default, the lender may: 1) exercise any and all rights and remedies possessed by lender; 2) repossess the collateral; 3) sell or dispose of the collateral. 30,828

| | |
|---------------------|------------|
| Total Notes Payable | \$ 297,611 |
| Current portion | \$ 43,412 |
| Noncurrent portion | 254,199 |
| Total Notes Payable | \$ 297,611 |

Component Unit:

Customer Deposits

| | |
|-------------------------|------------|
| Noncurrent portion | 313,361 |
| Total Customer Deposits | \$ 313,361 |

Accrued Compensated Absences

| | |
|------------------------------------|-----------|
| Noncurrent portion | 80,633 |
| Total Accrued Compensated Absences | \$ 80,633 |

Notes Payable-Direct Borrowings

2021 Note Payable to USDA dated June 30, 2021, original amount of \$1,484,000 with a current variable interest rate of 1.375%, maturing June 30, 2061, secured with water, sewer and 10% electric utility revenues. In the event of default, the lender may: 1) accelerate maturity; 2) exercise suit for specific performance; 3) appoint temporary trustees to operate and maintain system; 4) exercise any and all rights and remedies possessed by lender. 1,455,980

| | |
|---------------------|--------------|
| Total Notes Payable | \$ 1,455,980 |
| Current portion | 28,425 |
| Noncurrent portion | 1,455,575 |
| Total Notes Payable | \$ 1,484,000 |

Long-term debt service requirements to maturity are as follows:

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| <u>Year Ending June 30,</u> | <u>Governmental Type Activities</u> | |
|-----------------------------|---|-----------------|
| | <u>Notes Payable (Direct Borrowing)</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | 43,412 | 13,198 |
| 2024 | 44,994 | 11,615 |
| 2025 | 23,197 | 10,106 |
| 2026 | 7,123 | 9,606 |
| 2027 | 7,506 | 9,223 |
| 2028-2032 | 43,990 | 39,655 |
| 2033-2037 | 57,198 | 26,447 |
| 2038-2042 | 70,191 | 9,328 |
| Totals | \$ 297,611 | \$ 129,178 |

| <u>Year Ending June 30,</u> | <u>Component Unit</u> | |
|-----------------------------|--|-----------------|
| | <u>Notes Payable-Direct Borrowings</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | 28,425 | 19,839 |
| 2024 | 28,818 | 19,446 |
| 2025 | 29,217 | 19,047 |
| 2026 | 30,031 | 18,233 |
| 2027 | 30,447 | 17,817 |
| 2028-2032 | 156,504 | 84,816 |
| 2033-2037 | 167,636 | 73,684 |
| 2038-2042 | 179,559 | 61,761 |
| 2043-2047 | 192,330 | 48,990 |
| 2048-2052 | 206,010 | 35,310 |
| 2053-2057 | 220,663 | 20,657 |
| 2058-2061 | 186,342 | 5,278 |
| Totals | \$ 1,455,980 | \$ 424,879 |

7. Fund Balances and Net Position

Fund Statements:

Governmental fund equity is classified as fund balance. 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 – included 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, while the Stilwell Improvement Authority’s highest level of decision making authority is by resolution.
- 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 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 the 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.

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The following schedule shows the detail of fund balance classifications as reported on the governmental balance sheet:

| | General Fund | Street & Alley Fund | Capital Improvement Fund | Other Governmental Funds | Total |
|--------------------------------|---------------------|------------------------|--------------------------------|--------------------------------|---------------------|
| Fund Balance: | | | | | |
| Restricted For: | | | | | |
| Capital Improvements | \$ - | \$ - | \$ 456,541 | \$ - | \$ 456,541 |
| Library | - | - | - | 8,213 | 8,213 |
| Street Improvements | - | 229,512 | - | - | 229,512 |
| Grant Programs | - | - | - | 188,199 | 188,199 |
| Cemetery Capital | - | - | - | 57,314 | 57,314 |
| Stilwell Improvement Authority | - | - | - | 46,669 | 46,669 |
| Police | 48,139 | - | - | - | 48,139 |
| Fire | 17,453 | - | - | - | 17,453 |
| Parks | 4,603 | - | - | - | 4,603 |
| Sub-total Restricted | <u>70,195</u> | <u>229,512</u> | <u>456,541</u> | <u>300,395</u> | <u>1,056,643</u> |
| Assigned to: | | | | | |
| Capital Improvements | - | - | 18,842 | - | 18,842 |
| Library | - | - | - | 853 | 853 |
| Street Improvements | - | 16,798 | - | - | 16,798 |
| Stilwell Improvement Authority | - | - | - | 1,909 | 1,909 |
| Sub-total Assigned | <u>-</u> | <u>16,798</u> | <u>18,842</u> | <u>2,762</u> | <u>38,402</u> |
| Unassigned | <u>2,489,190</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,489,190</u> |
| TOTAL FUND BALANCE | <u>\$ 2,559,385</u> | <u>\$ 246,310</u> | <u>\$ 475,383</u> | <u>\$ 303,157</u> | <u>\$ 3,584,235</u> |

Net Position:

Net position is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

8. Sales Tax Revenue

Sales tax revenue represents a 3.5 cents tax on each dollar of taxable sales of which is recorded as follows:

- All 3.5 cents is first deposited into the General Fund (Ordinance #59, #75 and #202)
- ½ cent is then transferred to the Capital Improvement Fund as required by ordinance #202 and voter approval to be used for capital purchases.

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9. Internal and Interfund Balances and Transfers

The City’s policy is to eliminate inter-fund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Internal transfers and balances between funds are not eliminated in the fund financial statements.

Balances:

Interfund receivables and payables at year ended June 30, 2022, were as follows:

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u> | <u>Purpose of Transfer</u> |
|-----------------|--------------------------|-------------------|----------------------------|
| General Fund | Capital Improvement Fund | \$ 225,398 | Sales tax |
| Total | | <u>\$ 225,398</u> | |

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2022, were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose of Transfer</u> |
|--------------------------|--------------------------------|-------------------|----------------------------|
| General Fund | Capital Improvement Fund | \$ 510,208 | Sales tax transfer |
| General Fund | CDBG Fund | 200,000 | Misposting correction |
| Capital Improvement Fund | Stilwell Improvement Authority | 56,610 | Debt payment |
| Total | | <u>\$ 766,818</u> | |

10. 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 as follows 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.

11. Commitments and Contingencies

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 Stilwell participates in various federal or state grant/loan programs from year to year. 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.

12. Pension Plan Participation

The City of Stilwell participates in two pension or retirement plans:

1. Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF) – an agent multiple-employer defined benefit plan
2. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan

Firefighter Pension System:

Oklahoma Firefighters’ Pension and Retirement System:

Plan description - The City of Stilwell, as the employer, participates in the Firefighters Pension & retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/FPRS.

Benefits provided - FPRS provides defined retirement benefits based on members’ final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan’s benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

- Hired Prior to November 1, 2013
Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member’s final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.
- Hired After November 1, 2013
Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member’s final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in the line of duty is calculated based on 2.5% of final average monthly

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compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$1,080 for volunteers only. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$0 during the fiscal year. However, in the government-wide Statement of Activities, revenue is recognized for the State's on-behalf contributions on an accrual basis of \$2,117. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported a net pension liability of \$19,114 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information, the City's proportion was 0.002902%.

For the year ended June 30, 2022, the City recognized pension expense of (\$31,900). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 6,932 | \$ 336 |
| Changes of assumptions | - | 424 |
| Net difference between projected and actual earnings on pension plan investments | - | 15,195 |
| Changes in proportion and differences between City contributions and proportionate share of contributions City contributions during measurement date | 5,649 7 | 48,801 83 |
| City contributions subsequent to the measurement date | 1,080 | - |
| Total | <u>\$ 13,668</u> | <u>\$ 64,839</u> |

\$1,080 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the

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year ended June 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|--------------------|
| 2023 | \$ (32,947) |
| 2024 | (14,268) |
| 2025 | (1,958) |
| 2026 | (3,078) |
| Total | <u>\$ (52,251)</u> |

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|----------------------------|--|
| Inflation: | 2.75% |
| Salary increases: | 2.75% to 10.5% average, including inflation |
| Investment rate of return: | 7.50% net of pension plan investment expense |

Mortality rates were based on the PUB-2010 Public Safety Table, with adjustments for generational mortality improvement using scale MP-2018 for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Fixed income | 20% | 3.53% |
| Domestic equity | 47% | 5.73% |
| International equity | 15% | 8.50% |
| Real estate | 10% | 7.97% |
| Other assets | 8% | 4.73% |

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

| | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|----------------------------------|---------------------|-------------------------------|---------------------|
| Employers' net pension liability | \$ 29,870 | \$ 19,114 | \$ 10,109 |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/FPRS.

Schedule of Retirement Plan Contributions – OkMRF

Plan Description - The City contributes to the OkMRF for all eligible employees except for those covered by the Firefighter Pension System. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

As of 07/01/2021

| <u>Provision</u> | <u>OkMRF Plan</u> |
|---------------------------------|---|
| a. Eligible to participate | Full-time employees except police, firefighters and other employees who are covered under an approved system. |
| b. Period Required to Vest | 5 years of credited service |
| c. Eligibility for Distribution | -Normal retirement at age 65 with 5 years of service -Early retirement at age 55 with 5 years of service -Disability retirement upon disability with 5 years of service -Death benefit with 5 years of service for married employees |

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| | |
|-----------------------------------|---|
| d. Benefit Determination Base | Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service |
| e. Benefit Determination Methods: | |
| Normal Retirement | -2.25% of final average salary multiplied by credited years of service |
| Early Retirement | -Actuarially reduced benefit based upon age, final average salary, and years of service at termination |
| Disability Retirement | -Same as normal retirement |
| Death Benefit | -50% of employees accrued benefit, but terminates upon spouse re-marriage |
| Prior to 7 Years of Service | -No benefits |
| f. Benefit Authorization | -Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102 |
| g. Form of Benefit Payments | Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent. |

Employees Covered by Benefit Terms

| | |
|-----------------------------------|------------|
| Active Employees | 70 |
| Deferred Vested Former Employees | 7 |
| Retirees or Retiree Beneficiaries | <u>45</u> |
| Total | <u>122</u> |

Contribution Requirements-The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 5.70% of covered payroll as of 07/1/2021. Contributions made for fiscal year ended June 30, 2022 were \$102,988 and \$64,599 for the City and SADA, respectively, which is more for the City than the actuarially determined amount based on covered payroll of \$1,507,470 and \$1,135,513 for the City and SADA, respectively. Employees' contribution is 4.5% of covered payroll as of 7-1-21.

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Actuarial Assumptions

| | |
|--|---|
| Date of Last Actuarial Valuation | July 1, 2021 |
| a. Actuarial cost method | Entry age normal |
| b. Rate of Return on Investments and Discount Rate | 7.50% |
| c. Projected Salary Increase | Varies between 7.50% and 4.5% based on age |
| d. Post Retirement Cost-of-Living Increase | Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1 st based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%. |
| e. Inflation Rate | 2.75% |
| f. Mortality Table | UP 1994, with projected mortality improvement |
| g. Percent of married employees | 100% |
| h. Spouse age difference | 3 years (female spouses younger) |
| i. Turnover | Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are Added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40 |
| j. Date of last experience study | September 2012 for fiscal years 2007 thru 2011 |

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2021 are summarized in the following table:

| | Target Allocation | Real Return | Weighted Return |
|---|---------------------------|----------------|--------------------|
| Large cap stocks S&P 500 | 25% | 5.80% | 1.45% |
| Small/mid cap stocks Russell 2500 | 10% | 6.40% | 0.64% |
| Long/short equity MSCI ACWI | 10% | 5.00% | 0.50% |
| International stocks MSCI EAFE | 20% | 6.20% | 1.24% |
| Fixed income bonds Barclay's Capital Aggregate | 30% | 2.30% | 0.69% |
| Real estate NCREIF | 5% | 4.60% | 0.23% |
| Cash equivalents 3 month Treasury | 0% | 0.00% | 0.00% |
| TOTAL | 100% | | |
| | Average Real Return | | 4.75% |
| | Inflation | | 2.75% |
| | Long-term expected return | | 7.50% |

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2021 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2021 and the City's report ending date of June 30, 2022, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

| | Increase (Decrease) | | |
|-----------------------------------|----------------------------|----------------------|--------------------------|
| | Total Pension Liability | Plan Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances Beginning of Year | \$ 9,882,149 | \$ 9,417,470 | \$ 464,679 |
| Changes for the Year: | | | |
| Service cost | 230,437 | - | 230,437 |
| Interest expense | 714,157 | - | 714,157 |
| Experience losses (gains) | 563,455 | - | 563,455 |
| Changes of assumptions | - | - | - |
| Contributions--City | - | 163,921 | (163,921) |
| Contributions--members | - | 131,029 | (131,029) |
| Net investment income | - | 2,546,201 | (2,546,201) |
| Benefits paid | (733,363) | (733,363) | - |
| Plan administrative expenses | - | (18,912) | 18,912 |
| Net Changes | <u>774,686</u> | <u>2,088,876</u> | <u>(1,314,190)</u> |
| Balances End of Year | <u>\$ 10,656,835</u> | <u>\$ 11,506,346</u> | <u>\$ (849,511)</u> |

Sensitivity of the net pension liability (asset) to changes in the discount rate-The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|--------------------------------------|-------------------------|-----------------------------------|-------------------------|
| City's net pension liability (asset) | \$ 332,965 | \$ (522,055) | \$ (1,218,768) |
| SADA's net pension liability (asset) | 208,850 | (327,456) | (764,465) |
| Net Pension Liability (Asset) | <u>\$ 541,815</u> | <u>\$ (849,511)</u> | <u>\$ (1,983,233)</u> |

For the year ended June 30, 2022, pension expense of (\$25,557) for the City and (\$16,030) for SADA was recognized. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | | Deferred Inflows of Resources | | |
|--|-----------------------------------|-------------------|-------------------|----------------------------------|-------------------|---------------------|
| | City | SADA | Total | City | SADA | Total |
| Differences between expected and actual experience | \$ 299,593 | \$ 187,918 | \$ 487,511 | \$ 34,951 | \$ 21,923 | \$ 56,874 |
| Changes of assumptions | 59,662 | 37,423 | 97,085 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | - | 780,505 | 489,568 | 1,270,073 |
| Change in proportion | 2,205 | 1,728 | 3,933 | 3,326 | 2,817 | 6,143 |
| City contributions subsequent to the measurement date | 102,988 | 64,599 | 167,587 | - | - | - |
| Total | <u>\$ 464,448</u> | <u>\$ 291,668</u> | <u>\$ 756,116</u> | <u>\$ 818,782</u> | <u>\$ 514,308</u> | <u>\$ 1,333,090</u> |

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Amortization of Pension Deferrals - \$167,587 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| | <u>Total</u> | <u>City</u> | <u>SADA</u> |
|----------------------------|---------------------|---------------------|---------------------|
| Year ended June 30: | | | |
| 2023 | \$ (130,332) | \$ (80,408) | \$ (49,924) |
| 2024 | (137,192) | (83,540) | (53,652) |
| 2025 | (210,590) | (129,603) | (80,987) |
| 2026 | (266,447) | (163,771) | (102,676) |
| | <u>\$ (744,561)</u> | <u>\$ (457,322)</u> | <u>\$ (287,239)</u> |

13. Subsequent Events

The City secured interim financing of \$2.5 million with Carson Community Bank for a period of twelve months to go along with permanent financing, acquired during the fiscal year, from USDA for \$2.5 million. These loans will be used for the construction of a new City Hall. The bid for construction was awarded to Reco Construction in the amount of \$2,621,412.00, and the project has a timeline of ten months from the start of construction. In addition, the City accepted a \$600,000 donation from the Cherokee Nation for the construction of a nine-hole, par-three golf course at Edna M. Carson-Stilwell Community Park and Sports Complex.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STILWELL, OKLAHOMA
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Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2022

| | GENERAL FUND | | | |
|--|-------------------|------------------|------------------------------------|--|
| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ | 457,457 | \$ 1,649,044 | \$ 1,191,588 |
| Resources (Inflows): | | | | |
| TAXES: | | | | |
| Sales tax | 2,400,000 | 2,400,000 | 2,774,732 | 374,732 |
| Use tax | 500,000 | 500,000 | 701,195 | 201,195 |
| Franchise tax | 4,000 | 4,000 | 9,783 | 5,783 |
| Occupational tax | 10,000 | 10,000 | 8,400 | (1,600) |
| Hotel and Motel Tax | 24,000 | 24,000 | 25,861 | 1,861 |
| Total taxes | <u>2,938,000</u> | <u>2,938,000</u> | <u>3,519,971</u> | <u>581,971</u> |
| INTERGOVERNMENTAL: | | | | |
| Alcoholic beverage tax | 110,000 | 110,000 | 110,461 | 461 |
| Gas excise tax | - | - | - | - |
| Vehicle tax | - | - | - | - |
| Tobacco tax | 24,000 | 24,000 | 25,409 | 1,409 |
| Payments in lieu of taxes | - | - | - | - |
| Grants | 12,000 | 12,000 | 4,763 | (7,237) |
| Total Intergovernmental | <u>146,000</u> | <u>146,000</u> | <u>140,633</u> | <u>(5,367)</u> |
| CHARGES FOR SERVICES | <u>368,000</u> | <u>368,000</u> | <u>378,569</u> | <u>10,569</u> |
| FINES AND FORFEITURES | <u>20,000</u> | <u>20,000</u> | <u>118,396</u> | <u>98,396</u> |
| LICENSES AND PERMITS: | <u>38,500</u> | <u>38,500</u> | <u>53,548</u> | <u>15,048</u> |
| INVESTMENT INCOME | <u>2,540</u> | <u>2,540</u> | <u>1,254</u> | <u>(1,286)</u> |
| MISCELLANEOUS: | | | | |
| Rentals | 6,800 | 6,800 | 10,800 | 4,000 |
| Proceeds from sale of capital assets | - | - | 68,806 | 68,806 |
| Reimbursements | 71,987 | 71,987 | 149,998 | 78,012 |
| Donations | - | - | 61,558 | 61,558 |
| Miscellaneous | 101,600 | 101,600 | 133,728 | 32,128 |
| Oil and gas royalty | 25 | 25 | - | (25) |
| Total Miscellaneous | <u>180,412</u> | <u>180,412</u> | <u>424,890</u> | <u>244,479</u> |
| OTHER FINANCING SOURCES: | | | | |
| Payments from component unit | <u>300,000</u> | <u>300,000</u> | <u>390,239</u> | <u>90,239</u> |
| Total Resources (Inflows) | <u>3,993,452</u> | <u>3,993,452</u> | <u>5,027,500</u> | <u>1,034,049</u> |
| Amount available for appropriation | <u>3,993,452</u> | <u>4,450,908</u> | <u>6,676,544</u> | <u>2,225,636</u> |
| Charges to Appropriations (Outflows): | | | | |
| Departmental: | | | | |
| GENERAL GOVERNMENT: | | | | |
| General government | 519,352 | 548,500 | 480,923 | 67,577 |
| Cemetery | 26,330 | 34,890 | 32,656 | 2,234 |
| Civil Defense | 10,235 | 10,485 | 10,350 | 135 |
| Clerk | 200,395 | 255,035 | 226,253 | 28,782 |
| Community building | 14,400 | 45,250 | 39,725 | 5,525 |
| Library | 4,500 | 9,900 | 9,316 | 584 |
| Sanitation | 343,902 | 352,473 | 345,900 | 6,573 |
| Municipal court | 61,224 | 66,974 | 62,972 | 4,002 |
| Code enforcement | 265,463 | 320,963 | 238,910 | 82,053 |
| Police | 1,076,369 | 1,228,709 | 1,228,709 | - |
| Fire | 227,665 | 266,985 | 196,199 | 70,786 |
| Street | 873,464 | 841,364 | 647,871 | 193,493 |
| Parks | 183,443 | 263,971 | 229,987 | 33,984 |
| Economic development | - | 156,659 | 141,813 | 14,846 |
| Ambulance | 48,750 | 48,750 | 19,990 | 28,760 |
| Total departmental | <u>3,855,492</u> | <u>4,450,908</u> | <u>3,911,574</u> | <u>539,334</u> |
| OTHER FINANCING USES | | | | |
| Transfers to Other Funds | - | - | 205,585 | (205,585) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>205,585</u> | <u>(205,585)</u> |
| Total charges to appropriations | <u>3,855,492</u> | <u>4,450,908</u> | <u>4,117,159</u> | <u>333,749</u> |
| Fund balances - ending | <u>\$ 137,960</u> | <u>\$ -</u> | <u>\$ 2,559,385</u> | <u>\$ 2,559,385</u> |

See accompanying notes to this schedule.

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Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2022 (Continued)

| | STREET AND ALLEY FUND | | | |
|---|-----------------------|--------|------------------------------------|--|
| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ | 61,250 | \$ 232,285 | \$ 171,035 |
| Resources (Inflows) | | | | |
| Intergovernmental | 33,000 | 33,000 | 71,321 | 38,321 |
| Investment earnings | 1,150 | 1,150 | 1,166 | 16 |
| Miscellaneous | - | - | - | - |
| Amounts Available for Appropriation | 34,150 | 95,400 | 304,772 | 209,372 |
| Charges to Appropriations (Outflows) | | | | |
| Departmental: | | | | |
| <i>Street:</i> | | | | |
| Capital outlay | 10,000 | 95,400 | 58,462 | 36,938 |
| Total Charges to Appropriations | 10,000 | 95,400 | 58,462 | 36,938 |
| Fund balances - ending | \$ 24,150 | \$ - | \$ 246,310 | \$ 246,310 |

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified accrual basis as governmental funds within the basic financial statements, with the exception of sales tax revenue recorded by the City in the Capital Improvement Fund and the payments received from the Development Authority as shown in the schedule below:

| | |
|---|---------------------|
| | <u>General Fund</u> |
| Resources budgetary basis | \$5,027,500 |
| Add: sales tax transferred | 504,623 |
| Add: pass through grant | 159,300 |
| Deduct payment from Development Authority | <u>(390,239)</u> |
| Revenue – modified accrual basis | <u>\$5,301,184</u> |
| | |
| Expenditures budgetary/modified accrual basis | \$3,911,574 |
| Add: pass through grant | <u>159,300</u> |
| Expenditures – modified accrual basis | <u>\$4,070,874</u> |

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Clerk/Treasurer’s approval, while supplemental appropriations require City Council approval.

**CITY OF STILWELL, OKLAHOMA
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Schedules of Required Supplementary Information

SCHEDULE OF THE CITY OF STILWELL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------|------------|------------|------------|-----------|-----------|-----------|-----------|
| City's proportion of the net pension liability | 0.019553% | 0.018763% | 0.018996% | 0.013615% | 0.002882% | 0.003188% | 0.002403% | 0.002902% |
| City's proportionate share of the net pension liability | \$ 201,075 | \$ 199,153 | \$ 232,087 | \$ 171,242 | \$ 32,440 | \$ 33,681 | \$ 29,606 | \$ 19,114 |
| City's covered-employee payroll | \$ 53,101 | \$ 54,400 | \$ 50,007 | \$ 36,986 | \$ - | \$ - | \$ - | \$ - |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 379% | 366% | 464% | 463% | 0% | 0% | 0% | 0% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.12% | 68.27% | 64.87% | 66.61% | 70.73% | 72.85% | 69.98% | 84.24% |

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the last eight fiscal years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-----------|-----------|-----------|-------|-------|-------|-------|-------|
| Statutorially required contribution | \$ 7,616 | \$ 7,001 | \$ 5,178 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the statutorially required contribution | 7,616 | 7,001 | 5,178 | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered-employee payroll | \$ 54,400 | \$ 50,007 | \$ 36,986 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Notes to Schedule:

Only the last eight fiscal years are presented because 10-year data is not yet available.

No fire employees in prior and current fiscal years.

**CITY OF STILWELL, OKLAHOMA
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**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Changes in Net Pension Liability and Related Ratios

Last Eight Fiscal Years

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Total pension liability | | | | | | | | |
| Service cost | \$ 179,893 | \$ 183,591 | \$ 190,323 | \$ 177,583 | \$ 179,703 | \$ 197,086 | \$ 230,798 | \$ 230,437 |
| Interest | 591,364 | 602,074 | 627,855 | 647,453 | 649,317 | 661,226 | 702,937 | 714,157 |
| Changes of benefit terms | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | - | 4,295 | (53,974) | (140,028) | (26,682) | 101,138 | (89,071) | 563,455 |
| Changes of assumptions | - | - | - | 213,617 | - | 254,519 | - | - |
| Benefit payments, including refunds of member contributions | (454,542) | (451,754) | (463,052) | (561,431) | (630,084) | (657,515) | (658,129) | (733,363) |
| Net change in total pension liability | 316,715 | 338,206 | 301,152 | 337,194 | 172,254 | 556,454 | 186,535 | 774,686 |
| Total pension liability - beginning | 7,673,639 | 7,990,354 | 8,328,560 | 8,629,712 | 8,966,906 | 9,139,160 | 9,695,614 | 9,882,149 |
| Total pension liability - ending (a) | \$ 7,990,354 | \$ 8,328,560 | \$ 8,629,712 | \$ 8,966,906 | \$ 9,139,160 | \$ 9,695,614 | \$ 9,882,149 | \$ 10,656,835 |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | \$ 205,752 | \$ 235,630 | \$ 224,090 | \$ 1,256,166 | \$ 95,751 | \$ 103,042 | \$ 105,197 | \$ 163,921 |
| Contributions - member | 111,151 | 106,033 | 100,845 | 96,017 | 107,798 | 117,048 | 121,694 | 131,029 |
| Net investment income | 1,066,365 | 206,620 | 63,420 | 905,296 | 665,271 | 616,672 | 380,598 | 2,546,201 |
| Benefit payments, including refunds of member contributions | (454,542) | (451,754) | (463,052) | (561,431) | (630,084) | (657,515) | (658,129) | (733,363) |
| Administrative expense | (15,767) | (15,369) | (14,751) | (15,801) | (18,544) | (18,845) | (19,292) | (18,912) |
| Net change in plan fiduciary net position | 912,959 | 81,160 | (89,448) | 1,680,247 | 220,192 | 160,402 | (69,932) | 2,088,876 |
| Plan fiduciary net position - beginning | 6,521,890 | 7,434,849 | 7,516,009 | 7,426,561 | 9,106,808 | 9,327,000 | 9,487,402 | 9,417,470 |
| Plan fiduciary net position - ending (b) | \$ 7,434,849 | \$ 7,516,009 | \$ 7,426,561 | \$ 9,106,808 | \$ 9,327,000 | \$ 9,487,402 | \$ 9,417,470 | \$ 11,506,346 |
| Net pension liability (asset) - ending (a) - (b) | \$ 555,505 | \$ 812,551 | \$ 1,203,151 | \$ (139,902) | \$ (187,840) | \$ 208,212 | \$ 464,679 | \$ (849,511) |
| Plan fiduciary net position as a percentage of the total pension liability | 93.05% | 90.24% | 86.06% | 101.56% | 102.06% | 97.85% | 95.30% | 107.97% |
| Covered employee payroll | \$ 2,057,520 | \$ 2,356,300 | \$ 2,240,900 | \$ 2,146,170 | \$ 2,396,271 | \$ 2,605,176 | \$ 2,642,983 | \$ 2,960,277 |
| Net pension liability (asset) as a percentage of covered-employee payroll | 27.00% | 34.48% | 53.69% | 6.52% | 7.84% | 7.99% | 17.58% | 28.70% |

Notes to Schedule:

Only the last eight years are presented because 10-year data is not yet available.

This information includes activity for the City and the SADA, a discretely presented component unit.

**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions

Last Eight Fiscal Years

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 197,222 | \$ 186,667 | \$ 165,899 | \$ 196,015 | \$ 102,561 | \$ 105,270 | \$ 163,915 | \$ 148,800 |
| Contributions in relation to the actuarially determined contribution | 235,630 | 224,090 | 1,257,397 | 95,761 | 102,910 | 105,084 | 162,144 | 167,587 |
| Contribution deficiency (excess) | \$ (38,408) | \$ (37,423) | \$ (1,091,498) | \$ 100,254 | \$ (349) | \$ 186 | \$ 1,771 | \$ (18,787) |
| Covered employee payroll | \$ 2,356,300 | \$ 2,240,900 | \$ 2,146,170 | \$ 2,396,271 | \$ 2,609,684 | \$ 2,706,175 | \$ 2,911,456 | \$ 2,642,983 |
| Contributions as a percentage of covered-employee payroll | 10.00% | 10.00% | 58.59% | 4.00% | 3.94% | 3.88% | 5.57% | 5.70% |

Notes to Schedule:

- Only the last eight years are presented because 10-year data is not yet available.
- Latest Valuation Date: July 1, 2021
- Actuarially determined contribution rate is calculated as of July 1, 2021 and is 5.63%.
- Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 25 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.50% to 7.50% (varies by attained age)
 - Investment rate of return - 7.50%

5. This information includes activity for the City and the SADA, a discretely presented component unit.

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SUPPLEMENTARY INFORMATION

CITY OF STILWELL, OKLAHOMA
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Combining Balance Sheet – Nonmajor Funds – June 30, 2022

| | <u>Special Revenue</u> | <u>Capital Project Funds</u> | | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|------------------------|-------------------------------|-------------------|---|---|
| | <u>Library Fund</u> | <u>Cemetery Care Fund</u> | <u>CDBG Fund</u> | <u>Stilwell Improvement Authority</u> | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 9,066 | \$ 57,314 | \$ 188,905 | \$ 48,578 | 303,863 |
| Due from other governments | - | - | 28,563 | - | 28,563 |
| Total assets | <u>9,066</u> | <u>57,314</u> | <u>217,468</u> | <u>48,578</u> | <u>332,426</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | - | - | 706 | - | 706 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>706</u> | <u>-</u> | <u>706</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue | - | - | 28,563 | - | 28,563 |
| Fund balances: | | | | | |
| Restricted | 8,213 | 57,314 | 188,199 | 46,669 | 300,395 |
| Assigned | 853 | - | - | 1,909 | 2,762 |
| Total fund balances | <u>9,066</u> | <u>57,314</u> | <u>188,199</u> | <u>48,578</u> | <u>303,157</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 9,066</u> | <u>\$ 57,314</u> | <u>\$ 217,468</u> | <u>\$ 48,578</u> | <u>\$ 332,426</u> |

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds – Year Ended June 30, 2022

| | <u>Special Revenue</u> | <u>Capital Project Funds</u> | | <u>Debt Service Fund</u> | <u>Total-Other Governmental Funds</u> |
|---|------------------------|-------------------------------|-------------------|---|---|
| | <u>Library Fund</u> | <u>Cemetery Care Fund</u> | <u>CDBG Fund</u> | <u>Stilwell Improvement Authority</u> | |
| REVENUES | | | | | |
| Charges for services | \$ - | \$ 9,421 | \$ - | \$ - | \$ 9,421 |
| Investment earnings | 6 | 31 | - | 43 | 80 |
| Total revenues | <u>6</u> | <u>9,452</u> | <u>-</u> | <u>43</u> | <u>9,501</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | 93 | - | - | 93 |
| Capital Outlay | - | - | 28,563 | - | 28,563 |
| Debt Service: | | | | | |
| Principal | - | - | - | 42,097 | 42,097 |
| Interest and other charges | - | - | - | 14,512 | 14,512 |
| Total Expenditures | <u>-</u> | <u>93</u> | <u>28,563</u> | <u>56,609</u> | <u>85,265</u> |
| Excess (deficiency) of revenues over expenditures | <u>6</u> | <u>9,359</u> | <u>(28,563)</u> | <u>(56,566)</u> | <u>(75,764)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | 200,000 | 56,610 | 256,610 |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>200,000</u> | <u>56,610</u> | <u>256,610</u> |
| Net change in fund balances | 6 | 9,359 | 171,437 | 44 | 180,846 |
| Fund balances - beginning | 9,060 | 47,955 | 16,762 | 48,534 | 122,311 |
| Fund balances - ending | <u>\$ 9,066</u> | <u>\$ 57,314</u> | <u>\$ 188,199</u> | <u>\$ 48,578</u> | <u>\$ 303,157</u> |

**CITY OF STILWELL, OKLAHOMA
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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2022

| Federal/State Grantor/Pass Thru Agency Grantor/Program Title | Federal AL Number | Pass Thru Grant # | Award Amount | Passed-Through to Subrecipients | Contract Expenditures |
|---|-------------------------|----------------------|----------------------------|------------------------------------|--------------------------|
| FEDERAL AWARDS: | | | | | |
| <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u> | | | | | |
| Passed Through the Oklahoma Department of Commerce: | | | | | |
| Community Development Block Grant | 14.228 | N/A | \$ 300,000 | \$ - | \$ - |
| Total Department of Housing and Urban Development | | | <u>300,000</u> | <u>-</u> | <u>-</u> |
| <u>U.S. DEPARTMENT OF COMMERCE:</u> | | | | | |
| Economic Development Cluster | 11.307 | 08-01-05159 | 1,500,000 | 159,300 | 159,300 |
| Total Department of Commerce | | | <u>1,500,000</u> | <u>159,300</u> | <u>159,300</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION:</u> | | | | | |
| Passed Through the Oklahoma Department of Transportation: | | | | | |
| Safe Routes to Schools | 20.205 | N/A | 205,000 | - | 28,563 |
| Total Department of Transportation | | | <u>205,000</u> | <u>-</u> | <u>28,563</u> |
| <u>U.S. DEPARTMENT OF TREASURY:</u> | | | | | |
| American Rescue Plan Act-Trauch #1 | 21.019 | N/A | 354,550 | - | - |
| Total Department of Transportation | | | <u>354,550</u> | <u>-</u> | <u>-</u> |
| Total Federal Awards | | | <u>\$ 2,359,550</u> | <u>\$ 159,300</u> | <u>\$ 187,863</u> |

| State Grantor/Pass Thru Agency Grantor/Program Title | Federal AL Number | Pass Thru Grant # | Award Amount | Passed-Through to Subrecipients | Contract Expenditures |
|---|-------------------------|----------------------|--------------------------|------------------------------------|--------------------------|
| STATE AWARDS: | | | | | |
| <u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u> | | | | | |
| Operational Grant | N/A | N/A | \$ 4,763 | \$ - | \$ - |
| Total Oklahoma Department of Agriculture | | | <u>4,763</u> | <u>-</u> | <u>-</u> |
| <u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT (EODD):</u> | | | | | |
| REAP Grant - 2020 | N/A | N/A | 35,000 | - | 3,938 |
| REAP Grant - 2021 | N/A | N/A | 33,100 | - | 19,844 |
| REAP Grant - 2022 | N/A | N/A | 50,400 | - | 18,933 |
| Total Eastern Oklahoma Development District (EODD) | | | <u>118,500</u> | <u>-</u> | <u>42,715</u> |
| Total State Awards | | | <u>\$ 123,263</u> | <u>\$ -</u> | <u>\$ 42,715</u> |

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis.

**CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

MICHAEL W. GREEN
Certified Public Accountant

827 W. Locust St.
Stilwell, Ok. 74960
(918) 696-6298

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

The Honorable Mayor and City Council
City of Stilwell, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stilwell, Oklahoma (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated December 28, 2022.

Report on Internal Control over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

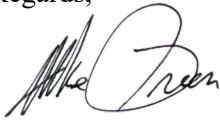
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green". The signature is stylized with a large, looped "G" and a cursive "Green".

Michael W. Green, CPA
December 28, 2022