CITY OF

STILWELL, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

THE CITY OF STILWELL, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Stilwell, Oklahoma

I have audited the accompanying financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the government-wide financial statements has not been determined

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Aggregate Discretely Presented Component Units paragraph, the financial statements referred to above do not present fairly the financial position of the reporting entity of the City, as of June 30, 2014, or the changes in financial position or cash flows thereof for the year then ended. In accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the City as of June 30, 2014 and the respective changes in financial position-modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

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

Disclaimer of Opinion on 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 management's discussion and analysis and budgetary comparison information on pages 7-13 and 37-38, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 12, 2015, 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 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 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.

Michael Green
Certified Public Accountant
Stilwell, Ok
January 12, 2015

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, 2014. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

About the City

The City of Stilwell is a home rule charter city with a population of approximately 3,949 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), and the Stilwell Improvement Authority, a blended component unit that operates to provide financing and capital for the benefit of the city, and excludes the Stilwell Area Development Authority, a discretely presented component unit that operates the electric, water, and sewer systems leased from 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 a governmental-type fund.

FINANCIAL HIGHLIGHTS

- While the City's total net position decreased by $459,600, the assets of the City exceed its liabilities at June 30, 2014, by $8,955,987 (net position). Of this amount, $1,102,802 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- At June 30, 2014, the City's governmental funds reported combined ending fund balances of $2,204,673. Of that amount, $1,077,479 is available for spending at the government's discretion (unassigned fund balance) of the General Fund.

- At the end of fiscal year 2014, unassigned fund balance for the General Fund was 31.4% of General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

Except for the exclusion of the Stilwell Area Development Authority, the financial statements presented herein include all of the activities of the City of Stilwell (the "City"). Included in this report are government-wide statements for the governmental activities.

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we have *governmental activities* in which most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The

governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Notes to the Financial Statements

The notes provide additional information that is essential to gain 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 21-34 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, combining financial statements for non-major governmental funds, and federal and state award schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2014, net position for the governmental activities decreased $459,600. The following is a summary comparison of the change in net position from last year for the City of Stilwell.

NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)
	2014	2013	
Current assets	$ 2,206	$ 2,445	-10%
Capital assets, net	7,086	7,335	-3%
Total assets	9,292	9,780	-5%
Current liabilities	31	30	3%
Non-current liabilities	305	334	-9%
Total liabilities	336	364	-8%
Net position			
Net investment in capital assets	6,751	6,971	-3%
Restricted	1,102	1,128	-2%
Unrestricted	1,103	1,317	-16%
Total net position	$ 8,956	$ 9,416	-5%

Following is a summary comparison of change in net position from the prior year for the City of Stilwell.

CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)
	2014	2013	
Revenues			
Charges for service	$ 701	$ 644	9%
Operating grants and contributions	62	48	29%
Capital grants and contributions	224	211	6%
Taxes	2,228	2,305	-3%
Intergovernmental revenue	153	176	-13%
Investment income	5	11	-55%
Miscellaneous	367	352	4%
Total revenues	3,740	3,747	0%
Expenses			
General government	552	1,300	-58%
Public safety	2,169	2,133	2%
Streets	1,044	1,106	-6%
Culture, parks and recreation	142	156	-9%
Sanitation	278	284	-2%
Interest on long-term debt	15	14	7%
Total expenses	4,200	4,993	-16%
Change in net position	(460)	(1,246)	-63%
Beginning net position	9,416	10,662	-12%
Ending net position	$ 8,956	$ 9,416	-5%

Governmental Activities

The City's governmental activities' decrease in net position of $459,600 represents a 4.9% decrease in net position. Expenditures decreased by $792,271, while revenues decreased $5,892. The decrease in expenses is mainly due to a $750,000 increase in personal service expenditures in the general government department in 2013 which was a payment to OMRF to help fund the City's unfunded pension plan actuarial accrued liability that did not have to be made in 2014. The decrease in revenue is primarily related to a decrease of $76,924 in sales, use, and franchise tax revenue offset by an increase of $56,434 in charges for services during the year.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2014	2013		2014	2013	
General government	$ 552	$ 1,300	-58%	($540)	($1,156)	-53%
Public safety	2,169	2,133	2%	(1,688)	(1,639)	3%
Streets	1,044	1,106	-6%	(1,003)	(1,070)	-6%
Sanitation	278	284	-2%	(46)	(86)	-47%
Culture, parks and recreation	142	156	-9%	78	(125)	-162%
Interest on long-term debt	15	14	7%	(15)	(14)	7%
Total	$4,200	$4,993	-16%	(3,214)	($4,090)	-21%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of $2.2 million or a 9.8% decrease from the prior year.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance decreased by $177,176, or 13.7%.

General Fund Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues above final estimates by $400,091 or a 13.5% positive variance. General Fund actual expenditures were under final appropriations by $221,650 or a 5.9% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had approximately $7.1 million invested in capital assets including land, buildings, machinery and equipment, and park facilities. This represents a net decrease of $248,150 from last year.

Below are details regarding the change in the City's capital assets for the year ended June 30, 2014.[1]

The City of Stilwell's Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental Activities	
	2014	2013
Land	$ 592	$ 592
Buildings and Improvements	5,343	5,920
Machinery and Equipment	750	773
Construction in progress	401	50
Totals, Net	$ 7,086	$ 7,335

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

- 2-2014 Ford Police Cars $59,918
- 2013 Street Dump Truck $58,250
- CNG Conversion on 4 Vehicles $38,976
- Cemetery Fence Project $32,710

Several of the purchases above were made by possible by State, Federal, and Private Foundation grants. Please refer to the Schedule of Federal and State Awards for additional information.

Debt Administration

At year-end, the City had $335,132 in long-term debt outstanding during FY 14.[2]

Long-Term Debt
(In Thousands)

	Governmental Activities		Total Percentage Change
	2014	2013	
Notes payable	$ 335	$ 363	-8%
Totals	$ 335	$ 363	

[1] For more detailed information on capital asset activity please refer to page 28, Note 3. Capital Assets and Depreciation

[2] For more detailed information on long-term debt activity please refer to page 29, Note 4. Long-Term Debt.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- During fiscal year 2014 the city experienced stable but flat sales tax revenues. There were no major additions or closures to retail or industrial employers that affected the city's income for the year ended June 30, 2014.
- The city converted four (4) police trucks to compressed natural gas (CNG) and also placed a dedicated CNG sanitation truck into service near the end of the fiscal year. These projects were made possible in part by a grant from the Oklahoma Department of Commerce – State Energy Office utilizing funds from the Stimulus Energy Efficiency Block Grant (SEECBG) which provided funds for the conversion kits and paid the incremental cost between a traditional sanitation truck and the dedicated CNG truck. Subsequent to year end, the city placed an order for a second CNG sanitation truck. Management estimates the cost savings in fuel for the sanitation department to exceed $16,000 annually.
- The city continued constructing improvements to the storm water drainage system of the city that began in the prior year. This project is slated to be completed in late 2015 or early 2016. Once completed, these improvements will provide long-term benefits to property owners along these areas and will help reduce the city's maintenance of the improved areas.
- At June 30, 2014 the a new 9,375 square foot Indoor Facility being constructed at the Edna M. Carson-Stilwell Community Park was approximately 75% complete. This facility represents an investment of more than $275,000 to provide an additional facility to the park including restrooms, locker rooms and a large indoor area to be used for athletics and sports related activities.
- Subsequent to the year end, the city was awarded a grant from the Oklahoma Department of Tourism and Recreation (OTRD) for the construction of a 4,200 square foot splash pad and support facility. The project budget is $464,000 with $200,000 being provided by OTRD from the National Parks Service Land & Water Conservation Fund. The project is slated for completion in the early summer of 2015.

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.

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

Statement of Net Position (Modified Cash Basis)– June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,944,337
Investments	260,828
Capital Assets:	
Land and construction in progress	993,170
Other capital assets, net of accumulated depreciation	6,093,276
Total Assets	9,291,611
LIABILITIES	
Due to other governments	492
Long-term liabilities	
Due within one year	30,425
Due in more than one year	304,707
Total liabilities	335,624
NET POSITION	
Net investment in capital assets	6,751,314
Restricted for:	
Streets	329,451
Cemetery	177,973
Capital improvements	371,595
Library	26,236
Depot operations	1,658
Grants	173,932
Police	7,725
Fire	8,301
Parks	5,000
Unrestricted	1,102,802
Total net position	$ 8,955,987

See accompanying notes to the basic financial statements.

Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government					
Governmental Activities					
General Government	$ 551,885	$ 8,289	$ 4,091	$ -	$ (539,505)
Public Safety	2,169,320	441,627	19,984	20,000	(1,687,709)
Highways and streets	1,044,081	-	37,471	3,303	(1,003,307)
Sanitation	278,226	232,709	-	-	(45,517)
Culture and Recreation	141,795	18,200	-	201,150	77,555
Interest on Long-term debt	15,001	-	-	-	(15,001)
Total primary government	4,200,308	700,825	61,546	224,453	(3,213,484)

General revenues:	
Taxes:	
Sales taxes	$ 2,068,879
Use taxes	127,997
Franchise taxes and public service taxes	31,216
Intergovernmental revenue not restricted to specific programs	152,900
Unrestricted investment earnings	5,179
Miscellaneous	131,338
Payment from Development Authority	236,375
Total general revenues	2,753,884
Change in net position	(459,600)
Net position - beginning	9,415,587
Net position - ending	$ 8,955,987

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014

	General Fund	Street and Alley Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,134,109	$ 202,231	$ 300,374	$ 307,623	$ 1,944,337
Investments	3,338	116,683	-	140,807	260,828
Due from other funds	-	-	-	20,000	20,000
Total assets	1,137,447	318,914	300,374	468,430	2,225,165
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other governments	492	-	-	-	492
Due to other funds	20,000	-	-	-	20,000
Total liabilities	20,492	-	-	-	20,492
Fund balances:					
Restricted	39,476	311,001	284,536	466,858	1,101,871
Assigned	-	7,913	15,838	1,572	25,323
Unassigned	1,077,479	-	-	-	1,077,479
Total fund balances	1,116,955	318,914	300,374	468,430	2,204,673
Total liabilities and fund balances	$ 1,137,447	$ 318,914	$ 300,374	$ 468,430	$ 2,225,165

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2014

	General Fund	Street and Alley Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 2,228,092	$ -	$ -	$ -	$ 2,228,092
Intergovernmental	268,454	37,471	-	23,303	329,228
Licenses and permits	5,467	-	-	-	5,467
Charges for services	697,127	-	-	7,280	704,407
Fines and foreitures	59,821	-	-	-	59,821
Investment income	2,261	912	876	1,130	5,179
Miscellaneous	168,048	-	-	4,091	172,139
Total revenues	3,429,270	38,383	876	35,804	3,504,333
EXPENDITURES					
Current:					
General government:					
General government	262,341	-	21	3,303	265,665
Clerk/treasurer	161,291	-	-	-	161,291
Community building	75,588	-	-	-	75,588
Public safety and judiciary					
Fire	125,567	-	-	-	125,567
Civil defense	17,659	-	-	-	17,659
Police	1,004,797	-	-	-	1,004,797
Code enforcement	47,602	-	-	-	47,602
Municipal court	55,389	-	-	-	55,389
Ambulance	695,827	-	-	-	695,827
Streets	479,768	-	-	-	479,768
Sanitation	278,226	-	-	-	278,226
Cultural, Parks, and Recreation:					
Parks and recreation	30,680	-	-	-	30,680
Library	3,856	-	-	-	3,856
Cemetery	57,803	-	-	-	57,803
Capital Outlay	90,873	5,317	479,741	61,508	637,439
Debt Service:					
Principal	-	-	-	28,176	28,176
Interest and other charges	-	-	-	15,001	15,001
Total Expenditures	3,387,267	5,317	479,762	107,988	3,980,334
Excess (deficiency) of revenues over expenditures	42,003	33,066	(478,886)	(72,184)	(476,001)
OTHER FINANCING SOURCES (USES)					
Payment from Development Authority	236,375	-	-	-	236,375
Transfers in	-	-	455,554	43,296	498,850
Transfers out	(455,554)	-	(43,296)	-	(498,850)
Total other financing sources and uses	(219,179)	-	412,258	43,296	236,375
Net change in fund balances	(177,176)	33,066	(66,628)	(28,888)	(239,626)
Fund balances - beginning	1,294,131	285,848	367,002	497,318	2,444,299
Fund balances - ending	$ 1,116,955	$ 318,914	$ 300,374	$ 468,430	$ 2,204,673

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	$	2,204,673
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.		7,086,446
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(335,132)
Net Position of Governmental Activities in the Statement of Net Position		8,955,987

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	$	(239,626)
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		561,227
Depreciation expense		(809,377)
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		28,176
Change in net position of governmental activities	$	(459,600)

See accompanying notes to the basic financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Stilwell), one governmental-type blended component unit, and one excluded 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 a governmental-type fund.

- **The Stilwell Area Development Authority** – A public trust that operates the electric, water and wastewater services of the City. (Excluded from report)

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 except for the Stilwell Area Development Authority discretely presented component unit.

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.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued

revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits, moving and hauling revenue and a CDBG grant
- Public safety: Fine revenue and ambulance fees, an operating grant from Oklahoma Department of Agriculture, and a capital grant from USDA Rural Development
- Cultural, parks and recreation: Cemetery fees
- Street: Gas excise and commercial vehicle taxes
- Sanitation: Charges for trash service

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.

Non-Major Funds:

Special Revenue Funds:

- Library Fund – Accounts for revenues received and restricted for the library
- Depot Operational Fund – Accounts for revenues received and restricted for the maintenance of the Depot.

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.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. 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 economic resources measurement focus at the government-wide level.

The General Fund, Street and Alley Fund, and Capital Improvement Fund are the major funds and are therefore 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.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements. In the government-wide financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

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 with cash since July 1, 2004 are recorded at cost.

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 20 - 50 years
- Machinery and equipment 3-10 years

E. Long-Term Debt

Accounting treatment of long-term debt varies depending upon whether source of repayment is reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 10.

G. 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.

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.

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2014, the City recognized $5,179 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

Primary Government:

At June 30, 2014, the primary government held the following deposits and investments:

Type	Carrying Value
Deposits:	
Demand deposits	$ 1,944,337
Time deposit	260,828
Total deposits and investments	$ 2,205,165
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	$ 1,944,337
Investments	260,828
	$ 2,205,165

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, 2014, 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, 2014, 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, 2014, 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.

3. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvements, construction in progress, buildings and building improvements, and machinery and equipment. A capitalization threshold of $5,000 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Approximately $240,163 of the City's park land and $225,011 of a sports complex project is held in the name of the Stilwell Improvement Authority, a blended component unit.

For the year ended June 30, 2014, capital assets balances changed as follows:

	Balance at July 01, 2013	Additions	Disposals	Balance at June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 592,122	$ -	$ -	$ 592,122
Construction in progress	49,625	384,133	32,710	401,048
Total capital assets not being depreciated	641,747	384,133	32,710	993,170
Other capital assets:				
Buildings	17,455,226	32,710	-	17,487,936
Machinery, furniture and equipment	2,545,473	177,094	-	2,722,567
Total other capital assets at historical cost	20,000,699	209,804	-	20,210,503
Less accumulated depreciation for:				
Buildings	11,535,285	609,029	-	12,144,314
Machinery, furniture and equipment	1,772,565	200,348	-	1,972,913
Total accumulated depreciation	13,307,850	809,377	-	14,117,227
Other capital assets, net	6,692,849	(599,573)	-	6,093,276
Governmental activities capital assets, net	$ 7,334,596	$ (215,440)	$ 32,710	$ 7,086,446

Depreciation:

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	$ 43,716
Public safety	157,687
Highways and streets	558,996
Culture, tourism, and recreation	43,353
Improvement authority	5,625
	$ 809,377

4. Long-Term Debt

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Notes payable	$ 363,308	$ -	$ 28,176	$ 335,132	$ 30,425
Total Governmental Activities	$ 363,308	$ -	$ 28,176	$ 335,132	$ 30,425

Reconciliation to Statement of Net Position:	
Governmental Activities:	
Due within one year	$ 30,425
Due in more than one year	304,707
Total Governmental Activities Long-term liabilities	$ 335,132

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

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 $1,240 beginning October 30, 2012, final installment due March 30, 2042, secured with a property lien from Stilwell Improvement Authority resources	$ 245,776
Note Payable to Bank of Commerce dated November 5, 2012, original amount $130,750 with annual interest rate of 3.15%, due in monthly installments of principal and interest of $2,358 beginning December 5, 2012, final installment due November 5, 2017, secured with a property lien from Stilwell Improvement Authority resources	89,356
Total Notes Payable	$ 335,132
Current portion	$ 30,425
Noncurrent portion	304,707
Total Notes Payable	$ 335,132

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

Year Ending June 30,	Governmental Type Activities Notes Payable Principal	Interest
2014	$ 30,425	$ 12,752
2015	31,448	11,729
2016	32,511	10,666
2017	14,507	9,829
2018	5,424	9,458
2019-2023	30,856	43,554
2024-2028	38,148	36,263
2029-2033	47,163	27,249
2034-2038	58,309	16,104
2039-2042	46,341	3,279
Totals	$ 335,132	$ 180,883

5. 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.

6. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

7. Internal and Interfund Balances and Transfers

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

Balances:

Interfund receivables and payables at year ended June 30, 2014, were as follows:

Due From	Due To	Amount	Purpose of Transfer
General Fund	CDBG	$ 20,000	Deposit correction
Total		$ 20,000	

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2014, were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Capital Improvement Fund	$ 295,554	Sales tax transfer
General Fund	Capital Improvement Fund	160,000	Transfer of grant funds
Capital Improvement Fund	Stilwell Improvement Authority	43,296	Transfer for debt service
Total		$ 498,850	

8. Fund Equity

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet:

	General Fund	Street & Alley Fund	Capital Improvement Fund	Other Governmental Funds	Total
Fund Balance:					
Restricted For:					
Capital Improvements	$ -	$ -	$ 284,536	$ -	$ 284,536
Library	-	-	-	26,236	26,236
Depot Operation	-	-	-	1,658	1,658
Street Improvements	18,450	311,001	-	-	329,451
Grant Programs	-	-	-	173,932	173,932
Cemetery Capital	-	-	-	177,973	177,973
Stilwell Improvement Authority	-	-	-	87,059	87,059
Police	7,725	-	-	-	7,725
Fire	8,301	-	-	-	8,301
Parks	5,000	-	-	-	5,000
Sub-total Restricted	39,476	311,001	284,536	466,858	1,101,871
Assigned to:					
Capital Improvements	-	-	15,838	-	15,838
Library	-	-	-	647	647
Depot Operation	-	-	-	275	275
Street Improvements	-	7,913	-	-	7,913
Stilwell Improvement Authority	-	-	-	650	650
Sub-total Assigned	-	7,913	15,838	1,572	25,323
Unassigned to:					
General Fund	1,077,479	-	-	-	1,077,479
TOTAL FUND BALANCE	$ 1,116,955	$ 318,914	$ 300,374	$ 468,430	$ 2,204,673

9. 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.

10. Commitments and Contingencies

Construction Contract:

There were no construction contracts outstanding at June 30, 2014.

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2014, is summarized as follows:

- General Fund – accrued compensated absences $396,478

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. In 2014, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

11. 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:

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

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

Funding Policy. OFPRS plan members are required to contribute 8% of their annual salary. The City is required by state law to contribute 13% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2012	$ 6,340	$ 6,340
2013	$ 5,880	$ 5,880
2014	$ 6,168	$ 6,168

Schedule of Retirement Plan Contributions – OMRF

For the year ended June 30, 2014, the following amounts related to the defined benefit plan:

	City and SADA Total	City Only
Employee contributions made	$ 111,151	$ 60,234
Employer contributions made	205,752	111,501
Total	$ 316,903	$ 171,735

Fiscal Year	Annual Pension Cost	Percentage of APC Contributed
2012	$ 409,445	100%
2013	$ 484,192	410%
2014	$ 316,903	100%

Plan Description, Eligibility Factors, Contribution Methods, and Benefit Provisions

1. Plan Description

The City of Stilwell (along with the Stilwell Area Development Authority) participates in The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma 73105.

2. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniform employees of the City or Authority upon hire if less than age 60.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	8.33% of covered payroll
- Employee Rate	4.50% of earnings
c. Period Required to Vest	5 years of credited service
d. 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
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
f. 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 and years of service at termination.
- Disability Retirement	Benefit computed as for normal retirement based on average salary and service as of the date of disability.
- Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage.
- Prior to 5 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

3. Annual Pension Costs

A. Current Year Contribution Information

For the year ended June 30, 2014, the City's annual pension cost of $316,903, was equal to the City's required and actual contributions.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

SUPPLEMENTARY AND OTHER INFORMATION

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	$ 530,533	$ 798,917	$ 1,294,131	$ 495,214
Resources (Inflows):				
TAXES:				
Sales tax	1,761,000	1,761,000	1,773,325	12,325
Use tax	155,000	155,000	127,997	(27,003)
Franchise tax	15,000	15,000	15,136	136
Hotel and Motel Tax	-	-	16,080	16,080
Total taxes	1,931,000	1,931,000	1,932,538	1,538
INTERGOVERNMENTAL:				
Alcoholic beverage tax	50,000	50,000	59,537	9,537
Tobacco tax	24,000	24,000	24,493	493
Grants	-	-	184,424	184,424
Total Intergovernmenta	74,000	74,000	268,454	194,454
CHARGES FOR SERVICES	630,500	630,500	690,620	60,120
FINES AND FORFEITURES	85,000	85,000	59,821	(25,179)
LICENSES AND PERMITS:	2,500	2,500	5,467	2,967
INVESTMENT INCOME	6,000	6,000	2,261	(3,739)
MISCELLANEOUS:				
Rentals	6,000	6,000	10,315	4,315
Proceeds from sale of capital assets	-	-	-	-
Miscellaneous	10,000	10,000	164,240	154,240
Total Miscellaneous	16,000	16,000	174,555	158,555
OTHER FINANCING SOURCES:				
Payments from component unit	225,000	225,000	236,375	11,375
Total Resources (Inflows)	2,970,000	2,970,000	3,370,091	400,091
Amount available for appropriation	3,500,533	3,768,917	4,664,222	895,305
Charges to Appropriations (Outflows):				
General government	290,837	315,837	268,891	46,946
Cemetery	76,143	76,593	57,803	18,790
Civil Defense	18,625	39,575	37,609	1,966
Clerk	187,475	190,925	161,291	29,634
Community building	70,445	79,595	75,588	4,007
Library	4,500	4,500	3,856	644
Sanitation	308,115	313,215	278,226	34,989
Municipal court	60,222	61,572	55,389	6,183
Code enforcment	49,078	49,078	47,602	1,476
Police	1,064,791	1,101,641	1,013,159	88,482
Fire	149,858	159,359	181,578	(22,219)
Street	531,074	544,382	479,768	64,614
Parks	43,700	55,100	30,680	24,420
Ambulance	645,670	777,545	695,827	81,718
Total other financing sources and uses	3,500,533	3,768,917	3,387,267	381,650
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	-	-	160,000	(160,000)
Total other financing sources and uses	-	-	160,000	(160,000)
Fund balances - ending	$ -	$ -	$ 1,116,955	$ 1,116,955

See accompanying notes to this schedule.

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2014 (Continued)

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	$ -	$ -	$ 285,848	$ 285,848
Resources (Inflows)				
Intergovernmental	26,000	26,000	37,471	11,471
Investment earnings	-	-	912	912
Amounts Available for Appropriation	26,000	26,000	324,231	298,231
Charges to Appropriations (Outflows)				
Departmental:				
Street:				
Capital outlay	8,000	8,000	5,317	2,683
Total Charges to Appropriations	8,000	8,000	5,317	2,683
Fund balances - ending	$ 18,000	$ 18,000	$ 318,914	$ 300,914

See accompanying notes to this schedule.

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements, 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:

	General Fund
Resources budgetary basis	$3,370,091
Add sales tax budgeted in CIF	295,554
Deduct payment from Development Authority	(236,375)
Revenue – modified cash basis	$3,429,270
Transfers out – Budgetary	$(160,000)
Add sales tax transferred to CIF	(295,554)
Transfers out – modified cash basis	$(455,554)

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.

3. In the General Fund and Street and Alley Fund, the City had negative variances in the following department and for the following amount:

General Fund – Fire	($22,219)
General Fund – Transfers out	($160,000)

Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2014

	Special Revenue Funds		Capital Project Funds		Debt Service Fund	
	Library Fund	Depot Operational Fund	Cemetery Care Fund	CDBG Fund	Stilwell Improvement Authority	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 26,883	$ 1,933	$ 37,166	$ 153,932	$ 87,709	307,623
Investments	-	-	140,807	-	-	140,807
Due from other funds	-	-	-	20,000	-	20,000
Total assets	26,883	1,933	177,973	173,932	87,709	468,430
LIABILITIES AND FUND BALANCES						
Liabilities	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balances:						
Restricted	26,236	1,658	177,973	173,932	87,059	466,858
Assigned	647	275	-	-	650	1,572
Total fund balances	26,883	1,933	177,973	173,932	87,709	468,430
Total liabilities and fund balances	$ 26,883	$ 1,933	$ 177,973	$ 173,932	$ 87,709	$ 468,430

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds (Modified Cash Basis) – Year Ended June 30, 2014

	Special Revenue Funds		Capital Project Funds		Debt Service Fund	
	Library Fund	Depot Operational Fund	Cemetery Care Fund	CDBG Fund	Stilwell Improvement Authority	Total-Other Governmental Funds
REVENUES						
Intergovernmental	$ -	$ -	$ -	$ 23,303	$ -	$ 23,303
Charges for services	-	-	7,280	-	-	7,280
Investment earnings	55	12	844	-	219	1,130
Miscellaneous	-	-	4,091	-	-	4,091
Total revenues	55	12	12,215	23,303	219	35,804
EXPENDITURES						
Current:						
General government	-	-	-	3,303	-	3,303
Capital Outlay	-	6,103	32,710	22,695	-	61,508
Debt Service:						
Principal	-	-	-	-	28,176	28,176
Interest and other charges	-	-	-	-	15,001	15,001
Total Expenditures	-	6,103	32,710	25,998	43,177	107,988
Excess (deficiency) of revenues over expenditures	55	(6,091)	(20,495)	(2,695)	(42,958)	(72,184)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	43,296	43,296
Total other financing sources and uses	-	-	-	-	43,296	43,296
Net change in fund balances	55	(6,091)	(20,495)	(2,695)	338	(28,888)
Fund balances (deficit) - beginning	26,828	8,024	198,468	176,627	87,371	497,318
Fund balances - ending	$ 26,883	$ 1,933	$ 177,973	$ 173,932	$ 87,709	$ 468,430

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2014

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed Through the Oklahoma Department of Commerce:				
CDBG	14.228	14263 CDBG CIP 2010	$ 15,000	$ 15,000
CDBG	14.228	15563 CDBG 13	150,000	3,303
Total Department of Housing and Urban Development			165,000	18,303
DEPARTMENT OF ENERGY:				
Stimulus Energy Efficiency CBG	81.041	15808 SEECBG 09	70,560	70,560
Total Federal Awards			$ 235,560	$ 88,863
STATE AWARDS:				
EASTERN OKLAHOMA DEVELOPMENT DISTRICT:				
2013 REAP	N/A	N/A	$ 20,000	$ 20,000
2014 REAP	N/A	N/A	20,000	2,695
Total Eastern Oklahoma Development District			40,000	22,695
OKLAHOMA ARTS COUNCIL:				
Arts Council Grant	N/A	N/A	4,950	4,950
Total State Awards			$ 44,950	$ 27,645

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Expenditures of Federal and State Awards is prepared on the modified cash basis. This may differ from the requirements of the OMB Circular A-133 applicable to Single Audits of Federal Expenditures.

INTERNAL CONTROL AND COMPLIANCE

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MICHAEL W. GREEN
Certified Public Accountant
827 West Locust Street
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INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and 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-modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated January 12, 2015. The report on the aggregate discretely presented component units was an adverse opinion due to the omission of Stilwell Area Development Authority. My report includes an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the city's financial statements are free of 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 determination of financial statement amounts. 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.

Michael Green, CPA
Stilwell, Ok
January 12, 2015