



CITY OF  
**STILWELL, OKLAHOMA**

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015



**THE CITY OF STILWELL, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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**MICHAEL W. GREEN**  
**Certified Public Accountant**  
827 West Locust Street  
STILWELL, OK. 74960  
(918) 696-6298

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Stilwell, Oklahoma

***Report on Financial Statements***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stilwell, Oklahoma (the City), as of and for the year ended June 30, 2015, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis-of-Matter**

As discussed in note 7 in the notes to the financial statements, in the current fiscal year the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB No.27* and GASB Statement No. 71, *Pension Transition from Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and 71 resulted in the restatement of beginning net position. My opinion is not modified with respect to this matter.

**Other Matters***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 with the related notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

**Other 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 supplementary information as listed in the Table of Contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information section is 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 7, 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 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, CPA

December 7, 2015

**CITY OF STILWELL, OKLAHOMA  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2015**

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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, 2015. 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 3,949 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 also includes 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 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 leased from the City. This authority is presented as a discretely presented component unit.

## **FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$212,963 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2015, by \$11,608,137 (net position). Of this amount, \$619,487 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$2,933,925. Of that amount, \$580,199 is available for spending at the government's discretion (unassigned fund balance) of the General Fund.
- At the end of fiscal year 2015, unassigned fund balance for the General Fund was 17.8% of General Fund revenues.
- For the year ended June 30, 2015, the City opted to change its financial reporting framework from the modified cash basis to one that complies with generally accepted accounting principles as set by the Governmental Accounting Standards Board. Due to the change in financial reporting framework, comparatives will not be shown in this management's discussion and analysis.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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 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 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. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's 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, 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.

**CITY OF STILWELL, OKLAHOMA**  
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*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 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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 23-42 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 federal and state award schedule.

**CITY OF STILWELL, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2015**

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**THE CITY AS A WHOLE**

For the year ended June 30, 2015, net position for the governmental activities increased \$212,963. The following is a summary of the change in net position for the City of Stilwell.

**NET POSITION (In Thousands)**

	<b>Governmental Activities</b>
	<u>2015</u>
Current assets	\$ 3,086
Capital assets, net	9,905
<b>Total assets</b>	<b>12,991</b>
Deferred outflows	136
Current liabilities	152
Non-current liabilities	1,076
<b>Total liabilities</b>	<b>1,228</b>
Deferred inflows	291
Net position	
Net investment in capital assets	9,600
Restricted	1,389
Unrestricted	619
<b>Total net position</b>	<b>\$ 11,608</b>

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets, amounted to \$9,600,129.

A portion of the City's net position, \$1,388,521, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$619,487 may be used to meet the government's ongoing needs.

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

**CITY OF STILWELL, OKLAHOMA  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2015**

**CHANGES IN NET POSITION (In Thousands)**

	<u>Governmental Activities</u>
	<u>2015</u>
<b>Revenues</b>	
Charges for service	\$ 376
Operating grants and contributions	89
Capital grants and contributions	368
Taxes	2,402
Intergovernmental revenue	96
Investment income	3
Miscellaneous	483
<b>Total revenues</b>	<u>3,816</u>
<b>Expenses</b>	
General government	603
Public safety	1,586
Streets	964
Culture, parks and recreation	143
Sanitation	295
Interest on long-term debt	13
<b>Total expenses</b>	<u>3,604</u>
<b>Change in net position</b>	213
<b>Beginning net position, restated</b>	<u>11,395</u>
<b>Ending net position</b>	<u>\$ 11,608</u>

**Governmental Activities**

The City's governmental activities' increase in net position of \$212,963 represents a 1.9% increase in net position.

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

	<u>Total Expense of Services</u>	<u>Net Revenue (Expense) of Services</u>
	<u>2015</u>	<u>2015</u>
General government	\$ 603	(\$596)
Public safety	1,586	(1,420)
Streets	964	(869)
Sanitation	295	(49)
Culture, parks and recreation	143	177
Interest on long-term debt	13	(13)
<b>Total</b>	<u>3,604</u>	<u>(2,771)</u>

**CITY OF STILWELL, OKLAHOMA**  
**Management's Discussion and Analysis**  
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**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$2.9 million or a 16.5% increase from the prior year.

**Other fund highlights include:**

- For the year ended June 30, 2015, the General Fund's total fund balance increased by \$161,453, or 11.6%.

**General Fund Budgetary Highlights**

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues above final estimates by \$1,018,883 or a 47.3% positive variance. General Fund actual expenditures were under final appropriations by \$139,593 or a 4.4% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2015, the City had approximately \$9.9 million invested in capital assets including land, buildings, machinery and equipment, and park facilities. This represents a net increase of \$2,818,266 from last year.

Below are details regarding the change in the City's capital assets for the year ended June 30, 2015.<sup>1</sup>

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

	<b>Governmental Activities</b>
	<b>2015</b>
Land	\$ 592
Buildings and Improvements	7,761
Machinery and Equipment	902
Construction in progress	650
<b>Totals</b>	<b>\$ 9,905</b>

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

- Edna M Carson Stilwell Community Park      \$3,054,818
- 2016 CNG Sanitation Truck                      \$169,923

<sup>1</sup> For more detailed information on capital asset activity please refer to page 27, Note 5. Capital Assets and Depreciation

**CITY OF STILWELL, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2015**

**Debt Administration**

At year-end, the City had \$1,142,119 in long-term debt outstanding during FY 15.<sup>2</sup>

<b>Long-Term Debt</b>	
<b>(In Thousands)</b>	
	<b>Governmental</b>
	<b>Activities</b>
	<b>2015</b>
Accrued absences	\$ 343
Net pension liability	494
Notes payable	305
	<hr/>
<b>Totals</b>	<b>\$ 1,142</b>
	<hr/> <hr/>

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- During the fiscal year 2015 the City had an increase of 7% in sales tax revenues. There were no major additions or closures of retail or industrial employers that affected the City's income. Management estimates the increase in sales tax was due in large part to lower than expected fuel prices which gave consumers more disposable income. The increase in sales tax collections is not anticipated to continue year over year and will not make a significant impact on future budgets.
- At June 30, 2015, the City completed the first year of privatized ambulance service. Due to increasing costs, the inherent nature of liability and anticipated future employee shortages in the field of emergency medical technicians the City opted to seek a third party contractor to provide EMT/Ambulance Services to the City and surrounding communities. It was estimated that the City would save at least \$50,000 per year by contracting this service at a fixed known cost rather than operating the service itself at widely variable costs and unpredictable/unreliable revenues.

The ambulance department was consistently costing between \$175,000 and \$200,000 per year to operate above the revenues that the department generated. Contracting the service out is one factor that contributed to the City's General Fund increase of \$161,453 or 11.6%. The City continued contracting the service to a third party provider in FY 2016.

- The City continued constructing improvements to the storm water drainage system of the City. This effort is a multi-year project which will provide long-term benefits to property owners along these areas and will help reduce the city's maintenance costs in the improved areas.

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

**CITY OF STILWELL, OKLAHOMA**  
**Management's Discussion and Analysis**  
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- Near the end of the fiscal year, the City began construction of a splash pad project at the Edna M. Carson-Stilwell Community Park. The project totaling \$464,000 has gained wide support from the community and grant making agencies. The project is slated to cost the City about \$74,000 or 16% of the project total with the remaining costs being paid with grants and donations from various public and private sources.
  
- Subsequent to year end, the City began planning and design for a second fire station located on the north end of the city. This much needed addition will enable the fire department to diversify the type and the number of fire vehicles used to serve the City and surrounding communities. This will also improve response times to incidents north and west of the City. Housing the equipment in two different locations will also mitigate potential losses due to natural disasters that may affect the primary fire station located at U.S. Highway 59 & West Walnut Street.

**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.

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF STILWELL, OKLAHOMA**  
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**Statement of Net Position— June 30, 2015**

	<u>Governmental</u> <u>Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,389,340	\$ 655,496
Investments	261,613	-
Restricted cash and cash equivalents	-	1,494,262
Restricted investments	-	1,898,221
Accounts receivable, net of allowance	102,201	876,137
Due from other governmental agencies	313,267	-
Due from component unit	19,756	-
Inventories	-	614,710
Capital Assets:		
Land and construction in progress	1,242,380	-
Other capital assets, net of accumulated depreciation	8,662,332	10,680,774
Total Assets	12,990,889	16,219,600
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pensions	136,480	111,557
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	84,964	63,235
Due to other governments	861	-
Long-term liabilities		
Due within one year	65,793	473,734
Due in more than one year	1,076,326	3,317,230
Total liabilities	1,227,944	3,854,199
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pensions	291,288	234,538
 <b>NET POSITION</b>		
Net investment in capital assets	9,600,129	7,554,851
Restricted for:		
Streets	344,395	-
Cemetery	188,126	-
Capital improvements	661,763	-
Library	19,861	-
Grants	143,812	-
Police	5,779	-
Fire	19,785	-
Parks	5,000	-
Debt service	-	3,125,923
Line extension and repairs	-	1,561,646
Unrestricted	619,487	-
Total net position	\$ 11,608,137	\$ 12,242,420

See accompanying notes to the basic financial statements.

**CITY OF STILWELL, OKLAHOMA  
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**Statement of Activities – Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
<b>Primary government</b>						
Governmental Activities						
General Government	\$ 602,481	\$ 4,681	\$ 1,729	\$ -	\$ (596,071)	\$ -
Public Safety	1,585,813	105,539	49,845	10,100	(1,420,329)	-
Highways and streets	964,410	-	37,404	57,831	(869,175)	-
Sanitation	295,335	245,849	-	-	(49,486)	-
Culture and Recreation	142,864	19,900	-	299,664	176,700	-
Interest on Long-term debt	12,629	-	-	-	(12,629)	-
Total primary government	<u>3,603,532</u>	<u>375,969</u>	<u>88,978</u>	<u>367,595</u>	<u>(2,770,990)</u>	
Component unit:						
Stilwell Area Development Authority	8,151,815	7,837,312	-	-		(314,503)
Total component unit	<u>8,151,815</u>	<u>7,837,312</u>	<u>-</u>	<u>-</u>		<u>(314,503)</u>
<b>General revenues:</b>						
Taxes:						
Sales taxes					\$ 2,239,843	\$ -
Use taxes					129,742	-
Franchise taxes and public service taxes					31,927	-
Intergovernmental revenue not restricted to specific programs					96,286	-
Unrestricted investment earnings					2,900	36,290
Miscellaneous					236,468	17,413
Payment from Development Authority					246,787	-
Total general revenues					<u>2,983,953</u>	<u>53,703</u>
Change in net position					212,963	(260,800)
Net position - beginning (restated)					11,395,174	12,503,220
Net position - ending					<u>\$ 11,608,137</u>	<u>\$ 12,242,420</u>

See accompanying notes to the basic financial statements.

**CITY OF STILWELL, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF STILWELL, OKLAHOMA  
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**Governmental Funds Balance Sheet – June 30, 2015**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,436,318	\$ 232,595	\$ 461,246	\$ 259,181	\$ 2,389,340
Investments	3,351	117,033	-	141,229	261,613
Due from other governments	309,954	3,313	-	-	313,267
Due from other funds	-	-	129,685	40,000	169,685
Due from component unit	19,756	-	-	-	19,756
Franchise tax receivable	726	-	-	-	726
Hotel/motel tax receivable	1,524	-	-	-	1,524
Court fines receivable, net	70,410	-	-	-	70,410
Utilities receivable, net	20,421	-	-	-	20,421
Other receivables	9,120	-	-	-	9,120
Total assets	<u>1,871,580</u>	<u>352,941</u>	<u>590,931</u>	<u>440,410</u>	<u>3,255,862</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	36,319	66	6	7	36,398
Accrued payroll payable	48,566	-	-	-	48,566
Due to other governments	861	-	-	-	861
Due to other funds	169,685	-	-	-	169,685
Total liabilities	<u>255,431</u>	<u>66</u>	<u>6</u>	<u>7</u>	<u>255,510</u>
Deferred Inflows of Resources:					
Deferred revenue	66,427	-	-	-	66,427
Fund balances:					
Restricted	30,564	344,395	574,586	438,976	1,388,521
Assigned	938,959	8,480	16,339	1,427	965,205
Unassigned	580,199	-	-	-	580,199
Total fund balances	<u>1,549,722</u>	<u>352,875</u>	<u>590,925</u>	<u>440,403</u>	<u>2,933,925</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,871,580</u>	<u>\$ 352,941</u>	<u>\$ 590,931</u>	<u>\$ 440,410</u>	<u>\$ 3,255,862</u>

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, 2015**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 2,401,512	\$ -	\$ -	\$ -	\$ 2,401,512
Intergovernmental	109,068	37,404	-	57,831	204,303
Licenses and permits	2,293	-	-	-	2,293
Charges for services	327,258	-	-	7,960	335,218
Fines and forfeitures	33,149	-	-	-	33,149
Investment income	1,238	567	501	594	2,900
Miscellaneous	385,421	-	209,748	1,729	596,898
Total revenues	<u>3,259,939</u>	<u>37,971</u>	<u>210,249</u>	<u>68,114</u>	<u>3,576,273</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General government	254,079	-	20	23	254,122
Clerk/treasurer	163,410	-	-	-	163,410
Community building	67,705	-	-	-	67,705
Public safety and judiciary					
Fire	157,936	-	-	-	157,936
Civil defense	17,698	-	-	-	17,698
Police	996,737	-	-	-	996,737
Code enforcement	48,452	-	-	-	48,452
Municipal court	51,630	-	-	-	51,630
Ambulance	217,375	-	-	-	217,375
Streets	456,033	-	-	-	456,033
Sanitation	286,517	-	-	-	286,517
Cultural, Parks, and Recreation:					
Parks and recreation	26,949	-	-	-	26,949
Library	5,002	-	-	-	5,002
Cemetery	66,189	-	-	-	66,189
Capital Outlay	9,583	6,995	435,915	97,220	549,713
Debt Service:					
Principal	-	-	-	30,549	30,549
Interest and other charges	-	-	-	12,629	12,629
Total Expenditures	<u>2,825,295</u>	<u>6,995</u>	<u>435,935</u>	<u>140,421</u>	<u>3,408,646</u>
Excess (deficiency) of revenues over expenditures	<u>434,644</u>	<u>30,976</u>	<u>(225,686)</u>	<u>(72,307)</u>	<u>167,627</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Payment from Development Authority	246,787	-	-	-	246,787
Transfers in	-	-	519,978	43,296	563,274
Transfers out	(519,978)	-	(43,296)	-	(563,274)
Total other financing sources and uses	<u>(273,191)</u>	<u>-</u>	<u>476,682</u>	<u>43,296</u>	<u>246,787</u>
Net change in fund balances	161,453	30,976	250,996	(29,011)	414,414
Fund balances - beginning (restated)	1,388,269	321,899	339,929	469,414	2,519,511
Fund balances - ending	<u>\$ 1,549,722</u>	<u>\$ 352,875</u>	<u>\$ 590,925</u>	<u>\$ 440,403</u>	<u>\$ 2,933,925</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	\$	2,933,925
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.		9,904,712
Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:		
Court fines receivable		66,427
Certain other long-term assets are not available to pay current fund liabilities and , therefore are not reported in the funds:		
Pension related deferred outflows		136,480
Some liabilities are not due and payable in the current period and they, along with certain 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		(343,955)
Notes payable		(304,583)
Pension related deferred inflows		(291,288)
Net pension liability		(493,581)
Net Position of Governmental Activities in the Statement of Net Position		11,608,137

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**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds: \$ 414,414

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	538,645
Depreciation expense	(849,365)

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.

73,699

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

Change in deferred revenue	13,491
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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	30,549
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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	(8,470)
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Change in net position of governmental activities	\$ 212,963
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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.

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 and a CDBG grant
- Public safety: Fine revenue and ambulance fees, an operating grant from Oklahoma Department of Agriculture
- Cultural, parks and recreation: Cemetery fees
- Street: Gas excise and commercial vehicle taxes

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- Sanitation: Charges for trash service

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.

**Aggregated Non-Major Funds (Reported as Other Governmental 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 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.

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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, 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.

**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, 2015, the City recognized \$2,900 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, 2015, the primary government held the following deposits and investments:

Type	Carrying Value
<b>Deposits:</b>	
Demand deposits	\$ 2,389,340
Time deposit	261,613
<b>Total deposits and investments</b>	<b>\$ 2,650,953</b>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 2,389,340
Investments	261,613
	<b>\$ 2,650,953</b>

*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, 2015, 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, 2015, none of the City's investments were subject to custody credit risk.

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*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*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, 2015, 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 ambulance and court fines receivables.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	726	\$ -	\$ 726
Court fines	281,642	(211,232)	70,410
Street utilities	22,201	(1,780)	20,421
Other	10,644	-	10,644
Total Governmental Activities	\$ 315,213	\$ (213,012)	\$ 102,201

**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 with cash since July 1, 2004 are recorded at cost. \$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:

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- Buildings, improvements and infrastructure 20 - 50 years
- Machinery and equipment 3-10 years

For the year ended June 30, 2015, capital assets balances changed as follows:

	Balance at July 01, 2014 (restated)	Additions	Disposals	Balance at June 30, 2015
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 592,122	\$ -	\$ -	\$ 592,122
Construction in progress	305,180	345,078	-	650,258
Total capital assets not being depreciated	<u>897,302</u>	<u>345,078</u>	<u>-</u>	<u>1,242,380</u>
Other capital assets:				
Buildings	20,542,752	12,900	-	20,555,652
Machinery, furniture and equipment	2,900,514	180,667	240,140	2,841,041
Total other capital assets at historical cost	<u>23,443,266</u>	<u>193,567</u>	<u>240,140</u>	<u>23,396,693</u>
Less accumulated depreciation for:				
Buildings	12,150,678	644,343	-	12,795,021
Machinery, furniture and equipment	1,974,458	205,022	240,140	1,939,340
Total accumulated depreciation	<u>14,125,136</u>	<u>849,365</u>	<u>240,140</u>	<u>14,734,361</u>
Other capital assets, net	9,318,130	(655,798)	-	8,662,332
Governmental activities capital assets, net	<u>\$ 10,215,432</u>	<u>\$ (310,720)</u>	<u>\$ -</u>	<u>\$ 9,904,712</u>

**Component Unit:**

	Balance at July 01, 2014 (restated)	Additions	Disposals	Balance at June 30, 2015
<b>Stilwell Area Development Authority:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 41,161	\$ -	\$ 41,161
Total capital assets not being depreciated	<u>-</u>	<u>41,161</u>	<u>-</u>	<u>41,161</u>
Other capital assets:				
Machinery, furniture and equipment	23,462,386	102,702	-	23,565,088
Total other capital assets at historical cost	<u>23,462,386</u>	<u>102,702</u>	<u>-</u>	<u>23,565,088</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	12,213,674	711,801	-	12,925,475
Total accumulated depreciation	<u>12,213,674</u>	<u>711,801</u>	<u>-</u>	<u>12,925,475</u>
Other capital assets, net	11,248,712	(609,099)	-	10,639,613
Governmental activities capital assets, net	<u>\$ 11,248,712</u>	<u>\$ (567,938)</u>	<u>\$ -</u>	<u>\$ 10,680,774</u>

**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	\$ 125,263
Public safety	148,337
Highways and streets	512,974
Culture, tourism, and recreation	44,325
Sanitation	18,466
	<u>\$ 849,365</u>

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**6. Long-Term Debt**

For the year ended June 30, 2015, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 335,132	\$ -	\$ 30,549	\$ 304,583	\$ 31,398
Accrued compensated absences	335,485	8,470	-	343,955	34,395
Net pension liability	729,398	-	235,817	493,581	-
<b>Total Governmental Activities</b>	<u>\$ 1,400,015</u>	<u>\$ 8,470</u>	<u>\$ 266,366</u>	<u>\$ 1,142,119</u>	<u>\$ 65,793</u>

**Reconciliation to Statement of Net Position:**

**Governmental Activities:**

Due within one year	\$ 1,227,944
Due in more than one year	-
<b>Total Governmental Activities Long-term liabilities</b>	<u>\$ 1,227,944</u>

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

Accrued Compensated Absences

Current portion	34,395
Noncurrent portion	309,560
<b>Total Accrued Compensated Absences</b>	<u>\$ 343,955</u>

Net pension liability

Current portion	\$ -
Noncurrent portion	493,581
<b>Total Net Pension Liability</b>	<u>\$ 493,581</u>

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Notes 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

\$ 241,109

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

63,474

Total Notes Payable \$ 304,583

Current portion \$ 31,398

Noncurrent portion 273,185

Total Notes Payable \$ 304,583

*Component Unit:*

Customer Deposits

Noncurrent portion 258,575  
Total Customer Deposits \$ 258,575

Accrued Compensated Absences

Noncurrent portion 143,467  
Total Accrued Compensated Absences \$ 143,467

Capital Leases Payable

\$81,188 lease obligation with the Bank of Commerce for the purchase of a 2009 Ford Truck, with an annual interest rate of 3.75%

\$ 42,689

\$41,053 lease obligation with Bank of Commerce for the purchase of a 2010 New Holland Backhoe, with an annual interest rate of 3.75%

3,672

\$57,222 lease obligation with the Bank of Commerce for the purchase of two 2012 Ford F-150 Crew Cab 4x4 Pickups, with an annual interest rate of 3.15%

23,141

Total Capital Leases Payable \$ 69,502

Current portion 29,150

Noncurrent portion 40,352

Total Capital Leases Payable \$ 69,502

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Notes Payable

1996 Note Payable to Oklahoma Water Resources Board dated February 1, 1996, original amount of \$1,000,000 with a current annual interest rate of 1.56%.	\$ 530,500
1999 Note Payable to Oklahoma Water Resources Board dated October 26, 1999, original amount of \$4,000,000 with a current annual interest rate of 3.27%, plus administrative fee of 0.5%.	1,245,000
2002 Note Payable to Oklahoma Water Resources Board dated March 12, 2002, original amount of \$2,760,000 with a current annual interest rate of 4.04%.	1,280,921
Total Notes Payable	\$ 3,056,421
Current portion	444,584
Noncurrent portion	2,611,837
Total Notes Payable	\$ 3,056,421

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

<u>Year Ending June 30,</u>	Governmental Type Activities			
	Notes Payable			
	Principal	Interest	Principal	Interest
2016	\$ 31,398	\$ 11,779		
2017	32,455	10,722		
2018	14,404	9,830		
2019	5,361	9,521		
2020	5,593	9,289		
2021-2025	31,821	42,592		
2026-2030	39,339	35,073		
2031-2035	48,634	25,777		
2036-2040	60,127	14,284		
2041-2043	35,451	2,007		
Totals	\$ 304,583	\$ 170,874		

  

<u>Year Ending June 30,</u>	Component Unit			
	Notes Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2016	444,584	96,647	29,150	1,329
2017	462,425	81,722	25,062	637
2018	481,338	65,949	14,118	178
2019	500,710	49,583	1,172	-
2020	525,864	32,407	-	-
2021-2025	641,500	21,010	-	-
Totals	\$ 3,056,421	\$ 347,318	\$ 69,502	\$ 2,144

## 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.
- 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.

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

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	General Fund	Street & Alley Fund	Capital Improvement Fund	Other Governmental Funds	Total
Fund Balance:					
Restricted For:					
Capital Improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Library	-	-	-	19,861	19,861
Street Improvements	-	-	-	-	-
Grant Programs	-	-	-	143,812	143,812
Cemetery Capital	-	-	-	188,126	188,126
Stilwell Improvement Authority	-	-	-	87,177	87,177
Police	5,779	-	-	-	5,779
Fire	19,785	-	-	-	19,785
Parks	5,000	-	-	-	5,000
Sub-total Restricted	<u>30,564</u>	<u>-</u>	<u>-</u>	<u>438,976</u>	<u>469,540</u>
Assigned to:					
Subsequent year's budget	938,959	-	-	-	938,959
Capital Improvements	-	-	-	-	-
Library	-	-	-	673	673
Street Improvements	-	-	-	-	-
Stilwell Improvement Authority	-	-	-	754	754
Sub-total Assigned	<u>938,959</u>	<u>-</u>	<u>-</u>	<u>1,427</u>	<u>940,386</u>
Unassigned	<u>580,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,199</u>
<b>TOTAL FUND BALANCE</b>	<u><b>\$ 1,549,722</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 440,403</b></u>	<u><b>\$ 1,990,125</b></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

**Restatement of Net Position/Fund Balance:**

For fiscal year June 30, 2015, the statements of net position and activities are reported on the accrual basis of accounting and the economic resources measurement focus. The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. The City previously reported these financial statements on a modified cash basis. Beginning net position/fund balance was restated as of June 30, 2015 as follows:

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	Government-Wide	Fund Level			
	Governmental Activities	General Fund	Street and Alley Fund	Capital Improvement Fund	Nonmajor Governmental Funds
Beginning net position/fund balance, as previously reported	\$ 8,955,987	\$ 1,116,955	\$ 318,914	\$ 300,374	\$ 175,865
Implementation of GASB Pension Statements 68 & 71	(722,090)	-	-	-	-
Change to GAAP:					
Capital assets understatement	3,128,988	-	-	-	-
Accounts payable	(116,263)	(38,801)	(347)	(75,404)	(1,711)
Due from other governments	73,255	-	-	70,560	2,695
Receivables	411,147	363,416	3,332	44,399	-
Accrued payroll	(53,301)	(53,301)	-	-	-
Deferred revenue	52,936	-	-	-	-
Accrued compensated absences	(335,485)	-	-	-	-
Beginning net position/fund balance, restated	<u>\$ 11,395,174</u>	<u>\$ 1,388,269</u>	<u>\$ 321,899</u>	<u>\$ 339,929</u>	<u>\$ 176,849</u>

### 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.

### 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, 2015, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	CDBG	\$ 40,000	Deposit correction
General Fund	Capital Improvement Fund	40,710	Sales tax
General Fund	Capital Improvement Fund	88,975	Deposit correction
Total		<u>\$ 169,685</u>	

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*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2015, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Capital Improvement Fund	\$ 319,978	Sales tax transfer
General Fund	Capital Improvement Fund	200,000	Transfer of grant funds
Capital Improvement Fund	Stilwell Improvement Authority	43,296	Transfer for debt service
Total		<u>\$ 563,274</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**

*Construction Contract:*

There were no construction contracts outstanding at June 30, 2015.

*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 2015, 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.

## 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](http://www.ok.gov/FPRS).

**Benefits provided** - FPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

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 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-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-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 \$7,308. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$15,554 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and

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Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$14,130. 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, 2015, the City reported a net pension liability of \$201,075 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. 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, 2014. Based upon this information, the City's proportion was 0.0195532%.

For the year ended June 30, 2015, the City recognized pension expense of 18,308. At June 30, 2015, 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	\$ 4,791	\$ -
Net difference between projected and actual earnings on pension plan investments		30,437
City contributions subsequent to the measurement date	7,616	-
Total	\$ 12,407	\$ 30,437

\$7,616 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 year ended June 30, 2016. 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:	
2016	\$ (6,717)
2017	(6,717)
2018	(6,717)
2019	(6,717)
2020	890
Thereafter	330

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**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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, 2014, 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%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

**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.

**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:

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	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 262,562	\$ 201,075	\$ 149,525

**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](http://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 Police and Firefighter Pension Systems. 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](http://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, 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**

<u>Provision</u>	As of 07/01/14 <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	72
Deferred Vested Former Employees	5
Retirees or Retiree Beneficiaries	<u>28</u>
Total	<u>105</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 8.37% of covered payroll as of 7-1-14; however, management elected to contribute 10% of covered payroll as of 7-1-14. For the year ended June 30, 2015, the City recognized \$108,340 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$1,083,400. Employees' contribution is 4.5% of covered payroll as of 7-1-14.

**Actuarial Assumptions**

Date of Last Actuarial Valuation	July 1, 2014
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%

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c. Projected Salary Increase	Varies between 7.42% and 4% 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 <sup>st</sup> based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%.
e. Inflation Rate	3%
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: 215 Year 2: 140 Year 3: 95 Year 4: 65 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, 7.75% 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.

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, 2014 are summarized in the following table:

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	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
TOTAL	<u>100%</u>		
		Average Real Return	4.75%
		Inflation	<u>3.00%</u>
		Long-term expected return	<u>7.75%</u>

**Changes in Net Pension Liability** – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2014 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, 2014 and the City's report ending date of June 30, 2015, 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			
Increase (Decrease)			
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances Beginning of Year</b>	<u>\$ 7,673,639</u>	<u>\$ 6,521,890</u>	<u>\$ 1,151,749</u>
<b>Changes for the Year:</b>			
Service cost	179,893	-	179,893
Interest expense	591,364	-	591,364
Contributions--City	-	205,752	(205,752)
Contributions--members	-	111,151	(111,151)
Net investment income	-	1,066,365	(1,066,365)
Benefits paid	(454,542)	(454,542)	-
Plan administrative expenses	-	(15,767)	15,767
<b>Net Changes</b>	<u>316,715</u>	<u>912,959</u>	<u>(596,244)</u>
<b>Balances End of Year</b>	<u>\$ 7,990,354</u>	<u>\$ 7,434,849</u>	<u>\$ 555,505</u>
Primary Government	\$ 4,207,391	\$ 3,914,885	\$ 292,506
Component Unit	<u>3,782,963</u>	<u>3,519,964</u>	<u>262,999</u>
	<u>\$ 7,990,354</u>	<u>\$ 7,434,849</u>	<u>\$ 555,505</u>

**Sensitivity of the net pension liability to changes in the discount rate**-The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability (Asset)	\$1,588,657	\$ 555,505	\$(291,540)
Primary Government	\$ 836,521	\$ 292,506	\$(153,513)
Component Unit	752,136	262,999	(138,027)

The City reported \$55,234 in pension expense for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 495,389
City contributions subsequent to the measurement date	235,630	-
Total	\$ 235,630	\$ 495,389
Primary Government	\$ 124,073	\$ 260,851
Component Unit	111,557	234,538

**Amortization of Pension Deferrals**- Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

	Total	Primary Government	Component Unit
<b>Year ended June 30:</b>			
2016	\$(123,847)	\$ (65,213)	\$ (58,634)
2017	(123,847)	(65,212)	(58,635)
2018	(123,847)	(65,213)	(58,634)
2019	(123,848)	(65,213)	(58,635)
	\$(495,389)	\$ (260,851)	\$ (234,538)

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2015**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 826,407	\$ 997,023	\$ 1,388,269	\$ 391,246
<b>Resources (Inflows):</b>				
<b>TAXES:</b>				
Sales tax	1,401,000	1,401,000	1,919,865	518,865
Use tax	125,000	125,000	129,742	4,742
Franchise tax	15,000	15,000	13,640	(1,360)
Hotel and Motel Tax	-	-	18,287	18,287
Total taxes	<u>1,541,000</u>	<u>1,541,000</u>	<u>2,081,534</u>	<u>540,534</u>
<b>INTERGOVERNMENTAL:</b>				
Alcoholic beverage tax	50,000	50,000	61,594	11,594
Tobacco tax	24,000	24,000	26,510	2,510
Grants	-	-	6,834	6,834
Total Intergovernmenta	<u>74,000</u>	<u>74,000</u>	<u>94,938</u>	<u>20,938</u>
<b>CHARGES FOR SERVICES</b>	<u>230,500</u>	<u>230,500</u>	<u>327,258</u>	<u>96,758</u>
<b>FINES AND FORFEITURES</b>	<u>61,235</u>	<u>61,235</u>	<u>33,149</u>	<u>(28,086)</u>
<b>LICENSES AND PERMITS:</b>	<u>2,500</u>	<u>2,500</u>	<u>2,293</u>	<u>(207)</u>
<b>INVESTMENT INCOME</b>	<u>2,000</u>	<u>2,000</u>	<u>1,238</u>	<u>(762)</u>
<b>MISCELLANEOUS:</b>				
Rentals	6,500	6,500	12,610	6,110
Proceeds from sale of capital assets	-	-	24,903	24,903
Miscellaneous	10,000	10,000	347,908	337,908
Total Miscellaneous	<u>16,500</u>	<u>16,500</u>	<u>385,421</u>	<u>368,921</u>
<b>OTHER FINANCING SOURCES:</b>				
Payments from component unit	<u>226,000</u>	<u>226,000</u>	<u>246,787</u>	<u>20,787</u>
<b>Total Resources (Inflows)</b>	<u>2,153,735</u>	<u>2,153,735</u>	<u>3,172,618</u>	<u>1,018,883</u>
<b>Amount available for appropriation</b>	<u>2,980,142</u>	<u>3,150,758</u>	<u>4,560,887</u>	<u>1,410,129</u>
<b>Charges to Appropriations (Outflows):</b>				
General government	288,638	317,179	263,662	53,517
Cemetery	76,443	90,843	66,189	24,654
Civil Defense	18,625	18,625	17,698	927
Clerk	180,375	180,375	163,410	16,965
Community building	79,595	79,595	67,705	11,890
Library	4,500	4,500	5,002	(502)
Sanitation	295,815	295,815	286,517	9,298
Municipal court	56,322	56,322	51,630	4,692
Code enforcement	50,728	50,728	48,452	2,276
Police	1,018,293	1,038,293	996,737	41,556
Fire	150,857	155,358	143,806	11,552
Street	537,574	537,674	456,033	81,641
Parks	49,600	49,600	26,949	22,651
Ambulance	172,777	275,851	217,375	58,476
Total other financing sources and uses	<u>2,980,142</u>	<u>3,150,758</u>	<u>2,811,165</u>	<u>339,593</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	-	-	200,000	(200,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,549,722</u>	<u>\$ 1,549,722</u>

See accompanying notes to this schedule.

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2015 (Continued)**

	<u>STREET AND ALLEY FUND</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ -	\$ 321,899	\$ 321,899
<b>Resources (Inflows)</b>				
Intergovernmental	26,000	26,000	37,404	11,404
Investment earnings	-	-	567	567
Amounts Available for Appropriation	<u>26,000</u>	<u>26,000</u>	<u>359,870</u>	<u>333,870</u>
<b>Charges to Appropriations (Outflows)</b>				
Departmental:				
<i>Street:</i>				
Capital outlay	17,000	17,000	6,995	10,005
Total Charges to Appropriations	<u>17,000</u>	<u>17,000</u>	<u>6,995</u>	<u>10,005</u>
Fund balances - ending	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 352,875</u>	<u>\$ 343,875</u>

**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, on-behalf payments for fire pension and the payments received from the Development Authority as shown in the schedule below:

	<u>General Fund</u>
Resources budgetary basis	\$3,172,618
Add sales tax budgeted in CIF	319,978
Add On-behalf payments	14,130
Deduct payment from Development Authority	<u>(246,787)</u>
Revenue – modified accrual basis	<u>\$3,259,939</u>
Expenditures budgetary basis	\$2,811,165
Add On-behalf payments	14,130
Expenditures – modified accrual basis	<u>\$2,825,295</u>
Transfers out – Budgetary	\$(200,000)
Add sales tax transferred to CIF	<u>(319,978)</u>
Transfers out – modified accrual basis	<u>\$(519,978)</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.

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 – Library	(\$502)
General Fund – Transfers out	(\$200,000)

**CITY OF STILWELL, OKLAHOMA  
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**SCHEDULE OF THE CITY OF STILWELL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM  
Last 10 Fiscal Years\***

	<u>2015</u>
City's proportion of the net pension liability	0.019553%
City's proportionate share of the net pension liability	\$ 201,075
City's covered-employee payroll	\$ 53,101
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	379%
Plan fiduciary net position as a percentage of the total pension liability	68.12%

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

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS  
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM  
Last 10 Fiscal Years**

	<u>2015</u>
Statutorially required contribution	\$ 7,616
Contributions in relation to the statutorially required contribution	<u>7,616</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 41,076
Contributions as a percentage of covered-employee payroll	18.54%

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Oklahoma Municipal Retirement Fund**

**Schedule of Changes in Net Pension Liability and Related Ratios**

**Last Fiscal Year**

	2015
<b>Total pension liability</b>	
Service cost	\$ 179,893
Interest	591,364
Benefit payments, including refunds of member contributions	(454,542)
<b>Net change in total pension liability</b>	316,715
<b>Total pension liability - beginning</b>	7,673,639
<b>Total pension liability - ending (a)</b>	\$ 7,990,354
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 205,752
Contributions - member	111,151
Net investment income	1,066,365
Benefit payments, including refunds of member contributions	(454,542)
Administrative expense	(15,767)
<b>Net change in plan fiduciary net position</b>	912,959
<b>Plan fiduciary net position - beginning</b>	6,521,890
<b>Plan fiduciary net position - ending (b)</b>	\$ 7,434,849
<b>Net pension liability - ending (a) - (b)</b>	\$ 555,505
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	93.05%
<b>Covered employee payroll</b>	\$ 2,274,338
<b>Net pension liability as a percentage of covered-employee payroll</b>	24.42%

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

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

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Fiscal Year
	2015
Actuarially determined contribution	\$ 103,995
Contributions in relation to the actuarially determined contribution	124,248
Contribution deficiency (excess)	<u>\$ (20,253)</u>
Covered employee payroll	\$ 1,242,478
Contributions as a percentage of covered-employee payroll	10.00%

**Notes to Schedule:**

1. Only the current fiscal year is presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2014
3. Actuarially determined contribution rate is calculated as of July 1, 2014 and 8.37%.
4. Methods and assumptions used to determine contribution rates:
  - Actuarial cost method - Entry age normal
  - Amortization method - Level percent of payroll, closed
  - Remaining amortization period - 29 years
  - Asset valuation method - Actuarial:
    - Smoothing period - 4 years
    - Recognition method - Non-asymptotic
    - Corridor - 70% - 130%
  - Salary increases - 4.00% to 7.42% (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.

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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**SUPPLEMENTARY INFORMATION**

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Combining Balance Sheet – Nonmajor Funds – June 30, 2015**

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
	<u>Library Fund</u>	<u>Depot Operational Fund</u>	<u>Cemetery Care Fund</u>	<u>CDBG Fund</u>	<u>Stilwell Improvement Authority</u>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 20,534	\$ -	\$ 46,897	\$ 103,819	\$ 87,931	259,181
Investments	-	-	141,229	-	-	141,229
Due from other funds	-	-	-	40,000	-	40,000
Total assets	<u>20,534</u>	<u>-</u>	<u>188,126</u>	<u>143,819</u>	<u>87,931</u>	<u>440,410</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	-	-	-	7	-	7
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
<b>Fund balances:</b>						
Restricted	19,861	-	188,126	143,812	87,177	438,976
Assigned	673	-	-	-	754	1,427
Total fund balances	<u>20,534</u>	<u>-</u>	<u>188,126</u>	<u>143,812</u>	<u>87,931</u>	<u>440,403</u>
Total liabilities and fund balances	<u>\$ 20,534</u>	<u>\$ -</u>	<u>\$ 188,126</u>	<u>\$ 143,819</u>	<u>\$ 87,931</u>	<u>\$ 440,410</u>

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds – Year Ended June 30, 2015**

	Special Revenue Funds		Capital Project Funds		Debt Service Fund	Total-Other
	Library Fund	Depot Operational Fund	Cemetery Care Fund	CDBG Fund	Stilwell Improvement Authority	Governmental Funds
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 57,831	\$ -	\$ 57,831
Charges for services	-	-	7,960	-	-	7,960
Investment earnings	26	-	464	-	104	594
Miscellaneous	-	-	1,729	-	-	1,729
Total revenues	<u>26</u>	<u>-</u>	<u>10,153</u>	<u>57,831</u>	<u>104</u>	<u>68,114</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	23	-	23
Capital Outlay	6,375	1,098	-	89,747	-	97,220
Debt Service:						
Principal	-	-	-	-	30,549	30,549
Interest and other charges	-	-	-	-	12,629	12,629
Total Expenditures	<u>6,375</u>	<u>1,098</u>	<u>-</u>	<u>89,770</u>	<u>43,178</u>	<u>140,421</u>
Excess (deficiency) of revenues over expenditures	<u>(6,349)</u>	<u>(1,098)</u>	<u>10,153</u>	<u>(31,939)</u>	<u>(43,074)</u>	<u>(72,307)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	43,296	43,296
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,296</u>	<u>43,296</u>
Net change in fund balances	(6,349)	(1,098)	10,153	(31,939)	222	(29,011)
Fund balances - beginning, restated	26,883	1,098	177,973	175,751	87,709	469,414
Fund balances - ending	<u>\$ 20,534</u>	<u>\$ -</u>	<u>\$ 188,126</u>	<u>\$ 143,812</u>	<u>\$ 87,931</u>	<u>\$ 440,403</u>

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2015**

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount	Contract Expenditures
<b>FEDERAL AWARDS:</b>				
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed Through the Oklahoma Department of Commerce:				
CDBG	14.228	15563 CDBG 13	\$ 150,000	\$ 40,526
Total Department of Housing and Urban Development			<u>150,000</u>	<u>40,526</u>
<b>Total Federal Awards</b>			<u><u>\$ 150,000</u></u>	<u><u>\$ 40,526</u></u>
<b>STATE AWARDS:</b>				
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u>				
2013 REAP	N/A	N/A	\$ 20,000	\$ 17,305
Total Eastern Oklahoma Development District			<u>20,000</u>	<u>17,305</u>
<u>OKLAHOMA ARTS COUNCIL:</u>				
Arts Council Grant	N/A	N/A	<u>2,350</u>	<u>2,350</u>
<b>Total State Awards</b>			<u><u>\$ 22,350</u></u>	<u><u>\$ 19,655</u></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 modified accrual basis.

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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**INTERNAL CONTROL AND COMPLIANCE**

**CITY OF STILWELL, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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**MICHAEL W. GREEN**  
**Certified Public Accountant**  
827 West Locust Street  
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 business-type 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, 2015, 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 7, 2015. The report included an emphasis of matter paragraph related to the implementation of new accounting standards, and also included a disclaimer of opinion on required supplementary information.

**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  
December 7, 2015