

CITY OF STROUD, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

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

CITY OF STROUD, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

City Council

Tommy Smith
Gary Babinec
Debbie Garnett
Phyllis Craig
Kyle Anderson

Mayor
Vice Mayor
Councilman
Councilman
Councilman

Bob Pearman

City Manager

Gayle Thornton

City Clerk

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**INDEPENDENT AUDITOR'S
REPORT**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Stroud, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We 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 Stroud, Oklahoma (“the City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated June 30, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Dillon & Associates, PC

Midwest City, Oklahoma
October 13, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

As management of the City of Stroud (the "City"), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$1,083,645 and the assets of the City exceeded its liabilities \$20,762,568 (net position). Of this amount, \$1,983,005 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- On June 30, 2022, the City's governmental funds reported combined ending fund balances of \$4,328,973. Of this total amount, \$1,331,087 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2022, unassigned fund balance for the General Fund was \$1,331,087, or approximately 42.5% of total General Fund expenditures and transfers.
- Sales and use taxes totaled \$2,333,610, an increase of \$359,283 or 18.2% over the prior fiscal year.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City of Stroud (the "City") and the Stroud Utilities Authority (SUA). Included in this report are government-wide statements for each of two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type of activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all of the assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), along with any inflows and outflows that are deferred.

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. 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 determining whether the City's overall financial condition improved, declined, or remained steady over the past year. 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.

These two statements report the City's Net Position and Changes in Net Position from the prior year. You can think of the City's Net Position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the City's financial condition, or position. Over time, increases or decreases in Net Position are one indicator of whether the financial position of the City is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities - The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer utilities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many 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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

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

Proprietary funds. When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses enterprise funds to account for its water and sewer operations services.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2022, net position for governmental activities and business-type activities increased to \$20,762,568. The results indicate the City, as a whole, incurred an increase in its financial condition from the prior year of \$1,083,645.

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

The following is a summary comparison of changes in net position from last year for the City:

**Table 1
Net Position (In Thousands)**

	Governmental			Business-type			Total		
	<u>Activities</u>		% Inc.	<u>Activities</u>		% Inc. (Dec.)	<u>Primary Government</u>		% Inc. (Dec.)
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Current and									
other assets	\$ 4,867	4,954	-2%	4,940	5,778	-15%	9,807	10,732	-9%
Capital assets	<u>8,579</u>	<u>7,525</u>	14%	<u>10,475</u>	<u>9,988</u>	5%	<u>19,054</u>	<u>17,513</u>	9%
Total assets	<u>13,446</u>	<u>12,479</u>	8%	<u>15,415</u>	<u>15,766</u>	-2%	<u>28,861</u>	<u>28,245</u>	2%
Deferred outflow of resources	<u>207</u>	<u>256</u>		<u>559</u>	<u>676</u>		<u>766</u>	<u>932</u>	
Long-term debt									
outstanding	258	614	-58%	5,445	6,351	-14%	5,703	6,965	-18%
Other liabilities	<u>499</u>	<u>416</u>	20%	<u>1,783</u>	<u>1,833</u>	-3%	<u>2,282</u>	<u>2,249</u>	1%
Total liabilities	<u>757</u>	<u>1,030</u>		<u>7,228</u>	<u>8,184</u>	-12%	<u>7,985</u>	<u>9,214</u>	-13%
Deferred inflow of resources	<u>578</u>	<u>186</u>		<u>301</u>	<u>98</u>		<u>879</u>	<u>284</u>	
Net assets:									
Invested in capital									
assets, net of debt	8,378	6,547	28%	6,988	5,762	21%	15,366	12,309	25%
Restricted	2,998	3,050	0%	416	415	0%	3,414	3,465	-1%
Unrestricted (deficit)	<u>942</u>	<u>1,922</u>	-51%	<u>1,041</u>	<u>1,983</u>	-48%	<u>1,983</u>	<u>3,905</u>	-49%
Total net assets	\$ <u>12,318</u>	<u>11,519</u>	7%	<u>8,445</u>	<u>8,160</u>	3%	<u>20,763</u>	<u>19,679</u>	6%

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$3,413,244 represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net position of \$1,983,005.

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Change in Net Position

For the year ended June 30, 2022, net position of the primary government changed as follows:

**Table 2
Changes in Net Position (In Thousands)**

	<u>2022</u>	<u>2021</u>	<u>(Dec.)</u>	<u>2022</u>	<u>2021</u>	<u>(Dec.)</u>	<u>2022</u>	<u>2021</u>	<u>(Dec.)</u>
Revenues									
Charges for services	\$ 350	327	7%	6,125	5,578	10%	6,475	5,905	10%
Operating grants	51	368	-86%	-	161	-	51	529	-90%
Capital grants	604	-	-	174	-	-	778	-	-
Sales and use taxes	2,334	1,974	18%	-	-	-	2,334	1,974	18%
Franchise tax (fees)	33	28	18%	-	-	-	33	28	18%
Other taxes	205	170	21%	-	-	-	205	170	21%
Investment income	3	8	-63%	2	2	-	5	10	-50%
Other	154	80	93%	148	41	261%	302	121	150%
Total revenues	<u>3,734</u>	<u>2,955</u>	<u>26%</u>	<u>6,449</u>	<u>5,782</u>	<u>12%</u>	<u>10,183</u>	<u>8,737</u>	<u>17%</u>
Expenses									
General government	722	563	28%	-	-	-	722	563	28%
Public safety	1,191	1,071	11%	-	-	-	1,191	1,071	11%
Public works	281	735	-	-	-	-	281	735	-62%
Cultural & recreation	477	440	8%	-	-	-	477	440	8%
Capital outlay	-	113	-	-	-	-	-	113	-
Electric	-	-	-	4,408	3,074	-	4,408	3,074	43%
Water	-	-	-	904	1,071	-	904	1,071	-16%
Wastewater	-	-	-	383	490	-	383	490	-22%
Sanitation	-	-	-	400	412	-	400	412	-3%
Golf course	-	-	-	353	331	-	353	331	7%
Lake	-	-	-	261	233	12%	261	233	12%
Total expenses	<u>2,671</u>	<u>2,922</u>	<u>-9%</u>	<u>6,709</u>	<u>5,611</u>	<u>20%</u>	<u>9,380</u>	<u>8,533</u>	<u>10%</u>
Increase in net position									
before transfers	1,063	33	3121%	(260)	171	-252%	803	204	294%
Transfers	126	750	-83%	(126)	(750)	-83%	-	-	-
Transfer - SHDA	-	-	-	281	-	-	281	-	-
Capital contributions	(390)	-	-	390	393	-1%	-	393	-100%
Change in net position	<u>799</u>	<u>783</u>	<u>2%</u>	<u>285</u>	<u>(186)</u>	<u>-253%</u>	<u>1,084</u>	<u>597</u>	<u>82%</u>
Begininng net position	<u>11,519</u>	<u>10,736</u>	<u>7%</u>	<u>8,160</u>	<u>8,346</u>	<u>-2%</u>	<u>19,679</u>	<u>19,082</u>	<u>3%</u>
Ending net position	<u>\$ 12,318</u>	<u>11,519</u>	<u>7%</u>	<u>8,445</u>	<u>8,160</u>	<u>3%</u>	<u>20,763</u>	<u>19,679</u>	<u>6%</u>

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

**Table 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)**

	Total Expenses		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
General government	\$ 722	563	28%	(597)	(514)	16%
Public safety	1,191	1,071	11%	(935)	(624)	50%
Public works	281	734	-62%	258	(579)	-145%
Cultural & recreation	477	440	8%	(392)	(396)	-1%
Capital outlay	-	114	0%	-	(114)	0%
Total	\$ <u>2,671</u>	<u>2,922</u>	-9%	<u>(1,666)</u>	<u>(2,227)</u>	-25%

For the year ended June 30, 2022, total expenses for governmental activities amounted to \$2,670,864 which is a 8.6% decrease from the prior year.

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Business-type Activities

Table 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expenses		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Electric	\$ 4,408	3,074	43%	190	965	-80%
Water	904	1,071	-16%	(75)	(254)	-70%
Wastewater	383	490	-22%	(54)	(161)	-66%
Sanitation	400	412	-3%	(29)	(48)	-40%
Golf course	353	331	7%	(242)	(189)	28%
Lake	261	233	12%	(202)	(184)	10%
Total	\$ 6,709	5,611	20%	(412)	129	-419%

The City's business-type activities include utility services for electric, water, wastewater, and sanitation operations.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2022 fiscal year, the governmental funds reported a combined fund balance of \$4,328,973, or 5.6% decrease from the prior year. The enterprise funds reported combined net position of \$8,444,652 or 3.5% increase from 2021.

Other Fund Highlights Include:

- For the year ended June 30, 2022, the General Fund's total fund balance decreased by \$203,785, or 13.3%, due to an increase in expenses.
- The SUA Enterprise Fund reported a net position increase of \$284,804.

General Fund Budgetary Highlights

For the year ended June 30, 2022, the General Fund reported actual budgetary basis revenues over final estimates by \$140,839 or an 6.0% positive variance. General Fund actual expenditures were under final appropriations by \$1,005 or an 0.2% positive variance.

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had \$19,054,784 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, electric, water and wastewater systems. This represents a net increase of \$1,542,365 over last year.

Table 5
Capital Assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Construction in progress	\$ 533	-	161	-	694	-
Land	751	751	-	-	751	751
Buildings	2,267	2,267	4,591	4,548	6,858	6,815
Machinery and equipment	1,144	909	1,351	1,007	2,495	1,916
Vehicles	1,770	1,660	455	455	2,225	2,115
Infrastructure	13,134	12,607	19,926	19,394	33,060	32,001
Less: Accum. depreciation	(11,020)	(10,669)	(16,009)	(15,416)	(27,029)	(26,085)
Total capital assets, net	\$ 8,579	7,525	10,475	9,988	19,054	17,513

Major capital asset events during the current fiscal year included the following:

- Purchase and construction of minor equipment, vehicles, and utility projects.

Long-term Debt

At year-end, the City had \$6,164,171 in long-term debt outstanding, excluding accrued compensated absences, due to depositors and net pension liability, which represents a \$761,546 decrease from the prior year due to principal payments on long-term debt.

Table 6
Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Notes payable	\$ 200	226	5,964	6,699	6,164	6,925
Other	-	-	-	-	-	-
Total long-term debt	\$ 200	226	5,964	6,699	6,164	6,925

**CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

ECONOMIC OUTLOOK

- The unemployment rate for the Oklahoma City metropolitan area which includes Stroud is currently 4.4 percent, which is an decrease of 2.3 percent from a year ago. This compares favorably to the state's average unemployment rate of 3.7 percent and favorably to the national average rate of 5.9 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales and use tax revenue. Sales and use tax revenue increased by 18.2% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2022-2023 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, bond rating agencies and creditors with a general overview of the City's finances reflecting the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office at 220 W. 2nd, Stroud, Oklahoma 74079.

BASIC FINANCIAL STATEMENTS

City of Stroud, Oklahoma
Statement of Net Position
June 30, 2022

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Pooled cash and cash equivalents	\$ 5,035,844	405,720	5,441,564	1,797,920
Investments	306,781	-	306,781	353,958
Restricted cash and investments	-	2,869,905	2,869,905	-
Receivables (net of allowance for uncollectibles)	29	579,344	579,373	18,787
Leases receivable	-	-	-	281,345
Prepaid expenses	25,960	25,095	51,055	-
Internal balances	(1,010,086)	1,010,086	-	-
Due from other governments	420,726	-	420,726	-
Noncurrent assets:				
Leases receivable	-	-	-	1,039,152
Net pension asset	88,208	47,496	135,704	-
Capital assets:				
Land, improvements, and construction in progress	1,284,468	159,867	1,444,335	180,492
Other capital assets, net of depreciation	7,293,599	10,313,850	17,607,449	391,580
Total assets	13,445,529	15,411,363	28,856,892	4,063,234
Deferred outflows of resources:				
Deferred amounts related to extraordinary utility costs	-	455,005	455,005	-
Deferred amounts related to pensions	206,880	104,379	311,259	-
Total deferred outflow of resources	206,880	559,384	766,264	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	285,320	940,249	1,225,569	46,041
Accrued interest payable	-	40,425	40,425	-
Deferred revenues	-	26,590	26,590	11,702
Due to bondholders	540	-	540	-
Deposits subject to refund	1,213	-	1,213	7,000
Unearned revenue - ARPA	163,209	-	163,209	-
Current portion of long-term debt	48,513	773,151	821,664	86,819
Noncurrent liabilities:				
Long-term debt and other liabilities	237,880	5,444,577	5,682,457	594,125
Net pension liability	19,983	-	19,983	-
Total liabilities	756,658	7,224,992	7,981,650	745,687
Deferred inflow of resources:				
Deferred amounts related to pensions	577,935	301,103	879,038	-
Deferred amounts related to leases	-	-	-	1,320,497
Total deferred inflow of resources	577,935	301,103	879,038	1,320,497
NET POSITION				
Net investment in capital assets	8,378,084	6,988,235	15,366,319	973,620
Restricted for:				
Debt service	-	220,984	220,984	-
Capital improvements	2,721,214	194,374	2,915,588	-
Other purposes	276,672	-	276,672	-
Unrestricted (deficit)	941,946	1,041,059	1,983,005	1,023,430
Total net position	\$ 12,317,916	8,444,652	20,762,568	1,997,050

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

City of Stroud, Oklahoma
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 721,957	47,080	4,862	72,576	(597,439)
Public safety	1,190,968	223,736	32,029	-	(935,203)
Public works	281,262	-	8,255	531,445	258,438
Culture and recreation	476,677	79,186	5,653	-	(391,838)
		-	-	-	-
Total governmental activities	<u>2,670,864</u>	<u>350,002</u>	<u>50,799</u>	<u>604,021</u>	<u>(1,666,042)</u>
Business-type activities:					
Electric	4,408,044	4,597,751	-	-	189,707
Water	904,135	654,657	-	174,011	(75,467)
Wastewater	383,083	329,336	-	-	(53,747)
Sanitation	400,369	371,789	-	-	(28,580)
Golf course	353,320	111,728	-	-	(241,592)
Lake	260,868	58,198	-	-	(202,670)
Total business-type activities	<u>6,709,819</u>	<u>6,123,459</u>	<u>-</u>	<u>174,011</u>	<u>(412,349)</u>
Total primary government	<u>9,380,683</u>	<u>6,473,461</u>	<u>50,799</u>	<u>778,032</u>	<u>(2,078,391)</u>
Discretely Presented Component Units	\$ <u>767,278</u>	<u>1,062,722</u>	<u>-</u>	<u>-</u>	<u>295,444</u>

City of Stroud, Oklahoma
Statement of Activities
For the Year Ended June 30, 2022

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Change in Net Position:				
Net (expense) revenue	\$ (1,666,042)	(412,349)	(2,078,391)	295,444
General revenues:				
Taxes:				
Sales and use taxes	2,333,610	-	2,333,610	-
Franchise taxes (fees)	33,167	-	33,167	-
Other taxes	205,465	-	205,465	-
Unrestricted investment income	3,454	1,889	5,343	14,011
Miscellaneous	153,947	149,112	303,059	147,148
Transfers	125,542	(125,542)	-	-
Transfers - Component unit	-	281,392	281,392	(281,392)
Capital contributions	(390,302)	390,302	-	-
Total general revenues and transfers	<u>2,464,883</u>	<u>697,153</u>	<u>3,162,036</u>	<u>(120,233)</u>
Change in net position	798,841	284,804	1,083,645	175,211
Net Position - beginning	<u>11,519,075</u>	<u>8,159,848</u>	<u>19,678,923</u>	<u>1,821,839</u>
Net Position - ending	<u>\$ 12,317,916</u>	<u>8,444,652</u>	<u>20,762,568</u>	<u>1,997,050</u>

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

City of Stroud, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Capital Expenditure Fund	Special Street Tax Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 531,864	1,398,771	897,930	1,961,564	245,176	5,035,305
Cash - Police bond account	540	-	-	-	-	540
Investments	306,781	-	-	-	-	306,781
Receivables:						
Due from other governments	222,163	97,215	97,215	-	4,133	420,726
Due from other funds	717,453	8,282	286,400	-	27	1,012,162
Other receivables, net	29	-	-	-	-	29
Prepaid expense	25,960	-	-	-	-	25,960
Total assets	<u>1,804,790</u>	<u>1,504,268</u>	<u>1,281,545</u>	<u>1,961,564</u>	<u>249,336</u>	<u>6,801,503</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	217,538	47,200	17,399	-	3,183	285,320
Police bonds outstanding	540	-	-	-	-	540
Deposits subject to refund	-	-	-	-	1,213	1,213
Unearned revenue - ARPA	163,209	-	-	-	-	163,209
Due to other funds	92,416	-	-	1,927,550	2,282	2,022,248
Total liabilities	<u>473,703</u>	<u>47,200</u>	<u>17,399</u>	<u>1,927,550</u>	<u>6,678</u>	<u>2,472,530</u>
Fund balances:						
Nonspendable	-	1,457,068	1,264,146	34,014	242,658	2,997,886
Unassigned	1,331,087	-	-	-	-	1,331,087
Total fund balances	<u>1,331,087</u>	<u>1,457,068</u>	<u>1,264,146</u>	<u>34,014</u>	<u>242,658</u>	<u>4,328,973</u>
Total liabilities and fund balances	<u>\$ 1,804,790</u>	<u>1,504,268</u>	<u>1,281,545</u>	<u>1,961,564</u>	<u>249,336</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not required in the funds, net of accumulated depreciation of \$11,020,751	8,578,067
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Net pension asset	88,208
Pension related deferred outflows	206,880
Certain liabilities are not due and payable in the current period from current financial resources are deferred in the funds:	
Net pension liability	(19,983)
Pension related deferred inflows	(577,835)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, along with deferred inflows, are not reported in the funds:	
Notes payable	(199,982)
Accrued compensated absences	(86,412)
Net position of governmental activities	<u>\$ 12,317,916</u>

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

City of Stroud, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	Capital Expenditure Fund	Special Street Tax Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,379,173	582,437	582,437	-	28,195	2,572,242
Intergovernmental	638,729	-	-	-	13,878	652,607
Licenses and permits	33,110	-	-	-	-	33,110
Charge for services	257,714	-	-	-	6,422	264,136
Fines and forfeitures	52,756	-	-	-	-	52,756
Interest	397	1,118	750	1,131	58	3,454
Miscellaneous	113,861	-	-	-	3,700	117,561
Total revenues	<u>2,475,740</u>	<u>583,555</u>	<u>583,187</u>	<u>1,131</u>	<u>52,253</u>	<u>3,695,866</u>
EXPENDITURES						
Current:						
General government	642,272	17,616	-	4	2,000	661,892
Public safety	1,262,701	51,044	-	-	-	1,313,745
Public works	806,734	64,406	321,727	-	52,365	1,245,232
Cultural and recreation	417,318	16,763	-	-	32,329	466,410
Total expenditures	<u>3,129,025</u>	<u>149,829</u>	<u>321,727</u>	<u>4</u>	<u>86,694</u>	<u>3,687,279</u>
Excess (deficiency) of revenues over expenditures	<u>(653,285)</u>	<u>433,726</u>	<u>261,460</u>	<u>1,127</u>	<u>(34,441)</u>	<u>8,587</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	449,500	-	-	-	-	449,500
Transfers out	-	-	(323,958)	-	-	(323,958)
Contributed capital - Fixed assets	-	(390,302)	-	-	-	(390,302)
Total other financing sources and uses	<u>449,500</u>	<u>(390,302)</u>	<u>(323,958)</u>	<u>-</u>	<u>-</u>	<u>(264,760)</u>
Net change in fund balances	(203,785)	43,424	(62,498)	1,127	(34,441)	(256,173)
Fund balances-beginning	1,534,872	1,413,644	1,326,644	32,887	277,099	4,585,146
Fund balances-ending	<u>\$ 1,331,087</u>	<u>1,457,068</u>	<u>1,264,146</u>	<u>34,014</u>	<u>242,658</u>	<u>4,328,973</u>

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

City of Stroud, Oklahoma
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ (256,173)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>	
Capital asset additions	1,405,081
Depreciation expense	(351,766)
<p>In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.</p>	
	(17,314)
<p>Repayment of debt principal and note issue costs is an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position:</p>	
Long-term debt principal payments	26,605
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Change in accrued compensated absences	<u>(7,592)</u>
Change in net position of governmental activities.	<u><u>\$ 798,841</u></u>

City of Stroud, Oklahoma
Statement of Net Position - Proprietary Fund
June 30, 2022

	Business-type Activities - Enterprise Fund		
	Stroud Utilities Authority		
	Operating Fund	Capital Improv. Fund	Total Authority
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 211,346	194,374	405,720
Restricted:			
Cash and investments	2,869,905	-	2,869,905
Receivables:			
Accounts, net of allowance of \$114,981	579,344	-	579,344
Due from other funds	1,296,486	-	1,296,486
Prepaid expense	25,095	-	25,095
Total current assets	<u>4,982,176</u>	<u>194,374</u>	<u>5,176,550</u>
Net pension asset	47,496	-	47,496
Capital assets:			
Land, improvements, and construction in progress	159,867	-	159,867
Other capital assets, net of accumulated depreciation	10,313,850	-	10,313,850
Total non-current assets	<u>10,521,213</u>	<u>-</u>	<u>10,521,213</u>
Total assets	<u>15,503,389</u>	<u>194,374</u>	<u>15,697,763</u>
DEFERRED OUTFLOW OF RESOURCES:			
Deferred amounts related to extraordinary utility costs	455,005	-	455,005
Deferred amounts related to pensions	104,379	-	104,379
Total deferred outflow of resources	<u>559,384</u>	<u>-</u>	<u>559,384</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	940,249	-	940,249
Accrued interest payable	40,425	-	40,425
Deferred revenues	26,590	-	26,590
Due to other funds	286,400	-	286,400
Current portion of long-term obligations	773,151	-	773,151
Total current liabilities	<u>2,066,815</u>	<u>-</u>	<u>2,066,815</u>
Non-current liabilities:			
Notes payable - non-current	5,211,248	-	5,211,248
Deposits subject to refund	171,261	-	171,261
Accrued compensated absences - non-current	62,068	-	62,068
Total non-current liabilities	<u>5,444,577</u>	<u>-</u>	<u>5,444,577</u>
Total liabilities	<u>7,511,392</u>	<u>-</u>	<u>7,511,392</u>
DEFERRED INFLOW OF RESOURCES:			
Deferred amounts related to pensions	301,103	-	301,103
NET POSITION			
Net investment in capital assets	6,988,235	-	6,988,235
Restricted:			
Debt service	220,984	-	220,984
Capital improvement	-	194,374	194,374
Unrestricted	<u>1,041,059</u>	<u>-</u>	<u>1,041,059</u>
Total net position	<u>\$ 8,250,278</u>	<u>194,374</u>	<u>8,444,652</u>

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

City of Stroud, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Fund		
	Stroud Utilities Authority		
	Operating Fund	Capital Improv. Fund	Total Authority
REVENUES			
Electric	\$ 4,530,512	-	4,530,512
Water	654,657	-	654,657
Wastewater	329,336	-	329,336
Sanitation	371,789	-	371,789
Other	67,239	-	67,239
Golf course	111,728	-	111,728
Lake	58,198	-	58,198
Total operating revenues	<u>6,123,459</u>	<u>-</u>	<u>6,123,459</u>
OPERATING EXPENSES			
Administration	486,041	-	486,041
Electric	3,802,278	-	3,802,278
Water	543,791	-	543,791
Wastewater	237,340	-	237,340
Sanitation	356,804	-	356,804
Golf course	282,210	-	282,210
Lake	129,099	-	129,099
Building and grounds	43,832	-	43,832
Shop	45,737	-	45,737
Economic development	11,438	-	11,438
Bad debt expense	19,231	-	19,231
Depreciation and amortization	589,909	-	589,909
Total operating expenses	<u>6,547,710</u>	<u>-</u>	<u>6,547,710</u>
Operating income (loss)	<u>(424,251)</u>	<u>-</u>	<u>(424,251)</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous revenues (expense)	149,112	-	149,112
Grant income	174,011	-	174,011
Interest income	1,676	213	1,889
Interest expense and fiscal charges	(162,109)	-	(162,109)
Total nonoperating revenues (expenses)	<u>162,690</u>	<u>213</u>	<u>162,903</u>
OPERATING TRANSFERS			
Transfers in	323,958	-	323,958
Transfers out	(449,500)	-	(449,500)
Transfers in - Component unit	281,392	-	281,392
Capital contribution	390,302	-	390,302
Total operating transfers and capital contributions	<u>546,152</u>	<u>-</u>	<u>546,152</u>
Change in net position	284,591	213	284,804
Net position - beginning	<u>7,965,687</u>	<u>194,161</u>	<u>8,159,848</u>
Net position-ending	<u>\$ 8,250,278</u>	<u>194,374</u>	<u>8,444,652</u>

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

City of Stroud, Oklahoma
Statement of Cash Flows - Proprietary Fund
Stroud Public Works Authority
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Fund		
	Stroud Utilities Authority		
	Operating Fund	Capital Improv. Fund	Total Authority
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,125,349	-	6,125,349
Payments to suppliers and employees	(5,827,790)	301,063	(5,526,727)
Net receipts (refunds) of customer meter deposits	4,044	-	4,044
Net cash provided (used) by operating activities	<u>301,603</u>	<u>301,063</u>	<u>602,666</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in (out)	281,392	-	281,392
Operating transfers in (out)	(125,542)	-	(125,542)
Net cash provided (used) by noncapital financing activities	<u>155,850</u>	<u>-</u>	<u>155,850</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,078,958)	-	(1,078,958)
Principal paid on debt	(735,420)	-	(735,420)
Capital contributions	390,302	-	390,302
Grant revenue	174,011	-	174,011
Interest expense and fiscal charges	(162,109)	-	(162,109)
Net cash provided (used) by capital and related financing activities	<u>(1,412,174)</u>	<u>-</u>	<u>(1,412,174)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,676	213	1,889
Net cash provided (used) by investing activities	<u>1,676</u>	<u>213</u>	<u>1,889</u>
Net increase (decrease) in cash and cash equivalents	(953,045)	301,276	(651,769)
Cash and cash equivalents, beginning of the year	4,034,296	194,161	4,228,457
Cash and cash equivalents, end of the year	<u>\$ 3,081,251</u>	<u>495,437</u>	<u>3,576,688</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	211,346	194,374	405,720
Restricted cash and cash equivalents	2,869,905	-	2,869,905
Total cash and cash equivalents, end of year	<u>\$ 3,081,251</u>	<u>194,374</u>	<u>3,275,625</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(424,251)	-	(424,251)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation and amortization expense	589,909	-	589,909
Bad debt expense	19,231	-	19,231
Miscellaneous revenue	149,112	-	149,112
Change in assets and liabilities:			
(Increase) decrease in receivables	(14,491)	-	(14,491)
(Increase) decrease in due from other funds	(44,304)	-	(44,304)
(Increase) decrease in prepaid expense	(25,095)	-	(25,095)
(Increase) decrease in net deferral for extraordinary utility cost	88,930	-	88,930
Increase (decrease) in accounts payable and accrued expenses	(52,954)	-	(52,954)
Increase (decrease) in deposits subject to refund	4,044	-	4,044
Increase (decrease) in net pension liability and related deferrals	11,472	-	11,472
Total adjustments	<u>725,854</u>	<u>-</u>	<u>725,854</u>
Net cash provided by (used in) operating activities	<u>\$ 301,603</u>	<u>-</u>	<u>301,603</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Stroud, Oklahoma (the “City”) conforms to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). The following represent the more significant accounting and reporting policies and practices of the City.

Financial Reporting Entity - The City is an incorporated municipality located in central Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government:

- Legislative - the governing body includes an elected five-member City Council and Mayor
- Executive - the City Manager is the Chief Executive Officer and appointed by the City Council
- Judicial - the Municipal Judge is a practicing attorney appointed by the City Council

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and includes all component units for which the City is financially accountable.

The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

Blended Component Units. The Stroud Utilities Authority (SUA) was created May 27, 1963 pursuant to a Trust Indenture to finance, develop, and operate the electric, water, wastewater, and solid waste activities of the City. Council members serve as Trustees and the City Manager is the General Manager. The rates for user charges and debt authorization are approved by the city council. The SUA is reported as an enterprise fund type. Separate financial statements have not been prepared for SUA.

Discretely Presented Component Units. There are two discretely presented component units included in the City financial statements. The discretely presented component units issue separately audited financial statements. Copies of there reports may be obtained from the City Hall office.

The Stroud Hospital and Development Authority was created April 1, 1976 to operate and maintain the Stroud Municipal Hospital, which was sold May, 2004. The Authority continues to operate to stimulate economic growth and development of the City. The Authority operates the Prairie Pointe assisted living center. The City is the beneficiary of the Authority, but the governing body of the Authority is different than the City.

The Stroud Industrial Authority was created February 25, 1974 to aid in the City’s economic growth and development by financing, operating, constructing, and administering various

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

public works projects, improvements, and facilities. The City is the beneficiary of the Authority, but the governing body of the Authority is different than the City.

Separate financial statements have been prepared for the blended component units and may be obtained by contacting City Hall.

Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the 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. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

Basis of presentation and accounting:

The City follows Governmental Accounting Standards Board (“GASB”) statements in the preparation of its financial statements. The presentation includes financial statements that communicate the City’s financial condition and changes therein at two distinct levels:

- The City as a Whole (a government-wide presentation)
- The City’s Funds (a presentation of the City’s major and aggregate non-major funds)

Government-wide and fund financial statements - The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities.

Governmental activities - Most of the City’s basic services are reported here, including police, fire, general administration, streets, parks and recreation. Sales taxes, franchise fees, fines, and state and federal grants finance most of the activities.

Business-type activities - Services where the City charges a fee to customers to help cover all or most of the cost of the services it provides. The City’s electric, water, sewer and sanitation systems are reported here. Additionally, operation of the golf course and municipal airport are reported as business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements -

Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on the modified accrual basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for reimbursement type grants that are recorded as revenues when the related expenditures are recognized. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, judgments, and pension liabilities are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures driven grants are recognized as revenues when qualifying expenditures have been incurred and all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 one determine (through a review of changes in 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 following are the City's major governmental funds:

- General Fund - accounts for general operations of the City including public safety, parks, public facilities, street maintenance and internal service support.
- Capital Expenditure Fund - accounts major capital improvement projects.
Special Street Tax Fund - accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the construction and repair of streets as approved by a special sales tax ordinance.
- Special Reserve Fund - accounts for and reports financial resources that are restricted for designated expenditures of the governing body.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following are the City's aggregate non-major governmental funds:

- Street & Alley Fund
- Airport Fund
- Library Society Fund
- Drug Enforcement Fund
- HRA Fund
- Cemetery Care Fund

The reconciliation of the governmental fund 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.

Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided to other funds or departments of the City. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as reductions to the liability.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following are the City's proprietary funds:

- Stroud Utilities Authority (SUA) - accounts for the revenues from operations of electric, water, sanitary sewer, sanitation, golf course and lake.

Accounting Policies -

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

- a. ***Cash and Cash Equivalents*** - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b. *Pooled Cash and Investments* - The City requires all cash belonging to the City to be placed in the custody of the Financial Services Department of the City. A “Pooled Cash” concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has an equity in the pooled amounts. Investments are allocated to the individual participating funds based upon a percentage determined by the Financial Services Department of the City. An interfund receivable/payable is recognized if the allocation of investments to a particular fund exceeds the fund’s pooled cash amount before the allocation of the pooled investments.

Purchases and maturities of the pooled investments, as reported in the fund’s statement of cash flow, are allocated to the participating proprietary funds based on their portion of total pooled investments.

- c. *Investments* - Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price on June 30, 2022, to be the fair value of its investments.

Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker’s acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days’ maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

- d. *Receivables and payables* - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

- e. *Interfund Receivable and Payables* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / due from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- f. *Restricted Assets* - Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.
- g. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 65 years
Infrastructure	25 - 50 years
Improvements other than buildings & infrastructure	10 - 20 years
Machinery and equipment	3 - 20 years
Vehicles	3 - 7 years

- h. *Inventory* - The City records parts and fuel inventory as expenses within the General Fund. Parts inventory is recorded using actual cost.
- i. *Long-term Debt* - Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of revenue bonds payable, net pension liability, and accrued compensated absences. This long-term debt is reported not of unamortized discounts and premiums.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- j. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. A liability would be recorded within the government-wide, proprietary, and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources. At June 30, 2022 the City did not have any judgments outstanding.
- k. *Compensated Absences* - Under the terms of City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for vacation leave accumulated and vested accumulated sick leave. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees' service as contained in the City's personnel manual.
- l. *Pensions* - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City's multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- m. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
 - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
 - 3. *Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net positions are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows and based on the nature of any limitations requiring the use of resources for specific purposes.

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision-making authority. The City Council is the highest level of decision-making authority that can, by adoption of an Ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action by City Council is taken (the adoption of another ordinance) to remove or revise the limitation.
- d) *Assigned* - Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the General Fund.

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City's policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cost Sharing Defined Benefit Pension Plans

The City participates in two cost-sharing multiple-employer defined benefit pension plans, the Oklahoma Firefighters Pension & Retirement System (OFPRS) and the Oklahoma Municipal Retirement Fund (OkMRF), (the Plans). For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows related to pensions, with one being the amount of contributions made to pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of pension liability in the following year. The remaining amounts will be amortized to pension expense over future periods. See Note 4 for additional information.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has a deferred inflow related to pensions. This consists of the difference between expected and actual experience related to pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense.

Revenues, Expenditures and Expenses

- a. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two-month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- b. *Charges for Services* - Charges for service consist primarily of charges made by one fund for services such as insurance and other benefits provided to the other funds of the City.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses, and changes in fund net position.
- d. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Compliance

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing is held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All fund decreases of appropriation and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments within a fund without City Council approval. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

In accordance with Title 60 of the Oklahoma State Statutes, the Stroud Utilities Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal level of control; and, therefore, no budget and actual financial presentation for the SUA funds are included in this report.

Deposits and Investment Laws and Regulations

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City may not recover its deposits. The City's policy to minimize its exposure to custodial credit risk for deposit is that all deposits shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, in the City's name. At June 30, 2022, the City's bank balances of approximately \$5,851,980 were fully insured or collateralized with securities.

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City minimizes its exposure to interest rate risk by limiting the duration of certificates of deposits or other fixed-income securities.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City minimizes its exposure to investment credit risk by adopting investment policies that comply with the Oklahoma State statutes. As a result, investments are limited to the following:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable pledged collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. 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.
- d. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- e. Money market funds and repurchase agreements which consist of the authorized investments of the United States government agency obligations with restrictions as specified in state law.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by restrictions in their trust or bond indentures.

The City has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations and agencies as of the end of year end. Unless there is information to the contrary, obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality.

Custodial credit risk for investments is the risk that in the event of a bank failure, the City may not recover the value of its investments. The City's policy to minimize its exposure to custodial credit risk for investments is that all investments shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, in the City's name. At June 30, 2022, the City's investments are certificates of deposit in local banks. At June 30, 2022, the certificates of deposits were fully insured or collateralized.

Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of the net assessed valuation. As of June 30, 2022, the City did not have any general obligation debt outstanding.

Other Long-term Debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

Revenue Note Debt

The debt indentures relating to the revenue note issues of the Stroud Public Works Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

Fund Equity/Net Position Restrictions

Restricted Net Position

Restricted net position at the government-wide financial statements are required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3 for details of restricted net position.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

Deposits and Investments

The City of Stroud, including its blended component units, held the following deposits and investments on June 30, 2022:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 8,618,030
Cash on hand			<u>220</u>
Total deposits and investments			\$ <u>8,618,250</u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 5,441,564
Investments			306,781
Restricted investments			<u>2,869,905</u>
			\$ <u>8,618,250</u>

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

Deposits and Investments - Continued

Restricted Assets

The amounts reported as restricted assets on the Statement of Net Position are comprised of cash and investments held by the trustee bank on behalf of the public trusts (Authorities) related to its required revenue bond accounts as described in Note 2 and amounts due to depositors related to utility deposits.

The restricted assets as of June 30, 2022 were as follows:

OWRB Clean Water SRF Note, Series 2011:	
Debt service	\$ 14,398
OWRB Drinking Water SRF Note, Series 2012:	
Debt service	52,929
Sales Tax Revenue Note, Series 2013:	
Debt service	80,237
Utility & Sales Tax Revenue Note, Series 2014:	
Project account	11,297
Debt service	46,029
Sales Tax Revenue Note, Series 2020:	
Project account	2,463,933
Debt service	27,391
Utility customer deposits	173,691
Total restricted assets	\$ 2,869,905

Receivables and Uncollectible Accounts

Accounts receivable of governmental and business-type activities consist of sales tax, franchise tax and fees, grants funds due, customer utilities services provided, both billed and unbilled, all reported net of allowance for uncollectible amounts are as follows:

	General Fund	Capital Expenditure Fund	Special Street Fund	Nonmajor Governmental Funds	Stroud Utilities Authority	Total
Receivables:						
Accounts	\$ 84,283	-	-	-	694,325	778,608
Due from other governments	220,542	97,215	97,215	4,133	-	321,890
Gross receivables	304,825	97,215	97,215	4,133	694,325	1,100,498
Less: Allowance for uncollectibles	82,633	-	-	-	114,981	197,614
Net total receivables	\$ 222,192	97,215	97,215	4,133	579,344	902,884

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended June 30, 2022, were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
Governmental activities					
Capital assets not being depreciated :					
Land	\$ 751,266	-	-	-	751,266
Construction in progress	-	533,202	-	-	533,202
Total capital assets not being depreciated	<u>751,266</u>	<u>533,202</u>	<u>-</u>	<u>-</u>	<u>1,284,468</u>
Capital assets being depreciated :					
Buildings and improvements	2,266,561	-	-	-	2,266,561
Machinery and equipment	908,703	234,828	-	-	1,143,531
Vehicles	1,660,041	110,286	-	-	1,770,327
Infrastructure	12,607,167	526,764	-	-	13,133,931
Total capital assets being depreciated	<u>17,442,472</u>	<u>871,878</u>	<u>-</u>	<u>-</u>	<u>18,314,350</u>
Less : Accumulated depreciation					
Buildings and improvements	1,497,111	43,983	-	-	1,541,094
Machinery and equipment	701,832	49,629	-	-	751,461
Vehicles	1,244,739	52,669	-	-	1,297,408
Infrastructure	7,225,305	205,483	-	-	7,430,788
Total capital assets being depreciated	<u>10,668,987</u>	<u>351,764</u>	<u>-</u>	<u>-</u>	<u>11,020,751</u>
Total capital assets being depreciated	<u>6,773,485</u>	<u>520,114</u>	<u>-</u>	<u>-</u>	<u>7,293,599</u>
Governmental activities capital assets, net	<u>\$ 7,524,751</u>	<u>1,053,316</u>	<u>-</u>	<u>-</u>	<u>8,578,067</u>

Depreciation expense for governmental activities is charged to functions as follows:

Governmental activities:

General government	\$ 27,707
Public safety	59,120
Public works administration	193,046
Cultural and recreation	71,891
Total depreciation expense - governmental activities	<u>\$ 351,764</u>

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
<i>Business-type activities</i>					
Capital assets not being depreciated :					
Land	\$ -	-	-	-	-
Construction in progress	-	159,867	-	-	159,867
Total capital assets not being depreciated	<u>-</u>	<u>159,867</u>	<u>-</u>	<u>-</u>	<u>159,867</u>
Capital assets being depreciated :					
Buildings and improvements	4,547,658	43,133	-	-	4,590,791
Machinery and equipment	1,007,016	343,896	-	-	1,350,912
Vehicles	455,121	-	-	-	455,121
Infrastructure	19,394,088	532,062	-	-	19,926,150
Total capital assets being depreciated	<u>25,403,883</u>	<u>919,091</u>	<u>-</u>	<u>-</u>	<u>26,322,974</u>
Less : Accumulated depreciation					
Buildings and improvements	1,260,352	92,288	-	-	1,352,640
Machinery and equipment	596,215	64,859	-	-	661,074
Vehicles	348,948	8,451	-	-	357,399
Infrastructure	13,213,701	424,311	-	-	13,638,012
Total capital assets being depreciated	<u>15,419,216</u>	<u>589,909</u>	<u>-</u>	<u>-</u>	<u>16,009,125</u>
Total capital assets being depreciated	<u>9,984,667</u>	<u>329,182</u>	<u>-</u>	<u>-</u>	<u>10,313,849</u>
Governmental activities capital assets, net	<u>\$ 9,984,667</u>	<u>489,049</u>	<u>-</u>	<u>-</u>	<u>10,473,716</u>

Depreciation expense for business-type activities is charged to functions as follows:

Business-type activities:

General government	\$ 14,165
Electric	122,279
Water	120,401
Sewer	116,764
Lake	116,008
Golf course	36,652
Assisted living center	63,640
Total depreciation expense - business-type activities	<u>\$ 589,909</u>

Deposits Subject to Refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2022, cash and investments included \$173,691 available for refund of customer deposits, while the liability to customers was \$171,261.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2022, \$540 was being held that was subject to refund.

Long-term Debt

The reporting entity's long-term debt is segregated by the amounts involving governmental activities and business activities.

Governmental Activities Long-term Debt:

As of June 30, 2022, the governmental activities long-term debt consisted of the following:

Notes Payable

\$119,500 note payable to First Bank; dated June 27, 2017, for a fire ladder truck; due in monthly principal and interest payments of \$1,209.88 beginning July 15, 2017 and maturing June 15, 2027; secured by the vehicle; interest included at a rate of 4.00% per annum.	\$ 65,695
\$168,975 note payable to RCB Bank; dated January 9, 2020, for a fire rescue truck; due in monthly principal and interest payments of \$1,643.36 beginning February 9, 2020 and maturing January 9, 2030; secured by the vehicle; interest included at a rate of 3.15% per annum.	134,287
Total Revenue Notes Payable	\$ <u>199,982</u>
Current portion	\$ 27,872
Non-current portion	172,110
	\$ <u>199,982</u>

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Business-type Activities Long-term Debt:

As of June 30, 2022, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Notes Payable

\$1,700,000 Clean Water SRF Series 2005 loan payable to the Oklahoma Water Resource Board (OWRB), dated November 22, 2005, payable in semi-annual installments with a final payment due March 15, 2026; interest rate of 2.60% and administrative fee of 0.5%; secured by a pledge of a one cent sales tax and utility system net revenues.	\$ 436,335
\$611,486 Clean Water SRF Series 2011 loan payable to the Oklahoma Water Resource Board (OWRB), dated February 22, 2011, payable in semi-annual installments with a final payment due September 15, 2031; interest rate of 2.62% and administrative fee of 0.5%; secured by a pledge of a one cent sales tax and utility system net revenues.	334,870
\$2,360,000 Drinking Water SRF Series 2012 loan payable to the Oklahoma Water Resource Board (OWRB), dated September 1, 2012, payable in semi-annual installments with a final payment due September 15, 2028; interest rate of 1.8% and administrative fee of 0.5%; secured by a pledge of a one cent sales tax and utility system net revenues.	917,984
\$2,100,000 Sales Tax Revenue Note, Series 2013; dated September 24, 2013; payable in semi-annual installments ranging from \$110,000 to \$115,000 with a final payment due September 1, 2023; interest at the rate of 2.60%; secured by a pledge of two cents of sales tax revenue.	350,000
\$2,650,000 Utilities and Sales Tax Revenue Note, Series 2014; dated November 20, 2014, payable in semi-annual installments ranging from \$110,000 to \$140,000 with a final payment due November 1, 2027; interest at the rate of 3.23%; Secured by a pledge of one cent of sales tax and utility system net revenues.	1,395,000
\$2,550,000 Sales Tax Revenue Note, Series 2020; dated November 6, 2020; payable in semi-annual installments ranging from \$10,000 to \$120,000 with a final payment due September 1, 2035; interest at the rate of 2.375%; secured by a pledge of two cents of sales tax revenue.	2,530,000
Total Revenue Notes Payable	\$ <u>5,964,189</u>
Current portion	\$ 752,462
Non-current portion	<u>5,211,727</u>
	\$ <u>5,964,189</u>

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Accrued Compensated Absences

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave and compensatory time.

Governmental activities	\$ 86,411
Business-type activities	<u>82,757</u>
Total Accrued Compensated Absences	<u>\$ 169,168</u>

Due to Depositors

Outstanding deposits for utility services, refundable only upon termination of services, amounted to the following:

Current portion	\$ -
Non-current portion	<u>171,261</u>
Total Due to Depositors	<u>\$ 171,261</u>

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Governmental activities					
Note payable - Ladder truck	\$ 78,443	-	12,748	65,695	11,637
Note payable - Rescue truck	148,144	-	13,857	134,287	15,273
Accrued compensated absences	78,818	7,593	-	86,411	21,603
Total Governmental Activities	<u>\$ 305,405</u>	<u>7,593</u>	<u>26,605</u>	<u>286,393</u>	<u>48,513</u>
Business-type activities					
<i>Notes payable:</i>					
OWRB - Series 2005	\$ 537,650	-	101,315	436,335	104,375
OWRB - Series 2011	364,138	-	29,268	334,870	30,695
OWRB - Series 2012	1,047,342	-	129,358	917,984	132,392
Revenue note - Series 2013	575,000	-	225,000	350,000	230,000
Revenue note - Series 2014	1,625,000	-	230,000	1,395,000	235,000
Revenue note - Series 2020	2,550,000	-	20,000	2,530,000	20,000
Deposits subject to refund	167,217	4,044	-	171,261	-
Accrued compensated absences	64,441	18,316	-	82,757	20,689
Total Business-type Activities	<u>\$ 6,930,788</u>	<u>22,360</u>	<u>734,941</u>	<u>6,218,207</u>	<u>773,151</u>

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

	Beginning			Ending Balance	Amounts
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>		Due Within <u>One Year</u>
Component Units					
<i>Stroud Industrial Authority</i>					
Note payable - RBC	\$ 278,260	-	40,792	237,468	42,211
Note payable - Lincoln Co.	485,285	-	41,809	443,476	44,608
Total Component Unit Debt	\$ 763,545	-	82,601	680,944	86,819

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, with interest rates applicable as of June 30, 2022, excluding accrued compensated absences, due to depositors and net pension liability are as follows:

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 27,872	6,367	752,462	150,954
2024	28,869	5,369	735,513	128,693
2025	29,903	4,336	716,909	107,545
2026	30,974	3,265	734,648	90,164
2027	32,083	2,155	643,056	72,368
2028-2032	50,281	2,079	1,573,601	186,369
2033-2037	-	-	808,000	38,855
Totals	\$ 199,982	23,571	5,964,189	774,948

Applicability of Federal Arbitrage Regulations

Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged one cent of future sales tax revenues to repay \$4,671,486 of OWRB Series 2005, 2011 and 2012 Revenue Notes and \$2,650,000 of SUA Series 2014 Utility and Sales Tax Revenue Notes which are payable through 2032. In addition, the City has pledged two cents of future sales tax revenues to repay \$4,650,000 of SUA Series 2013 and 2020 Sales Tax Revenue Notes. Proceeds from the notes provided financing for construction of designated capital improvements. The total principal and interest payable for the remainder of the life of the notes is \$6,739,137. Pledged sales tax received in the current year was \$477,847 per one cent of sales tax. Debt service payments on the OWRB Series 2005, 2011 and 2012 Revenue Notes and Series 2014 Utility and Sales Tax Revenue Notes of \$587,488 for the current year coverage ratio of 81.34% of the pledged one sales tax. Debt service payments on the Series 2013 and 2020 Sales Tax Revenue Notes of \$318,964 for the current year coverage ratio of 299.6% of the pledged two sales tax. Other sources of revenues such as electric, water, and sewer are also pledged on the OWRB notes and the Series 2014 Utility and Sales Tax Revenue Note.

Utility Revenue Pledge - The City has also pledged future net electric, water, and sewer revenues to repay \$4,671,486 of OWRB Series 2005, 2011 and 2012 Revenue Notes and \$2,650,000 of SUA Series 2014 Utility and Sales Tax Revenue Notes which are payable through 2032. Proceeds from the notes provided funding for utility system capital assets. The total principal and interest payable for the remainder of the life of the notes is \$3,371,409. The notes are payable from the above-mentioned utility net revenues and are additionally secured with one cent of future sales tax revenues. The debt service payments on the notes this year were \$587,488 for the current year coverage ratio of 81% of the pledged utility net revenues and 169% of both pledge utility revenues and pledged sales taxes.

Interfund Receivables, Payables, and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Street Special Tax Fund	Stroud Utilities Authority	323,958	Operating subsidy
Stroud Utilities Authority	General Fund	449,500	Operating subsidy
		<u>773,458</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	449,500	(323,958)	125,542
Proprietary Funds	323,958	(449,500)	(125,542)
	<u>773,458</u>	<u>(773,458)</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net Transfers	<u>-</u>
---------------	----------

Balances:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Stroud Utilities Authority	92,389	Interfund obligation
General Fund	Cemetery Fund	27	Interfund obligation
Stroud Utilities Authority	Street Special Tax Fund	286,400	Interfund obligation
Special Reserve Fund	Capital Expenditure Fund	6,000	Interfund obligation
Special Reserve Fund	General Fund	717,453	Interfund obligation
Special Reserve Fund	Stroud Utilities Authority	1,204,097	Interfund obligation
Airport Fund	Capital Expenditure Fund	2,282	Interfund obligation
		<u>2,308,648</u>	

Reconciliation to Fund Financial Statements:

	<u>Due To</u>	<u>Due From</u>	<u>Net Interfund Balance</u>
Governmental Funds	(2,022,248)	1,012,162	(1,010,086)
Proprietary Funds	(286,400)	1,296,486	1,010,086
	<u>(2,308,648)</u>	<u>2,308,648</u>	<u>-</u>

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Fund Balances and Net Position

Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	Capital Expenditure Fund	Special Street Tax Fund	Special Reserve Fund	Other Governmental Fuunds	Total
Fund Balances:						
Nonspendable:						
Capital improvements	-	1,457,068	-	34,014	-	1,491,082
Street	-	-	1,264,146	-	156,910	1,421,056
Airport	-	-	-	-	35,866	35,866
Library	-	-	-	-	3,316	3,316
Drug Fund	-	-	-	-	636	636
Cemetery	-	-	-	-	45,930	45,930
Subtotal Nonspendable	-	1,457,068	1,264,146	34,014	242,658	2,997,886
Unassigned (deficit):	1,331,087	-	-	-	-	1,331,087
TOTAL FUND BALANCES	1,331,087	1,457,068	1,264,146	34,014	242,658	4,328,973

Sales Tax

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 cents are recorded in the General Fund for general operational purposes,
- 1 cent is recorded in the General Fund and then transferred to the Capital Improvement Fund for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures,
- 1 cent is recorded in the General Fund and then transferred to the Special Street Tax Fund for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures.

In accordance with sales tax agreements of the OWRB and SUA Revenue Note - Series 2014 indentures, one cent of the sales tax has been pledged for the payment of principal and interest on the indebtedness on a parity basis.

In accordance with sales tax agreements SUA Revenue Notes - Series 2013 and 2020 indentures, two cents of the sales tax has been pledged for the payment of principal and interest on the indebtedness on a parity basis.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City manages these various risks of loss as follows:

- General Liability - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Physical Property - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Workers' Compensation - The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a matter of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss Fund has been established from the proceeds of the fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

- Employee's Group Medical - Covered through purchased insurance with a deductible of \$1,000 per employee.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

COMMITMENTS AND CONTIGENCIES

Commitments

Construction in Progress

The following construction contracts were outstanding on June 30, 2022:

	Total Construction <u>In Progress</u>	Total Project	Remaining <u>To Complete</u>
<i>Governmental Activities</i>			
Airport Apron/Taxilane	\$ 510,716	580,321	69,605
Airport T Hangers	22,486	30,332	7,846
<i>Business-type Activities</i>			
Utilities OTA Project	151,459	578,436	426,977
Waterline - Steeple Gate	8,408	399,830	391,422
	<u>\$ 693,069</u>	<u>1,588,919</u>	<u>895,850</u>

Contingent Liabilities

General Litigation - The City and Utilities Authority are parties 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.

While the outcome of the above noted proceedings cannot be predicted, due to the self-insurance reserves maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance reserves would not have a material adverse effect on the financial condition of the City.

Federal Grants - In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The City participates in five employee pension systems as follows:

<u>Names of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Firefighters Pension and Retirement Fur Cost Sharing Multiple Employer	Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	City Manager Retirement Plan - Defined Contribution Plan

Summary of Defined Benefit Plan Balances

	Governmental Activities	Business-Type Activities
Net Pension Liability (Asset)		
Firefighter's Pension System	\$ 19,983	-
Non-Uniform Employees Pension System	(88,208)	(47,496)
Total Net Pension Liability	\$ (68,225)	(47,496)
Deferred Outflows of Resources		
Firefighter's Pension System	\$ 13,033	-
Non-Uniform Employees Pension System	193,847	104,379
Total Deferred Outflow of Resources	\$ 206,880	104,379
Deferred Inflows of Resources		
Firefighter's Pension System	\$ 18,645	-
Non-Uniform Employees Pension System	559,190	301,103
Total Deferred Inflow of Resources	\$ 577,835	301,103

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

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

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

Normal Retirement:

Hired Prior to November 1, 2013

Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.

Hired After November 1, 2013

- Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also, participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.
- All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in the line of duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

- 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 benefit 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-the-line-of-duty disability is also limited to only those with less than 20 years of services, 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% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$1,380. In the government-wide Statement of Activities, revenue is recognized for the State of Oklahoma's on-behalf contributions on an accrual basis of \$2,213. 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 - On June 30, 2022, the City reported a liability of \$36,185 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information, the City's proportion was 0.003034%.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

For the year ended June 30, 2022, the City recognized pension expense of \$1,732. On June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,247	\$ 351
Changes of assumptions	-	443
Net difference between projected and actual earnings on pension plan investments	1,965	17,851
Changes in proportion and differences between City contributions and proportionate share of contributions	821	-
City contributions subsequent to the measurement date	3,000	-
Total	\$ 13,033	\$ 18,645

\$3,000 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2023	\$ (1,831)
	2024	(1,494)
	2025	(1,311)
	2026	(976)
	2027	-
		\$ (5,612)

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

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

Inflation:	2.75%
Salary increases:	2.75% to 10.50% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the MP2018 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, 2021; valuation was based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.90%
Domestic equity	7.09%
International equity	9.19%
Real estate	7.99%
Other assets	5.57%

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 thirty-six percent (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.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position 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 one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease ▼ (6.5%)	Current Discount Rate (7.5%)	1% Increase ▼ (8.5%)
	<u> </u>	<u> </u>	<u> </u>
Employers' net pension liability	\$ 31,227	\$ 19,983	\$ 10,569

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.

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF)

Plan Description - The City contributes to the OkMRF for all eligible employees except for those covered by the 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. 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. Detail information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4. OTHER INFORMATION - Continued

Eligibility Factors and Benefit Provisions

Eligibility	Full-time employees except police, firefighters and other employees who are covered under an approved system.
Probationary period	None.
Employee contributions	4.5% of pay.
Service	
Credited service	The last period of continuous employment with the employer.
Vesting	Credited service plus transferred service from oth OkMRF employers.
Benefit Eligibility	10 or more years of vested service.
Final average compensation	The average of the 5 highest consecutive years of salaries out of the last 10 years of service.
Accrued benefit	Plan BB - 2.25% of final average compensation multiplied by the number of years of credited service.
Normal retirement age	Age 65 with 10 or more years of vesting service.
Normal retirement	
Eligibility	Termination of employment on or after normal retirement age.
Benefit	The accrued benefit payable immediately.
Early retirement	
Eligibility	Termination after age 65 with 10 or more years of vesting service.
Benefit	The accrued benefit payable starting at normal retirement age, or accrued benefit reduced 5% per year for commencement prior to normal retirement age.
Disability retirement	
Eligibility	Total and permanent disability after 10 or more years of service.
Benefit	The accrued benefit is payable upon disablement without reduction for early payment.
Termination before retirement age	
Before vesting	Return of employee contributions, if any, with interest.
After vesting	The accrued benefit payable starting at normal retirement age, or a reduced benefit payable at an early retirement age.
Payment options	
Normal form	The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
Optional forms	Disability benefits are paid only under the normal form. Other benefits are available under actuarially equivalent optional forms: Joint and 50% survivor annuity Joint and 66 2/3% last survivor annuity Joint and 100% survivor annuity
Cost of living	This plan has not elected the automatic post retirement cost of living adjustments.

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4. OTHER INFORMATION - Continued

Employees Covered by Benefit Terms -

Active Employees	38
Deferred Vested Former Employees	-
Retirees or Retiree Beneficiaries	30
Total	68

Contribution Requirements - The City Council has the authority to set and amend contribution rates by ordinance for the OMRF 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 12.47% of covered payroll as of July 1, 2021 and 11.82% of covered payroll as of July 1, 2021. For the year ended June 30, 2021, the City recognized \$176,190 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$1,508,203. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions -

Date of Last Actuarial Valuation	July 1, 2021
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5
c. Projected Salary Increase	Varies between 7.50% and 4.50% based on age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	2.75%
f. Mortality Table	PubG - 2010
g. Percent of Married Employees	100%
h. Spouse Age Difference	3 years (female spouses younger)
i. Turnover	Selected and ultimate rates Ultimate rates are age related as shown Additional rates per thousand are added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40

Actuarial Assumptions -

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

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4. OTHER INFORMATION - Continued

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 (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2021 are summarized in the following table:

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

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4. OTHER INFORMATION - Continued

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

	SCHEDULE OF CHANGES IN NET PENSION LIABILITY		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Balances Beginning of Year	\$ 4,322,734	3,832,000	490,734
Changes for the Year:			
Service cost	121,688	-	121,688
Interest expense	314,669	-	314,669
Difference between expected and actual experience	(102,771)	-	(102,771)
Assumption changes	-	-	-
Contributions - City	-	176,190	(176,190)
Contributions - Members	-	72,265	(72,265)
Net investment income	-	1,056,960	(1,056,960)
Benefits payments, including refunds of employee contributions	(258,970)	(258,970)	-
Benefit changes due to plan amendments	337,562	-	337,562
Plan administrative expenses	-	(7,829)	7,829
Other changes	-	-	-
Net Changes	412,178	1,038,616	(626,438)
Balances End of Year	\$ 4,734,912	4,870,616	(135,704)

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4. OTHER INFORMATION - Continued

Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate - The following presents the net position liability (asset) of the City, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability(asset) would be if it were calculated using a discount rate that is one percentage point lower - (6.50%) or one percentage point higher - (8.50%) than the current rate:

	▼	(6.50%)	Rate (7.50%)	▼	(8.50%)	
Employer's total pension liability	\$	5,325,183	\$	4,734,912	\$	4,255,204
Employer's plan net fiduciary position		4,870,616		4,870,616		4,870,616
Employers' net pension liability	\$	454,567	\$	(135,704)	\$	(615,412)

The City reported \$121,139 in pension expense for the year ended June 30, 2022. As of June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	5,896	\$	244,105
Changes of assumptions		33,179		-
Net difference between projected and actual earnings on pension plan investments		82,961		616,188
City contributions subsequent to the measurement date		176,190		-
Total	\$	298,226	\$	860,293

Amortization of Pension Deferrals - \$176,190 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:					
	2023	\$	(203,808)		
	2024		(208,533)		
	2025		(169,608)		
	2026		(156,308)		
	2027		-		
		\$	(738,257)		

City of Stroud, Oklahoma
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4 - OTHER INFORMATION - Continued

OMRF City Manager Defined Contribution Plan (CMO) -

The City has also provided a defined contribution plan and trust known as the City of Stroud City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. This plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund. For the current year, the employer contribution was \$6,892.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Stroud, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2022

	Budget			Actual	Variance with Final Budget Over (Under)
	Original	Revisions	Final		
REVENUES					
Taxes	\$ 1,131,700	29,000	1,160,700	1,354,597	193,897
Intergovernmental	7,500	763,850	771,350	638,729	(132,621)
Licenses and permits	8,386	9,289	17,675	33,110	15,435
Charge for services	239,200	16,086	255,286	257,714	2,428
Fines and forfeitures	57,400	(2,400)	55,000	52,756	(2,244)
Interest	1,500	-	1,500	397	(1,103)
Miscellaneous	59,500	25,700	85,200	150,247	65,047
Total revenues	<u>1,505,186</u>	<u>841,525</u>	<u>2,346,711</u>	<u>2,487,550</u>	<u>140,839</u>
EXPENDITURES					
General government:					
Administration	533,310	88,250	621,560	627,365	(5,805)
Legal	18,245	(3,325)	14,920	14,907	13
Public safety:					
Police	911,371	172,000	1,083,371	1,081,798	1,573
Fire	133,799	47,100	180,899	180,838	61
Civil defense	850	(500)	350	65	285
Public works:					
Streets	153,529	71,700	225,229	224,218	1,011
Airport	14,953	470,000	484,953	484,802	151
Cemetery	17,725	(10,000)	7,725	7,079	646
Shop	36,283	-	36,283	35,453	830
Building and grounds	58,778	(3,000)	55,778	55,182	596
Culture and recreation:					
Library	88,498	200	88,698	87,733	965
Community center	8,500	4,850	13,350	13,308	42
Recreation and parks	244,064	51,400	295,464	295,397	67
Fitness center	5,100	16,350	21,450	20,880	570
Total expenditures	<u>2,225,005</u>	<u>905,025</u>	<u>3,130,030</u>	<u>3,129,025</u>	<u>1,005</u>
Excess (deficiency) of revenues over (under) expenditures	(719,819)	(63,500)	(783,319)	(641,475)	141,844
OTHER FINANCING SOURCES (USES)					
Transfers	750,000	-	750,000	449,500	(300,500)
Net change in fund balances	30,181	(63,500)	(33,319)	(191,975)	(158,656)
Fund balances - beginning	-	-	-	1,498,486	1,498,486
Fund balances - ending	<u>\$ 30,181</u>	<u>(63,500)</u>	<u>(33,319)</u>	<u>1,306,511</u>	<u>1,339,830</u>

City of Stroud, Oklahoma
Notes to Required Supplemental Information
On Budgetary Accounting and Control
For the Year Ended June 30, 2022

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the “Budget Act”). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. All transfers of appropriations between departments and supplemental appropriations require City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between funds also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Stroud Public Works Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal spending limit.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers most all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the next year’s budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

City of Stroud, Oklahoma
Notes to Required Supplemental Information
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

Budget Reconciliations - Items required to adjust actual revenues, expenditures, and fund balances reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2022, are as follows:

	<u>General Fund</u>
Fund balances - budgetary basis, June 30, 2022	\$ 1,469,720
Current year revenue accruals	222,163
Prior year revenue accruals	(197,587)
Current year expenditure accruals	<u>-</u>
Fund balances - fund financial statements, June 30, 2022	\$ <u>1,494,296</u>
Revenues - budgetary basis, June 30, 2022	\$ 2,650,759
Current year revenue accruals	222,163
Prior year revenue accruals	<u>(197,587)</u>
Revenues - fund financial statements, June 30, 2022	\$ <u>2,675,335</u>
Expenditures - budgetary basis, June 30, 2022	\$ 3,129,025
Current year expenditure accruals	-
Prior year expenditure accruals	<u>-</u>
Expenditures - fund financial statements, June 30, 2022	\$ <u>3,129,025</u>

City of Stroud, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021
1. Employer's proportion of the net pension liability (asset)	0.003900%	0.329400%	0.004903%	0.002865%	0.003314%	0.000030%	0.002937%	0.003034%
2. Employer's proportionate share of the net pension liability (asset)	\$ 39,621	\$ 34,963	\$ 59,899	\$ 36,031	\$ 37,306	\$ 32,217	\$ 36,185	\$ 19,983
3. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4. Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%	84.24%

* Complete data for this schedule is not available prior to 2014.

Data reported is measured as of July 1, 2021.

City of Stroud, Oklahoma
Schedule of Employer Contributions
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021
Statutorily required contribution	\$ 1,440	\$ 3,712	\$ 2,260	\$ 2,724	\$ 1,320	\$ 1,320	\$ 1,320	\$ 1,380
Contributions in relation to the statutorily required contribution	\$ (1,440)	\$ (3,712)	\$ (2,260)	\$ (2,724)	\$ (1,320)	\$ (1,320)	\$ (1,320)	\$ (1,380)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Complete data for this schedule is not available prior to 2014.

Data reported is measured as of July 1, 2021.

City of Stroud, Oklahoma
Schedule of Changes in Net Pension Liability and Related Ratios
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service cost	\$ 97,946	106,558	112,041	116,302	109,479	116,649	135,410	121,688
Interest	261,170	264,786	278,647	287,478	291,025	307,811	318,400	314,669
Changes of benefit terms	-	-	-	-	-	-	-	337,562
Differences between expected & actual experience	-	26,006	(34,935)	(63,314)	93,250	(112,438)	(241,072)	(102,771)
Changes of assumptions	-	-	-	93,701	-	97,397	-	-
Benefit payments, including refunds of member contributions	(218,579)	(210,289)	(227,020)	(257,142)	(269,391)	(270,519)	(265,861)	(258,970)
Net change in total pension liability	140,537	187,061	128,733	177,025	224,363	138,900	(53,123)	412,178
Total pension liability - beginning	3,379,238	3,519,775	3,706,836	3,835,569	4,012,594	4,236,957	4,375,857	4,322,734
Total pension liability - ending (a)	\$ 3,519,775	3,706,836	3,835,569	4,012,594	4,236,957	4,375,857	4,322,734	4,734,912
Plan fiduciary net position								
Contributions - employer	\$ 138,599	164,073	177,894	165,523	168,528	184,597	175,262	176,190
Contributions - member	56,699	61,527	66,710	62,071	63,776	69,224	65,724	72,265
Net investment income	401,496	79,871	26,467	365,850	243,891	240,697	153,104	1,056,960
Benefit payments, including refunds of member contributions	(218,579)	(210,289)	(227,020)	(257,142)	(269,391)	(270,519)	(265,861)	(258,970)
Administrative expense	(5,928)	(5,878)	(5,785)	(6,400)	(6,835)	(7,202)	(7,672)	(7,829)
Other	1	-	-	-	-	-	-	-
Net change in plan fiduciary net position	372,288	89,304	38,266	329,902	199,969	216,797	120,557	1,038,616
Plan fiduciary net position - beginning	2,464,918	2,837,205	2,926,509	2,964,775	3,294,677	3,494,646	3,711,443	3,832,000
Plan fiduciary net position - ending (b)	\$ 2,837,206	2,926,509	2,964,775	3,294,677	3,494,646	3,711,443	3,832,000	4,870,616
Net pension liability - ending (a) - (b)	\$ 682,569	780,327	870,794	717,917	742,311	664,414	490,734	(135,704)
Plan fiduciary net position as a percentage of the total pension liability	80.61%	78.95%	77.30%	82.11%	86.14%	74.53%	71.51%	89.86%
Covered employee payroll	\$ 1,235,689	1,375,285	1,390,450	1,331,141	1,401,347	1,519,736	1,373,414	1,508,203
Net pension liability as a percentage of covered - employee payroll	55.24%	56.74%	62.63%	53.93%	63.19%	74.53%	71.51%	50.30%

* Complete data for this schedule is not available prior to 2014.

Data reported is measured as of July 1, 2021.

**City of Stroud, Oklahoma
Schedule of Employer Contributions
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years***

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 138,599	164,073	177,894	165,523	168,311	184,597	175,262	176,190
Contributions in relation to the actuarially determined contribution	138,599	164,073	177,894	165,523	168,311	184,597	175,262	176,190
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
Covered employee payroll	\$ 1,235,689	1,375,285	1,390,450	1,331,141	1,401,347	1,519,736	1,373,414	1,508,203
Contributions as a percentage of covered-employee payroll	11.22%	11.93%	12.79%	12.43%	12.01%	12.15%	12.76%	11.68%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not available.
2. Latest Valuation Date: July 1, 2021
3. Actuarially determined contribution rate is calculated as of July 1, 2016 through July 1, 2022.

2016 - 13.33%
2017 - 13.23%
2018 - 13.36%
2019 - 13.36%
2020 - 12.94%
2022 - 11.82%

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 - 27 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%

SUPPLEMENTARY INFORMATION

City of Stroud, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds					Capital Project Fund	Nonmajor Governmental Funds
	Street & Alley	Airport Fund	Library Society Fund	Drug Fund	HRA Fund	Cemetery Care Funds	
<u>ASSETS</u>							
Cash and cash equivalents	\$ 154,022	38,148	5,254	636	1,213	45,903	245,176
Due from other governments	4,133	-	-	-	-	-	4,133
Due from other governments	-	-	-	-	-	27	27
TOTAL	<u>158,155</u>	<u>38,148</u>	<u>5,254</u>	<u>636</u>	<u>1,213</u>	<u>45,930</u>	<u>249,336</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	1,245	-	1,938	-	-	-	3,183
Deposits subject to refund	-	-	-	-	1,213	-	1,213
Due to other funds	-	2,282	-	-	-	-	2,282
Total Liabilities	<u>1,245</u>	<u>2,282</u>	<u>1,938</u>	<u>-</u>	<u>1,213</u>	<u>-</u>	<u>6,678</u>
Fund balances:							
Restricted	156,910	35,866	3,316	636		45,930	242,658
Assigned	-	-	-	-	-	-	-
Total Fund Balances	<u>156,910</u>	<u>35,866</u>	<u>3,316</u>	<u>636</u>	<u>-</u>	<u>45,930</u>	<u>242,658</u>
TOTAL	<u>\$ 158,155</u>	<u>38,148</u>	<u>5,254</u>	<u>636</u>	<u>1,213</u>	<u>45,930</u>	<u>249,336</u>

City of Stroud, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds					Capital Project Fund	Total Nonmajor Governmental Funds
	Street & Alley	Airport Fund	Library Society Fund	Drug Fund	HRA Fund	Cemetery Care Funds	
REVENUES							
Taxes	\$ 28,195	-	-	-	-	-	28,195
Intergovernmental	8,225	-	5,653	-	-	-	13,878
Charge for services	-	-	-	-	2,000	4,422	6,422
Miscellaneous	700	3,000	-	-	-	-	3,700
Interest	-	58	-	-	-	-	58
Total revenues	<u>37,120</u>	<u>3,058</u>	<u>5,653</u>	<u>-</u>	<u>2,000</u>	<u>4,422</u>	<u>52,253</u>
EXPENDITURES							
Maintenance & operations	15,615	-	6,003	-	2,000	26,326	49,944
Capital outlay	-	36,750	-	-	-	-	36,750
Total expenditures	<u>15,615</u>	<u>36,750</u>	<u>6,003</u>	<u>-</u>	<u>2,000</u>	<u>26,326</u>	<u>86,694</u>
Excess (deficiency) of revenues over expenditures	<u>21,505</u>	<u>(33,692)</u>	<u>(350)</u>	<u>-</u>	<u>-</u>	<u>(21,904)</u>	<u>(34,441)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	21,505	(33,692)	(350)	-	-	(21,904)	(34,441)
Fund balances-beginning	135,405	69,558	3,666	636	-	67,834	277,099
Fund balances-ending	<u>\$ 156,910</u>	<u>35,866</u>	<u>3,316</u>	<u>636</u>	<u>-</u>	<u>45,930</u>	<u>242,658</u>

City of Stroud, Oklahoma
Combining Statement of Net Position
Discretely Presented Component Units
June 30, 2022

	Stroud Industrial Authority	Stroud Hospital and Development Authority	Total Component Units
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,647,985	149,935	1,797,920
Investments	-	353,958	353,958
Loans receivable	18,787	-	18,787
Leases receivable	281,345	-	281,345
Internal balances	(12,976)	12,976	-
Noncurrent assets:			
Leases receivable	1,039,152	-	1,039,152
Land, improvements, and construction in progress	148,492	32,000	180,492
Other capital assets, net of depreciation	89,513	302,067	391,580
	<u>3,212,298</u>	<u>850,936</u>	<u>4,063,234</u>
Total assets			
LIABILITIES			
Current liabilities:			
Accounts payable	37,156	7,503	44,659
Accrued payroll liabilities	-	1,382	1,382
Deferred revenue	-	11,702	11,702
Deposits subject to refund	-	7,000	7,000
Current portion of long-term debt	86,819	-	86,819
Noncurrent liabilities:			
Long-term debt	594,125	-	594,125
	<u>718,100</u>	<u>27,587</u>	<u>745,687</u>
Total liabilities			
Deferred inflows of resources - Leases	<u>1,320,497</u>	<u>-</u>	<u>1,320,497</u>
NET POSITION			
Net investment in capital assets	639,553	334,067	973,620
Unrestricted	534,148	489,282	1,023,430
	<u>1,173,701</u>	<u>823,349</u>	<u>1,997,050</u>
Total net position	\$		

City of Stroud, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Units
June 30, 2022

	Stroud Industrial Authority	Stroud Hospital and Development Authority	Total Component Units
Operating revenues:			
Rental income	\$ 340,607	34,966	375,573
Rental income - Prairie Pointe	-	636,011	636,011
Other	29,875	21,263	51,138
Total operating revenues	<u>370,482</u>	<u>692,240</u>	<u>1,062,722</u>
Operating expenses:			
Office and administrative	27,588	-	27,588
Maintenance and operations	54,851	47,564	102,415
Assisted living center - Prairie Point	-	576,869	576,869
Depreciation and amortization	5,411	16,037	21,448
Total operating expenses	<u>87,850</u>	<u>640,470</u>	<u>728,320</u>
Operating income (loss)	282,632	51,770	334,402
Nonoperating revenues and expenses:			
Interest income	13,996	15	14,011
Gain on sale of assets	273,776	-	273,776
Loss on lease conversion	(139,650)	-	(139,650)
Miscellaneous revenues (expense)	250	12,772	13,022
Transfer - Stroud Utilities Authority	-	(281,392)	(281,392)
Interest expense and fiscal charges	(38,958)	-	(38,958)
Total nonoperating revenues (expenses)	<u>109,414</u>	<u>(268,605)</u>	<u>(159,191)</u>
Change in net position	392,046	(216,835)	175,211
Net position - beginning	<u>781,655</u>	<u>1,040,184</u>	<u>1,821,839</u>
Net position-ending	<u>\$ 1,173,701</u>	<u>823,349</u>	<u>1,997,050</u>

City of Stroud, Oklahoma
Stroud Utilities Authority
Debt Service Coverage Schedule
For the Year Ended June 30, 2022

Gross Revenue Available For Debt Service:

Pledged sales tax (1 cents)	\$	477,847
System-wide (electric, water and sewer) gross revenues		<u>5,581,744</u>
Total Gross Revenues Available		<u>6,059,591</u>
System-wide operating expense - Exclusive of capital improvements, debt service and depreciation		<u>5,069,450</u>
Net Revenues Available for Debt Service	\$	<u>990,141</u>
 Debt Service Requirements:		
OWRB Revenue Note - Series 2005		116,545
OWRB Revenue Note - Series 2011		41,080
OWRB Revenue Note - Series 2012		156,012
Utility and Sales Tax Revenue Note - Series 2014		<u>277,817</u>
Maximum annual debt service	\$	<u>591,454</u>
 Coverage		 <u><u>1.67</u></u>

City of Stroud, Oklahoma

Schedule of Expenditures of State Awards
For the Year Ended June 30, 2022

<u>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>GRANTOR NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>STATE EXPENDITURES</u>
<u>STATE PROGRAMS:</u>			
<u>State of Oklahoma</u>			
<i>Oklahoma Office of Attorney General:</i>			
Rural Fire Grant	FY 2022	\$ 4,763	4,763
<i>Oklahoma Aeronautics Commission:</i>			
Taxilane Grant	SUD-22-S		29,968
<i>Oklahoma Department of Libraries:</i>			
Oklahoma State Aid Grant	FY 2022	5,147	5,147
<i>Passed through the Central Oklahoma Economic Development District:</i>			
Rural Economic Action Plan Funds - REAP Grant	FY 2022	31,000	31,000
<i>Oklahoma Department of Environmental Quality:</i>			
On-Road Program Grant	N/A	66,198	<u>66,198</u>
Total State of Oklahoma			<u>137,076</u>
Total State Awards		\$	<u><u>137,076</u></u>

CITY OF STROUD, OKLAHOMA

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES**

JUNE 30, 2022

THE CITY OF STROUD, OKLAHOMA

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DILLON & ASSOCIATES, PC
Certified Public Accountants

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Midwest City, OK 73130
Phone: 405-732-1800

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 Members
City of Stroud, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Stroud, Oklahoma ("the City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 13, 2022.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*, CONTINUED

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Dillon & Associates, PC

Midwest City, Oklahoma
October 13, 2022



DILLON & ASSOCIATES, PC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Stroud, Oklahoma's ("the City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE, CONTINUED

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE, CONTINUED

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 13, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dillon & Associates, PC

Midwest City, Oklahoma
October 13, 2022

City of Stroud, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/ CLUSTER TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS - THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES	SUBRECIPIENT AMOUNTS
<u>U.S. Department of Justice</u>				
<i>Direct Assistance:</i>				
Bulletproof Vest Partnership Grant	16.607	2021 BVP	\$ 1,185	-
<i>Passed through the Oklahoma District Attorneys Council:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	JAG-LLE-2021-STROUD	10,000	-
Total U.S. Department of Justice			<u>11,185</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
<i>Direct Assistance:</i>				
<i>Federal Aviation Administration:</i>				
Airport Improvement Program	20.106	3-40-0091-010-2020	22,955	-
Airport Improvement Program	20.106	3-40-0091-012-2021	508,490	-
Total U.S. Department of Transportation			<u>531,445</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
<i>Passed through the Oklahoma Office of Management and Enterprise Services:</i>				
<i>Direct Assistance:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	72,576	-
Total U.S. Department of Treasury			<u>72,576</u>	<u>-</u>
<u>The Institute of Museum and Library Services</u>				
<i>Passed through the Oklahoma Department of Libraries:</i>				
Library Services and Technology Act - ARPA	45.310	N/A	4,653	-
Total the Institute of Museum and Library Services			<u>4,653</u>	<u>-</u>
<u>U.S. Federal Environmental Protection Agency:</u>				
<i>DWSRF Cluster:</i>				
<i>Passed through Oklahoma Department of Environmental Quality:</i>				
Capitalization Grant for Drinking Water State Resolving Fund	66.468	ORF-19-0018-DW	151,406	-
Total U.S. Federal Environmental Protection Agency			<u>151,406</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Oklahoma Office of Homeland Security:</i>				
RadioProject/IJ #5	97.073	81055.028	6,711	-
Total U.S. Department of Homeland Security			<u>6,711</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 777,976</u>	<u>-</u>

See Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF STROUD, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Stroud for the year ended June 30, 2022 and is presented in accordance with the basis for determining federal awards expended as defined by the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the presentation of the basis financial statements. Because the Schedule presents only a select portion of the operations of the City of Stroud, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Stroud.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The City of Stroud does not have an indirect cost rate and has elected not to use the 10% de minimis cost rate allowed under the Uniform Guidance during the year ended June 30, 2022.

See Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

**CITY OF STROUD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?

yes no

* Significant deficiency(ies) identified that are not considered to be material weakness(es)?

yes none reported

Noncompliance material to financial statements noted?

yes

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?

yes no

* Significant deficiency(ies) identified that are not considered to be material weakness(es)?

yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major programs:

Assistance
Listing
Number

Airport Improvement Program

20.106

COVID-19 Coronavirus State and Local Fiscal Recovery Funds

21.027

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

**CITY OF STROUD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II - Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None

Section III - Findings Required to be Reported in Accordance with Uniform Guidance:

None

Summary Schedule of Prior Audit Findings:

Not applicable as there are no prior year findings.

Corrective Action Plan:

Not applicable as there are no current year findings.