

City of



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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

THE CITY OF STILWELL, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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ANNUAL FINANCIAL REPORT
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MICHAEL W. GREEN
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Stilwell, Oklahoma

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stilwell, Oklahoma (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, I:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension exhibits, as listed in the table of contents, with related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 26, 2024, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", written in a cursive style.

Michael W. Green, CPA
Stilwell, Oklahoma

February 26, 2024

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CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

The management of the City of Stilwell is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2023. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

About the City

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

- Legislative – the City Council is a five-member governing body elected by the citizens by Ward
- Executive – the City Mayor is the Chief Executive Officer and is elected for a four year term
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, and community development.

The City's Financial Reporting Entity

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

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

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

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$1,122,831 with the assets and deferred outflows of the City exceeding its liabilities and deferred inflows by \$13,902,846 (net position) as of June 30th, 2023. Of this amount, \$1,762,183 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position).
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$4,020,060. Of this amount, \$2,050,196 is available for spending at the government's discretion of the General Fund (unassigned fund balance).
- As of the end of fiscal year 2023, the unassigned fund balance of the General Fund was 41% of General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

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

Fund Financial Statements

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

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on the inflow and outflow of resources and the balances available at year-end for future spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which reports all cash and all other financial assets that can readily be converted to cash. For example, these funds present the acquisition of capital assets and payments for debt principal as expenditures, not as changes to asset and debt balances. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine (through a review of changes to fund balance) whether there are more or less financial resources available in the near future to finance the City's programs. The difference of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Notes to the Financial Statements

The notes provide additional information that is essential to gaining and understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found on pages 25-44 of this report.

Other Information

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

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

THE CITY AS A WHOLE

For the year ended June 30, 2023, net position for the governmental activities increased \$1,122,831. The following is a summary of the change in net position for the City of Stilwell.

NET POSITION (In Thousands)			
	Governmental Activities		% Inc. (Dec.)
	<u>2023</u>	<u>2022</u>	
Current assets	\$ 4,964	\$ 4,133	20%
Capital assets, net	11,698	9,711	20%
Other non-current assets	-	522	100%
Total assets	<u>16,662</u>	<u>14,366</u>	16%
Deferred outflows	<u>899</u>	<u>478</u>	87%
Current liabilities	2,197	542	305%
Non-current liabilities	1,187	639	86%
Total liabilities	<u>3,384</u>	<u>1,181</u>	186%
Deferred inflows	<u>274</u>	<u>884</u>	-69%
Net position			
Net investment in capital assets	10,212	9,413	8%
Restricted	1,928	1,057	82%
Unrestricted	1,762	2,310	-24%
Total net position	<u>\$ 13,902</u>	<u>\$ 12,780</u>	9%

Other non-current assets decreased 100% due to the City recording a net pension asset in the prior year of \$522,055 but recording a net pension liability of \$547,060 in the current year. This was also the primary cause of the 86% increase in non-current liabilities. Current liabilities increased 305% primarily because of the receipt of debt proceeds of about \$1.2 million from an interim construction loan for the construction of City Hall.

Deferred inflows of resources decreased 69% due to a decrease in deferred inflows relating to Oklahoma Municipal Retirement Fund (OMRF) pension activity.

The largest portion of the City's net position reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. At year end, the net investment in capital assets, amounted to \$10,212,481. A portion of the City's net position, \$1,928,182, represents resources that are subject to external restrictions on how they may be used. The 82% change in the City's restricted net position was primarily due to an increase in current assets relating to donation funds received from the Cherokee Nation in the amount of \$620,000 for the construction of a golf course that were not spent at year end.

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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

CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)
	<u>2023</u>	<u>2022</u>	
Revenues			
Charges for services	\$ 571	\$ 548	4%
Operating grants and contributions	126	77	64%
Capital grants and contributions	1,029	530	94%
Taxes	4,063	4,025	1%
Intergovernmental revenue	432	136	218%
Investment income	12	3	300%
Miscellaneous	100	268	-63%
Payment from Development Authority	429	390	10%
Total revenues	<u>6,762</u>	<u>5,977</u>	13%
Expenses			
General government	854	733	17%
Public safety	2,410	1,823	32%
Streets	1,091	979	11%
Sanitation	482	408	18%
Culture, parks and recreation	525	471	11%
Economic development	207	360	100%
Interest on long-term debt	71	15	373%
Total expenses	<u>5,640</u>	<u>4,789</u>	18%
Change in net position	1,122	1,188	6%
Beginning net position	12,780	11,592	10%
Ending net position	<u>\$ 13,902</u>	<u>\$ 12,780</u>	9%

Governmental Activities

The City's capital grants and contributions and intergovernmental revenue increased 94% and 218% respectively, from the receipt of a \$620,000 donation from the Cherokee Nation mentioned previously, and from the recognition of \$299,580 of American Rescue Plan Act (ARPA) revenue. This resulted in the governmental activities' increase in net position of \$1,122,831, representing a 5% improvement over the previous year's increase in net position.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
General government	\$ 854	\$ 733	17%	(\$814)	(\$532)	53%
Public safety	2,410	1,823	32%	(2,041)	(1,647)	24%
Streets	1,091	979	11%	(967)	(905)	7%
Sanitation	482	408	18%	(123)	(51)	141%
Culture, parks and recreation	525	471	11%	310	(282)	-210%
Economic development	207	360	-43%	(207)	(201)	3%
Interest on long-term debt	71	15	373%	(71)	(15)	373%
Total	<u>\$ 5,640</u>	<u>\$ 4,789</u>	18%	<u>(\$3,913)</u>	<u>(\$3,633)</u>	8%

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of \$4,020,060 or a 12.2% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2023, the General Fund's total fund balance decreased by \$450,069, or 17.6%.

General Fund Budgetary Highlights

For the year ended June 30, 2023, the General Fund reported actual budgetary basis revenues over final estimates by \$417,189 or a 9.2% positive variance. General Fund actual expenditures were under final appropriations by \$1,077,724 or a 16.7% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had approximately \$11.7 million invested in capital assets including land, buildings, machinery and equipment, and park facilities. This represents a net increase of about \$2.0 million from last year.

Below are details regarding the change in the City's capital assets for the year ended June 30, 2023.¹

	Capital Assets	
	(In Thousands)	
	(Net of accumulated depreciation)	
	Governmental	
	Activities	
	<u>2023</u>	<u>2022</u>
Land	\$ 1,037	\$ 962
Buildings and Improvements	7,431	7,496
Machinery and Equipment	1,100	1,043
Construction in progress	2,130	210
Totals	<u>\$ 11,698</u>	<u>\$ 9,711</u>

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

- | | |
|---|-------------|
| • Construction in progress for New City Hall | \$1,785,969 |
| • Carson Park Basketball & Pickleball Courts | 228,735 |
| • Block 4 of Industrial Park Addition Land | 75,575 |
| • 1997 International Pierce EA753 Pumper Fire Truck | 55,000 |

¹ For more detailed information on capital asset activity please refer to page 30, Note 5. Capital Assets and Depreciation

CITY OF STILWELL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

Debt Administration

At year-end, the City had \$2,509,399 in long-term debt outstanding during FY 23.²

	Long-Term Debt (In Thousands)		
	Governmental Activities		Total Percentage Change
	<u>2023</u>	<u>2022</u>	
Accrued absences	\$ 477	\$ 406	17.5%
Net pension liability	547	-	100.0%
Notes payable	1,485	298	398.3%
	<hr/>	<hr/>	
Totals	\$ 2,509	\$ 704	

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- Each year, a new Schedule of Fees is established to more accurately reflect the costs involved with permits and licensing.
- A new City Hall will be completed by January 1, 2024, with a \$2.5 million 40-year loan from USDA.
- The City continues to receive grant money from various sources, including a "Safe Routes to School" grant for \$200,000 that was finalized in January of 2023, and a CDBG Grant in the amount of \$300,000, that have not been fully received as of fiscal year end.
- The City has received all the ARPA funds due and either has or will be spending them by the end of the 2024 fiscal year.
- A multi-year drainage project on Chestnut Street will be completed before January 1, 2024.
- A street repair and drainage project on Maple Street has been approved for a \$75,000 REAP grant which will begin in late spring of 2024.

Contacting City Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives and expends. If you have questions about this report or need additional financial information, contact the City Clerk's office at 503 West Division, Stilwell, Oklahoma 74960 or telephone at 918-696-8111.

² For more detailed information on long-term debt activity please refer to page 31, Note 6. Long-Term Debt.

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Net Position– June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>SADA</u> <u>Component Unit</u>
ASSETS		
Cash and cash equivalents	\$ 4,001,217	\$ 3,091,113
Investments	127,728	1,551,736
Accounts receivable, net of allowance	147,798	1,026,685
Due from other governmental agencies	629,621	517,750
Due (to) from component unit / primary government	30,891	(30,891)
Inventories	-	806,334
Prepaid Assets	26,427	38,633
Restricted investments	-	48,264
Capital Assets:		
Land and construction in progress	3,167,563	1,278,803
Other capital assets, net of accumulated depreciation	8,530,413	17,512,910
Total Assets	<u>16,661,658</u>	<u>25,841,337</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	<u>898,686</u>	<u>549,154</u>
LIABILITIES		
Accounts payable and accrued expenses	456,257	943,406
Unearned revenue	412,882	-
Accrued interest payable	5,247	-
Long-term liabilities:		
Due within one year	1,322,680	28,818
Due in more than one year	1,186,719	2,143,405
Total liabilities	<u>3,383,785</u>	<u>3,115,629</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pensions	<u>273,713</u>	<u>157,230</u>
NET POSITION		
Net investment in capital assets	10,212,481	17,364,158
Restricted for:		
Streets	265,996	-
Cemetery	63,569	-
Capital improvements	1,344,099	-
Library	713	-
Grants	185,161	-
Police	24,655	-
Fire	31,006	-
Parks	3,459	-
Debt service	9,524	48,264
Unrestricted	1,762,183	5,705,210
Total net position	<u>\$ 13,902,846</u>	<u>\$ 23,117,632</u>

See accompanying notes to the basic financial statements.

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Activities – Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	SADA Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government					Governmental Activities	
Governmental Activities						
General Government	\$ 854,062	\$ 39,554	\$ 50	\$ -	\$ (814,458)	\$ -
Public Safety	2,410,295	158,498	93,209	117,250	(2,041,338)	-
Highways and streets	1,091,218	-	33,143	91,497	(966,578)	-
Sanitation	482,161	358,968	-	-	(123,193)	-
Culture and Recreation	524,661	14,600	-	820,368	310,307	-
Economic Development	207,163	-	-	-	(207,163)	-
Interest on Long-term debt	70,880	-	-	-	(70,880)	-
Total governmental activities	5,640,440	571,620	126,402	1,029,115	(3,913,303)	-
Total primary government	5,640,440	571,620	126,402	1,029,115	(3,913,303)	
Component unit:						
Stilwell Area Development Authority	11,994,821	11,935,627	-	922,606		863,412
Total component unit	11,994,821	11,935,627	-	922,606		863,412
General revenues:						
Taxes:						
Sales taxes					\$ 3,452,319	\$ -
Use taxes					576,818	-
Franchise taxes and public service taxes					34,347	-
Intergovernmental revenue not restricted to specific programs					431,990	-
Unrestricted investment earnings					11,609	40,245
Miscellaneous					100,055	358,820
Payment from Development Authority					428,996	-
Total general revenues					5,036,134	399,065
Change in net position					1,122,831	1,262,477
Net position - beginning					12,780,015	21,855,155
Net position - ending					\$ 13,902,846	\$ 23,117,632

See accompanying notes to the basic financial statements.

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF STILWELL, OKLAHOMA
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Governmental Funds Balance Sheet – June 30, 2023

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Stilwell Improvement Authority</u>	<u>Capital Improvement Fund</u>	<u>Special Projects - Golf Course Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,776,016	\$ 412,882	\$ 287,558	\$ 392,129	\$ 772,804	\$ 359,828	\$ 4,001,217
Investments	3,623	-	-	-	-	124,105	127,728
Due from other governments	559,221	-	-	-	-	70,400	629,621
Due from other funds	-	-	-	228,582	-	-	228,582
Due from component unit	38,775	-	-	-	-	-	38,775
Franchise tax receivable	871	-	-	-	-	-	871
Hotel/motel tax receivable	1,487	-	-	-	-	-	1,487
Court fines receivable, net	102,266	-	-	-	-	-	102,266
Utilities receivable, net	43,084	-	-	-	-	-	43,084
Other receivables	90	-	-	-	-	-	90
Prepaid expenses	26,427	-	-	-	-	-	26,427
Total assets	<u>2,551,860</u>	<u>412,882</u>	<u>287,558</u>	<u>620,711</u>	<u>772,804</u>	<u>554,333</u>	<u>5,200,148</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	106,543	-	263,942	41,327	-	3,041	414,853
Accrued payroll payable	41,404	-	-	-	-	-	41,404
Unearned revenue	-	412,882	-	-	-	-	412,882
Due to other funds	228,582	-	-	-	-	-	228,582
Due to component unit	7,884	-	-	-	-	-	7,884
Total liabilities	<u>384,413</u>	<u>412,882</u>	<u>263,942</u>	<u>41,327</u>	<u>-</u>	<u>3,041</u>	<u>1,105,605</u>
Deferred Inflows of Resources:							
Unavailable revenue	58,131	-	-	-	-	16,352	74,483
Fund balances:							
Reserved for:							
Restricted	59,120	-	21,263	559,556	772,804	515,439	1,928,182
Assigned	-	-	2,353	19,828	-	19,501	41,682
Unassigned	2,050,196	-	-	-	-	-	2,050,196
Total fund balances	<u>2,109,316</u>	<u>-</u>	<u>23,616</u>	<u>579,384</u>	<u>772,804</u>	<u>534,940</u>	<u>4,020,060</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,551,860</u>	<u>\$ 412,882</u>	<u>\$ 287,558</u>	<u>\$ 620,711</u>	<u>\$ 772,804</u>	<u>\$ 554,333</u>	<u>\$ 5,200,148</u>

See accompanying notes to the basic financial statements.

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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$ 4,020,060
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	11,697,976
Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:	
Court fines receivable	58,131
Grants receivable	16,352
Deferred outflows are not available to pay current fund liabilities and therefore are not reported in the funds:	
Pension related deferred outflows	898,686
Some liabilities are not due and payable in the current period and they, along with deferred inflows, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Accrued compensated absences	(476,844)
Notes payable	(1,485,495)
Accrued Interest Payable	(5,247)
Pension related deferred inflows	(273,713)
Net pension liability	(547,060)
Net Position of Governmental Activities in the Statement of Net Position	<u><u>13,902,846</u></u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance – Year Ended June 30, 2023

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Stilwell Improvement Authority</u>	<u>Capital Improvement Fund</u>	<u>Special Projects - Golf Course</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 4,063,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,063,484
Intergovernmental	154,962	299,580	-	-	-	155,784	610,326
Licenses and permits	33,513	-	-	-	-	-	33,513
Charges for services	375,068	-	-	-	-	6,040	381,108
Fines and forfeitures	142,360	-	-	-	-	-	142,360
Investment income	6,574	-	480	986	1,554	2,015	11,609
Miscellaneous	220,442	-	-	63,000	621,250	1,301	905,993
Total revenues	<u>4,996,403</u>	<u>299,580</u>	<u>480</u>	<u>63,986</u>	<u>622,804</u>	<u>165,140</u>	<u>6,148,393</u>
EXPENDITURES							
Current:							
General Government:							
General government	472,943	75	1	-	-	-	473,019
Clerk/treasurer	241,031	-	-	-	-	-	241,031
Community building	81,560	-	-	-	-	-	81,560
Media	5,352	-	-	-	-	-	5,352
Public Safety and Judiciary:							
Fire	275,364	-	-	-	-	-	275,364
Civil defense	9,623	-	-	-	-	-	9,623
Police	1,482,239	-	-	-	-	-	1,482,239
Code enforcement	266,714	-	-	-	-	-	266,714
Municipal court	68,671	-	-	-	-	-	68,671
Ambulance	50,533	-	-	-	-	-	50,533
Streets	784,999	-	-	-	-	-	784,999
Sanitation	419,769	-	-	-	-	-	419,769
Cultural, Parks, and Recreation:							
Parks and recreation	313,342	-	-	-	-	-	313,342
Library	8,840	-	-	-	-	-	8,840
Cemetery	48,325	-	-	-	-	-	48,325
Economic Development	110,074	-	-	-	-	-	110,074
Capital Outlay	112,452	299,505	1,768,641	453,174	-	140,589	2,774,361
Debt Service:							
Principal	-	-	42,750	-	-	-	42,750
Interest and other charges	-	-	65,633	-	-	-	65,633
Total Expenditures	<u>4,751,831</u>	<u>299,580</u>	<u>1,877,025</u>	<u>453,174</u>	<u>-</u>	<u>140,589</u>	<u>7,522,199</u>
Excess (deficiency) of revenues over expenditures	<u>244,572</u>	<u>-</u>	<u>(1,876,545)</u>	<u>(389,188)</u>	<u>622,804</u>	<u>24,551</u>	<u>(1,373,806)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt	-	-	1,230,635	-	-	-	1,230,635
Payment from Development Authority	428,996	-	-	-	150,000	-	578,996
Transfers in	-	-	620,948	493,189	-	9,500	1,123,637
Transfers out	(1,123,637)	-	-	-	-	-	(1,123,637)
Total other financing sources and uses	<u>(694,641)</u>	<u>-</u>	<u>1,851,583</u>	<u>493,189</u>	<u>150,000</u>	<u>9,500</u>	<u>1,809,631</u>
Net change in fund balances	(450,069)	-	(24,962)	104,001	772,804	34,051	435,825
Fund balances - beginning	2,559,385	-	48,578	475,383	-	500,889	3,584,235
Fund balances - ending	<u>\$ 2,109,316</u>	<u>\$ -</u>	<u>\$ 23,616</u>	<u>\$ 579,384</u>	<u>\$ 772,804</u>	<u>\$ 534,940</u>	<u>\$ 4,020,060</u>

See accompanying notes to the basic financial statements.

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Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$ 435,825
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Capital asset purchases capitalized	2,610,824
Capital assets contributed	50,000
Depreciation expense	(673,757)
In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.	
	(19,519)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue	(16,506)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Proceeds of long-term debt	(1,230,635)
Principal payments on long-term debt	42,750
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Change in accrued interest payable	(5,247)
Change in accrued compensated absences	(70,904)
Change in net position of governmental activities	<u>\$ 1,122,831</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements

1. Financial Reporting Entity

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

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

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

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

- General government:
 - License and permits, moving and hauling revenue, cemetery donations and operating grants and contributions
- Public safety:
 - Fine revenue, operating and capital grants and contributions

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- Cultural, parks and recreation:
 - Cemetery fees and donations.
- Street:
 - Gas excise and commercial vehicle taxes, capital grants and contributions
- Sanitation:
 - Charges for trash service
- Economic Development:
 - No program revenues in current year

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

Use of Estimates

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

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Stilwell Improvement Authority – a debt service fund that accounts for financing and capital for the city
- Capital Improvement Fund – A capital project fund that accounts for revenues received from voter-restricted sales tax and other sources and expenditure for capital improvements.
- ARPA Fund – A special revenue fund that accounts for revenues received from the American Rescue Plan Act (ARPA) and related expenditures.
- Special Projects – Golf Course Fund – A capital project fund that accounts for revenues received and expenses for construction of a golf course.

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

Special Revenue Funds:

- Library Fund – Accounts for revenues received and restricted for the library
- Street and Alley Fund - Accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.

Capital Project Funds:

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

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded

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when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

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

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

3. Cash, Cash Equivalents, Deposits and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

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

For the year ended June 30, 2023, the City recognized \$11,609 of investment income. Most of the City's deposits are in demand and short-term time deposits.

At June 30, 2023, the primary government held the following deposits and investments:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	4,001,217
Time deposit	<u>127,728</u>
Total deposits and investments	<u><u>\$ 4,128,945</u></u>
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 4,001,217
Investments	<u>127,728</u>
	<u><u>\$ 4,128,945</u></u>

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Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the Security for Local Public Deposits Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. As of June 30, 2023, none of the City's deposits were exposed to custody credit risk. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name. As of June 30, 2023, none of the City's investments were subject to custody credit risk.

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

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts. As of June 30, 2023, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

4. Accounts Receivable

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

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	\$ 871	\$ -	\$ 871
Court fines	409,065	(306,799)	102,266
Garbage utilities	43,623	(539)	43,084
Hotel/motel tax	1,487	-	1,487
Other	90	-	90
Total Governmental Activities	<u>\$ 455,136</u>	<u>\$ (307,338)</u>	<u>\$ 147,798</u>

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5. Capital Assets and Depreciation

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

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

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

For the year ended June 30, 2023, capital assets balances changed as follows:

	Balance at July 01, 2022	Additions	Disposals	Balance at June 30, 2023
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 961,814	\$ 75,575	\$ -	\$ 1,037,389
Construction in progress	209,641	1,952,118	31,585	2,130,174
Total capital assets not being depreciated	1,171,455	2,027,693	31,585	3,167,563
Other capital assets:				
Buildings	23,827,748	319,971	-	24,147,719
Machinery, furniture and equipment	4,065,293	344,745	-	4,410,038
Total other capital assets at historical cost	27,893,041	664,716	-	28,557,757
Less accumulated depreciation for:				
Buildings	16,331,104	385,982	-	16,717,086
Machinery, furniture and equipment	3,022,483	287,775	-	3,310,258
Total accumulated depreciation	19,353,587	673,757	-	20,027,344
Other capital assets, net	8,539,454	(9,041)	-	8,530,413
Governmental activities capital assets, net	\$ 9,710,909	\$ 2,018,652	\$ 31,585	\$ 11,697,976

Component Unit:

	Balance at July 01, 2022	Additions	Disposals	Balance at June 30, 2023
<i>Stilwell Area Development Authority:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 1,767,627	\$ 1,259,465	\$ 1,748,289	\$ 1,278,803
Total capital assets not being depreciated	1,767,627	1,259,465	1,748,289	1,278,803
Other capital assets:				
Machinery, furniture and equipment	33,281,898	2,026,195	123,107	35,184,986
Total other capital assets at historical cost	33,281,898	2,026,195	123,107	35,184,986
Less accumulated depreciation for:				
Machinery, furniture and equipment	16,888,261	880,045	96,230	17,672,076
Total accumulated depreciation	16,888,261	880,045	96,230	17,672,076
Other capital assets, net	16,393,637	1,146,150	26,877	17,512,910
Governmental activities capital assets, net	\$ 18,161,264	\$ 2,405,615	\$ 1,775,166	\$ 18,791,713

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Depreciation:

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

Governmental Activities:	
General government	\$ 21,860
Public safety	148,195
Highways and streets	240,217
Culture, tourism, and recreation	113,040
Economic Development	91,709
Sanitation	58,736
	<u>\$ 673,757</u>

6. Long-Term Debt

For the year ended June 30, 2023, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable - direct borrowings	\$ 297,611	\$ 1,230,635	\$ 42,751	1,485,495	\$ 1,274,996
Accrued compensated absences	405,940	70,904	-	476,844	47,684
Total Governmental Activities	<u>\$ 703,551</u>	<u>\$ 1,301,539</u>	<u>\$ 42,751</u>	<u>\$ 1,962,339</u>	<u>\$ 1,322,680</u>
Net pension liability				547,060	
				<u>\$ 2,509,399</u>	
Reconciliation to Statement of Net Position:					
Governmental Activities:					
Due within one year				\$ 1,322,680	
Due in more than one year				1,186,719	
Total Governmental Activities Long-term liabilities				<u>\$ 2,509,399</u>	

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

Accrued Compensated Absences

Current portion	47,684
Noncurrent portion	429,160
Total Accrued Compensated Absences	<u>\$ 476,844</u>

Net Pension Liability

Current portion	\$ -
Noncurrent portion	547,060
Total Net Pension Liability	<u>\$ 547,060</u>

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Notes Payable (Direct Borrowings)

Note Payable to Bank of Commerce dated April 30, 2012, original amount \$250,000 with annual interest rate of 4.25%, due in monthly installments of principal and interest of \$1,394 beginning October 30, 2012, final installment due May 1, 2038, secured with a property lien from Stilwell Improvement Authority resources. In the event of default, the lender may: 1) accelerate maturity; 2) increase interest rate 3% from date of default until date of payment; 3) assess a late payment charge of \$22.50 or 5% of the regular payment amount if payment is more than 10 days late; 4) exercise any and all rights and remedies possessed by lender. \$ 199,803

Note Payable to Bank of Commerce dated December 19, 2019, original amount \$119,875 with annual interest rate of 3.39%, due in monthly installments of principal and interest of \$2,177 beginning January 30, 2020, final installment due December 30, 2024, secured with a property lien from Stilwell Improvement Authority resources. In the event of default, the lender may: 1) exercise any and all rights and remedies possessed by lender; 2) repossess the collateral; 3) sell or dispose of the collateral. 37,157

Note Payable to Bank of Commerce dated October 31, 2019, original amount \$63,250 with annual interest rate of 3.39%, due in monthly installments of principal and interest of \$1,148 beginning November 30, 2019, final installment due October 30, 2024, secured with a property lien from Stilwell Improvement Authority resources. In the event of default, the lender may: 1) exercise any and all rights and remedies possessed by lender; 2) repossess the collateral; 3) sell or dispose of the collateral. 17,913

Note Payable to Carson Community Bank dated November 8, 2022 for an original amount of \$2,500,000, an annual interest rate of 7.00%, due in monthly installments of interest of \$14,583 beginning December 8, 2022 and a lump sum of principal at maturity of \$2,500,000 on November 8, 2023. Current drawdowns to date total \$1,230,635 and this note is secured with a property lien from the Stilwell Improvement Authority resources. In the event of default, the lender may: 1) exercise any and all rights and remedies possessed by lender; 2) increase the interest rate by 3% from the date of default until the date of payment 3) repossess, sell or dispose of the collateral. \$ 1,230,622

Total Notes Payable	<u>\$ 1,485,495</u>
Current portion	\$ 1,274,996
Noncurrent portion	210,499
Total Notes Payable	<u>\$ 1,485,495</u>

Component Unit:

Customer Deposits

Noncurrent portion	324,554
Total Customer Deposits	<u>\$ 324,554</u>

Accrued Compensated Absences

Noncurrent portion	100,182
Total Accrued Compensated Absences	<u>\$ 100,182</u>

Net Pension Liability

Noncurrent portion	319,932
Total Net Pension Liability	<u>\$ 319,932</u>

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Notes Payable-Component Unit-Direct Borrowings

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

1,427,555

Total Notes Payable	<u>\$ 1,427,555</u>
Current portion	28,818
Noncurrent portion	1,398,737
Total Notes Payable	<u>\$ 1,427,555</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Type Activities</u>	
	<u>Notes Payable (Direct Borrowing)</u>	
	<u>Principal</u>	<u>Interest</u>
2024	1,274,996	50,811
2025	22,494	12,572
2026	6,451	12,030
2027	6,882	11,599
2028	7,343	11,138
2029-2033	44,787	47,618
2034-2038	61,933	30,472
2039-2042	60,609	7,738
Totals	<u>\$ 1,485,495</u>	<u>\$ 183,978</u>

<u>Year Ending June 30,</u>	<u>Component Unit</u>	
	<u>Notes Payable-Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2024	28,818	19,446
2025	29,217	19,047
2026	29,621	18,643
2027	30,031	18,233
2028	30,447	17,817
2029-2033	158,670	82,650
2034-2038	169,955	71,365
2039-2043	182,043	59,277
2044-2048	194,992	46,328
2049-2053	208,861	32,459
2054-2058	223,716	17,604
2059-2062	141,184	5,278
Totals	<u>\$ 1,427,555</u>	<u>\$ 408,148</u>

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7. Fund Balances and Net Position

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance, while the Stilwell Improvement Authority’s highest level of decision-making authority is by resolution.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

	General Fund	Stilwell Improvement Authority	Special Projects - Golf Course Fund	Capital Improvement Fund	Other Governmental Funds	Total
Fund Balance:						
Restricted For:						
Capital Improvements	\$ -	\$ 21,263	\$ 772,804	\$ 559,556	\$ -	\$ 1,353,623
Library	-	-	-	-	713	713
Street Improvements	-	-	-	-	265,996	265,996
Grant Programs	-	-	-	-	185,161	185,161
Cemetery Capital	-	-	-	-	63,569	63,569
Police	24,655	-	-	-	-	24,655
Fire	31,006	-	-	-	-	31,006
Parks	3,459	-	-	-	-	3,459
Sub-total Restricted	<u>59,120</u>	<u>21,263</u>	<u>772,804</u>	<u>559,556</u>	<u>515,439</u>	<u>1,928,182</u>
Assigned to:						
Capital Improvements	-	2,353	-	19,828	-	22,181
Library	-	-	-	-	857	857
Street Improvements	-	-	-	-	18,644	18,644
Sub-total Assigned	<u>-</u>	<u>2,353</u>	<u>-</u>	<u>19,828</u>	<u>19,501</u>	<u>41,682</u>
Unassigned	<u>2,050,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,050,196</u>
TOTAL FUND BALANCE	<u>\$ 2,109,316</u>	<u>\$ 23,616</u>	<u>\$ 772,804</u>	<u>\$ 579,384</u>	<u>\$ 534,940</u>	<u>\$ 4,020,060</u>

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Net Position:

Net position is displayed in three components:

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

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

8. Sales Tax Revenue

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

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

9. Internal and Interfund Balances and Transfers

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

Balances:

Interfund receivables and payables at year ended June 30, 2023, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Capital Improvement Fund	\$ 228,582	Sales tax
Total		<u>\$ 228,582</u>	

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2023, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Capital Improvement Fund	\$ 493,189	Portion of sales tax collections
General Fund	Library Fund	9,500	Library capital projects
Capital Improvement Fund	Stilwell Improvement Authority	606,615	Debt payment
Capital Improvement Fund	Stilwell Improvement Authority	9,500	Operating subsidy
Capital Improvement Fund	Stilwell Improvement Authority	4,833	Operating subsidy
Total		<u>\$ 1,123,637</u>	

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

11. Commitments and Contingencies

Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Stilwell participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

12. Pension Plan Participation

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

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

Firefighter Pension System:

Oklahoma Firefighters’ Pension and Retirement System:

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

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

Normal Retirement:

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

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

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

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$1,320 for volunteers only. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$0 during the fiscal year. However, in the government-wide Statement of Activities, revenue is recognized for the State's on-behalf contributions on an accrual basis of \$2,388. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a net pension liability of \$30,478 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2022. Based upon this information, the City's proportion was 0.002331%.

For the year ended June 30, 2023, the City recognized pension expense (benefit) of (\$28,525). At June 30, 2023, 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	\$ 3,913	\$ 154
Changes of assumptions	-	194
Net difference between projected and actual earnings on pension plan investments	3,542	-
Changes in proportion and differences between City contributions and proportionate share of contributions	3,741	19,743
City contributions during measurement date	9	13
City contributions subsequent to the measurement date	1,320	-
Total	<u>\$ 12,525</u>	<u>\$ 20,104</u>

\$1,320 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, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2024	\$ (11,809)
2025	586
2026	(266)
2027	2,590
Total	<u>\$ (8,899)</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	3.62%
Domestic equity	47%	5.66%
International equity	15%	8.34%
Real estate	10%	7.64%
Other assets	8%	5.08%

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's

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net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.50%	1% Increase 8.5%
Employers' net pension liability	\$ 39,274	\$ 30,478	\$ 23,121

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

Schedule of Retirement Plan Contributions – OkMRF

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

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

Eligibility Factors and Benefit Provisions

As of 07/01/2022

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

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

Employees Covered by Benefit Terms

Active Employees	75
Deferred Vested Former Employees	7
Retirees or Retiree Beneficiaries	<u>46</u>
Total	<u>128</u>

Contribution Requirements-The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 6.44% of covered payroll as of 07/1/2022. Contributions made for fiscal year ended June 30, 2023 were \$136,116 and \$84,300 for the City and SADA, respectively, which is the actuarially determined amount based on covered payroll of \$1,651,267 and \$1,309,010 for the City and SADA, respectively. Employees' contribution is 4.5% of covered payroll as of 7/1/2022.

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Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2022
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.50% and 4.5% based on age
d. Post Retirement Cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1 st based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%.
e. Inflation Rate	2.75%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are Added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

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

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

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

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pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2022 are summarized in the following table:

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

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2022 which is also the measurement date. The following table reports the components of changes in net pension liability:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances Beginning of Year	\$ 10,656,835	\$ 11,506,346	\$ (849,511)
Changes for the Year:			
Service cost	267,743	-	267,743
Interest expense	773,811	-	773,811
Experience losses (gains)	(97,404)	-	(97,404)
Changes of assumptions	(369,172)	-	(369,172)
Contributions--City	-	167,470	(167,470)
Contributions--members	-	132,226	(132,226)
Net investment income	-	(1,391,243)	1,391,243
Benefits paid	(691,215)	(691,215)	-
Plan administrative expenses	-	(19,500)	19,500
Net Changes	(116,237)	(1,802,262)	1,686,025
Balances End of Year	\$ 10,540,598	\$ 9,704,084	\$ 836,514

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

	1 % Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability (asset)	\$ 1,372,372	\$ 516,582	\$ (181,554)
SADA's net pension liability (asset)	849,945	319,932	(112,441)
Net Pension Liability (Asset)	<u>\$ 2,222,317</u>	<u>\$ 836,514</u>	<u>\$ (293,995)</u>

For the year ended June 30, 2023, pension expense of \$188,724 for the City and \$116,882 for SADA was recognized. At June 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	City	SADA	Total	City	SADA	Total
Differences between expected and actual experience	\$ 217,457	\$ 134,678	\$ 352,135	\$ 69,287	\$ 42,912	\$ 112,199
Changes of assumptions	27,547	17,060	44,607	182,292	112,898	295,190
Net difference between projected and actual earnings on pension plan investments	504,028	312,158	816,186	-	-	-
Change in proportion	1,013	958	1,971	2,030	1,420	3,450
City contributions subsequent to the measurement date	136,116	84,300	220,416	-	-	-
Total	<u>\$ 886,161</u>	<u>\$ 549,154</u>	<u>\$ 1,435,315</u>	<u>\$ 253,609</u>	<u>\$ 157,230</u>	<u>\$ 410,839</u>

Amortization of Pension Deferrals - \$220,416 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 or addition to the net pension liability (asset) in the year ended June 30, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	Total	City	SADA
Year ended June 30:			
2024	\$ 217,146	\$ 134,702	\$ 82,444
2025	143,747	88,418	55,329
2026	87,893	54,084	33,809
2027	355,274	219,232	136,042
	<u>\$ 804,060</u>	<u>\$ 496,436</u>	<u>\$ 307,624</u>

13. Subsequent Events

The City approved a resolution authorizing and providing notice of intent to join The Oklahoma Police Pension and Retirement System (OPPRS). Additionally, the city approved a project for a new water treatment plant, raw water intake, and second flow equalization basin.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2023

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>Actual Amounts -</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance		\$ 1,944,982	\$ 2,559,385	\$ 614,403
Resources (Inflows):				
TAXES:				
Sales tax	2,600,000	2,600,000	2,959,130	359,130
Use tax	652,000	652,000	576,818	(75,182)
Franchise tax	4,000	4,000	8,547	4,547
Occupational tax	5,000	5,000	11,075	6,075
Hotel and Motel Tax	28,000	28,000	14,725	(13,275)
Total taxes	3,289,000	3,289,000	3,570,295	281,295
INTERGOVERNMENTAL:				
Alcoholic beverage tax	112,000	112,000	108,980	(3,020)
Gas excise tax	-	-	-	-
Vehicle tax	-	-	-	-
Tobacco tax	24,000	24,000	23,430	(570)
Payments in lieu of taxes	-	-	-	-
Grants	-	-	-	-
Total Intergovernmental	136,000	136,000	132,410	(3,590)
CHARGES FOR SERVICES	370,500	370,500	375,068	4,568
FINES AND FORFEITURES	100,000	100,000	142,360	42,360
LICENSES AND PERMITS:	45,250	45,250	33,513	(11,737)
INVESTMENT INCOME	1,050	1,050	6,574	5,524
MISCELLANEOUS:				
Rentals	7,800	7,800	8,600	800
Reimbursements	88,921	88,921	25,476	(63,445)
Donations	-	-	62,620	62,620
Miscellaneous	151,500	151,500	145,137	(6,363)
Oil and gas royalty	-	-	1,161	1,161
Total Miscellaneous	248,221	248,221	242,994	(5,227)
OTHER FINANCING SOURCES:				
Payments from component unit	325,000	325,000	428,996	103,996
Total Resources (Inflows)	4,515,021	4,515,021	4,932,210	417,189
Amount available for appropriation	4,515,021	6,460,003	7,491,595	1,031,592
Charges to Appropriations (Outflows):				
Departmental:				
GENERAL GOVERNMENT:				
General government	506,667	830,547	478,295	352,252
Cemetery	44,578	62,878	48,325	14,553
Civil Defense	10,219	11,519	9,623	1,896
Clerk	249,096	269,896	241,031	28,865
Community building	95,039	168,239	81,560	86,679
Library	10,250	18,915	8,840	10,075
Sanitation	383,108	428,708	419,769	8,939
Municipal court	76,463	76,463	68,671	7,792
Code enforcement	238,313	273,907	266,714	7,193
Police	1,266,444	1,636,524	1,511,320	125,204
Fire	301,377	435,010	330,578	104,432
Street	778,651	1,531,666	784,999	746,667
Parks	251,247	357,297	323,143	34,154
Economic development	121,703	358,434	128,430	230,004
Ambulance	-	-	50,533	(50,533)
Total departmental	4,333,155	6,460,003	4,751,831	1,708,172
OTHER FINANCING USES				
Transfers to Other Funds	-	-	630,448	(630,448)
Total other financing sources and uses	-	-	630,448	(630,448)
Total charges to appropriations	4,333,155	6,460,003	5,382,279	1,077,724
Fund balances - ending	\$ 181,866	\$ -	\$ 2,109,316	\$ 2,109,316

See accompanying notes to this schedule.

CITY OF STILWELL, OKLAHOMA
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Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2023 (Continued)

	ARPA Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 8,025	\$ -	\$ (8,025)
Resources (Inflows)				
Intergovernmental	358,000	358,000	299,580	(58,420)
Amounts Available for Appropriation	358,000	366,025	299,580	(66,445)
Charges to Appropriations (Outflows)				
Departmental:				
Capital outlay:				
General government	-	366,025	299,580	66,445
Total Charges to Appropriations	-	366,025	299,580	66,445
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	-	-
Total other financing sources and uses	-	-	-	-
Fund balances - ending	\$ 358,000	\$ -	\$ -	\$ -

Footnotes to Budgetary Comparison Schedules:

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

	<u>General Fund</u>
Resources budgetary basis	\$ 4,932,210
Add: sales tax transferred	493,189
Deduct: payment from Development Authority	(428,996)
Revenue – modified accrual basis	<u>\$ 4,996,403</u>
Expenditures budgetary/modified accrual basis	<u>\$ 4,751,831</u>
Expenditures – modified accrual basis	<u>\$ 4,751,831</u>

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

3. Expenditures exceeded appropriations in the following departments:

- General Fund – Ambulance \$50,533

CITY OF STILWELL, OKLAHOMA
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Schedules of Required Supplementary Information

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

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	0.019553%	0.018763%	0.018996%	0.013615%	0.002882%	0.003188%	0.002403%	0.002902%	0.002331%
City's proportionate share of the net pension liability	\$ 201,075	\$ 199,153	\$ 232,087	\$ 171,242	\$ 32,440	\$ 33,681	\$ 29,606	\$ 19,114	\$ 30,478
City's covered-employee payroll	\$ 53,101	\$ 54,400	\$ 50,007	\$ 36,986	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	379%	366%	464%	463%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%	84.24%	69%

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

Notes to Schedule:

Only nine fiscal years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily required contribution	\$ 7,616	\$ 7,001	\$ 5,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	7,616	7,001	5,178	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 54,400	\$ 50,007	\$ 36,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Only nine fiscal years are presented because 10-year data is not yet available.

No fire employees in prior and current fiscal years.

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

Schedule of Changes in Net Pension Liability and Related Ratios

Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability									
Service cost	\$ 179,893	\$ 183,591	\$ 190,323	\$ 177,583	\$ 179,703	\$ 197,086	\$ 230,798	\$ 230,437	\$ 267,743
Interest	591,364	602,074	627,855	647,453	649,317	661,226	702,937	714,157	773,811
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	4,295	(53,974)	(140,028)	(26,682)	101,138	(89,071)	563,455	(97,404)
Changes of assumptions	-	-	-	213,617	-	254,519	-	-	(369,172)
Benefit payments, including refunds of member contributions	(454,542)	(451,754)	(463,052)	(561,431)	(630,084)	(657,515)	(658,129)	(733,363)	(691,215)
Net change in total pension liability	316,715	338,206	301,152	337,194	172,254	556,454	186,535	774,686	(116,237)
Total pension liability - beginning	7,673,639	7,990,354	8,328,560	8,629,712	8,966,906	9,139,160	9,695,614	9,882,149	10,656,835
Total pension liability - ending (a)	\$ 7,990,354	\$ 8,328,560	\$ 8,629,712	\$ 8,966,906	\$ 9,139,160	\$ 9,695,614	\$ 9,882,149	\$ 10,656,835	\$ 10,540,598
Plan fiduciary net position									
Contributions - employer	\$ 205,752	\$ 235,630	\$ 224,090	\$ 1,256,166	\$ 95,751	\$ 103,042	\$ 105,197	\$ 163,921	\$ 167,470
Contributions - member	111,151	106,033	100,845	96,017	107,798	117,048	121,694	131,029	132,226
Net investment income	1,066,365	206,620	63,420	905,296	665,271	616,672	380,598	2,546,201	(1,391,243)
Benefit payments, including refunds of member contributions	(454,542)	(451,754)	(463,052)	(561,431)	(630,084)	(657,515)	(658,129)	(733,363)	(691,215)
Administrative expense	(15,767)	(15,369)	(14,751)	(15,801)	(18,544)	(18,845)	(19,292)	(18,912)	(19,500)
Net change in plan fiduciary net position	912,959	81,160	(89,448)	1,680,247	220,192	160,402	(69,932)	2,088,876	(1,802,262)
Plan fiduciary net position - beginning	6,521,890	7,434,849	7,516,009	7,426,561	9,106,808	9,327,000	9,487,402	9,417,470	11,506,346
Plan fiduciary net position - ending (b)	\$ 7,434,849	\$ 7,516,009	\$ 7,426,561	\$ 9,106,808	\$ 9,327,000	\$ 9,487,402	\$ 9,417,470	\$ 11,506,346	\$ 9,704,084
Net pension liability (asset) - ending (a) - (b)	\$ 555,505	\$ 812,551	\$ 1,203,151	\$ (139,902)	\$ (187,840)	\$ 208,212	\$ 464,679	\$ (849,511)	\$ 836,514
Plan fiduciary net position as a percentage of the total pension liability	93.05%	90.24%	86.06%	101.56%	102.06%	97.85%	95.30%	107.97%	92.06%
Covered employee payroll	\$ 2,057,520	\$ 2,356,300	\$ 2,240,900	\$ 2,146,170	\$ 2,396,271	\$ 2,605,176	\$ 2,642,983	\$ 2,960,277	\$ 3,025,646
Net pension liability (asset) as a percentage of covered-employee payroll	27.00%	34.48%	53.69%	6.52%	7.84%	7.99%	17.58%	28.70%	27.65%

Notes to Schedule:

Only nine years are presented because 10-year data is not yet available.

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

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Employer Contributions

Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 197,222	\$ 186,667	\$ 165,899	\$ 196,015	\$ 102,561	\$ 105,270	\$ 163,915	\$ 148,800	\$ 190,642
Contributions in relation to the actuarially determined contribution	235,630	224,090	1,257,397	95,761	102,910	105,084	162,144	167,587	220,416
Contribution deficiency (excess)	\$ (38,408)	\$ (37,423)	\$ (1,091,498)	\$ 100,254	\$ (349)	\$ 186	\$ 1,771	\$ (18,787)	\$ (29,774)
Covered employee payroll	\$ 2,356,300	\$ 2,240,900	\$ 2,146,170	\$ 2,396,271	\$ 2,609,684	\$ 2,706,175	\$ 2,911,456	\$ 2,642,983	\$ 2,960,277
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	58.59%	4.00%	3.94%	3.88%	5.57%	6.34%	7.45%

Notes to Schedule:

- Only nine years are presented because 10-year data is not yet available.
- Latest Valuation Date: July 1, 2022
- Actuarially determined contribution rate is calculated as of July 1, 2022 and is 6.44%.
- Methods and assumptions used to determine contribution rates:
 Actuarial cost method - Entry age normal
 Amortization method - Level percent of payroll, closed
 Remaining amortization period - 25 years
 Asset valuation method - Actuarial:
 Smoothing period - 4 years
 Recognition method - Non-asymptotic
 Corridor - 70% - 130%
 Salary increases - 4.50% to 7.50% (varies by attained age)
 Investment rate of return - 7.50%
- This information includes activity for the City and the SADA, a discretely presented component unit.

CITY OF STILWELL, OKLAHOMA
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SUPPLEMENTARY INFORMATION

CITY OF STILWELL, OKLAHOMA
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As of and for the Year Ended June 30, 2023

Combining Balance Sheet – Nonmajor Funds – June 30, 2023

	<u>Special Revenue Fund</u>		<u>Capital Project Funds</u>		<u>Total</u>
	<u>Library Fund</u>	<u>Street and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>CDBG Fund</u>	<u>Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,570	\$ 108,383	\$ 63,569	\$ 186,306	\$ 359,828
Investments	-	124,105	-	-	124,105
Due from other governments	-	54,048	-	16,352	70,400
Total assets	<u>1,570</u>	<u>286,536</u>	<u>63,569</u>	<u>202,658</u>	<u>554,333</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES:					
Liabilities:					
Accounts payable	-	1,896	-	1,145	3,041
Total liabilities	<u>-</u>	<u>1,896</u>	<u>-</u>	<u>1,145</u>	<u>3,041</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	16,352	16,352
Fund balances:					
Reserved for:					
Restricted	713	265,996	63,569	185,161	515,439
Assigned	857	18,644	-	-	19,501
Total fund balances	<u>1,570</u>	<u>284,640</u>	<u>63,569</u>	<u>185,161</u>	<u>534,940</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,570</u>	<u>\$ 286,536</u>	<u>\$ 63,569</u>	<u>\$ 202,658</u>	<u>\$ 554,333</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds – Year Ended June 30, 2023

	<u>Special Revenue Fund</u>		<u>Capital Project Funds</u>		<u>Total-Other</u>
	<u>Library Fund</u>	<u>Street and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>CDBG Fund</u>	<u>Governmental Funds</u>
REVENUES					
Intergovernmental	\$ -	\$ 83,543	\$ -	\$ 72,241	\$ 155,784
Charges for services	-	-	6,040	-	6,040
Investment earnings	4	1,846	165	-	2,015
Miscellaneous	-	-	50	1,251	1,301
Total revenues	<u>4</u>	<u>85,389</u>	<u>6,255</u>	<u>73,492</u>	<u>165,140</u>
EXPENDITURES					
Current:					
Capital Outlay	17,000	47,059	-	76,530	140,589
Total Expenditures	<u>17,000</u>	<u>47,059</u>	<u>-</u>	<u>76,530</u>	<u>140,589</u>
Excess (deficiency) of revenues over expenditures	<u>(16,996)</u>	<u>38,330</u>	<u>6,255</u>	<u>(3,038)</u>	<u>24,551</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	9,500	-	-	-	9,500
Total other financing sources and uses	<u>9,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,500</u>
Net change in fund balances	<u>(7,496)</u>	<u>38,330</u>	<u>6,255</u>	<u>(3,038)</u>	<u>34,051</u>
Fund balances - beginning	9,066	246,310	57,314	188,199	500,889
Fund balances - ending	<u>\$ 1,570</u>	<u>\$ 284,640</u>	<u>\$ 63,569</u>	<u>\$ 185,161</u>	<u>\$ 534,940</u>

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Combining Balance Sheet – Stilwell Improvement Authority – June 30, 2023

	<u>Stilwell Improvement Authority</u>	<u>SIA Capital Asset Replacement Reserve</u>	<u>SIA Debt Service Reserve</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 273,189	\$ 4,845	\$ 9,524	\$ 287,558
Total assets	273,189	4,845	9,524	287,558
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	263,942	-	-	263,942
Total liabilities	263,942	-	-	263,942
Fund balances:				
Restricted	6,894	4,845	9,524	21,263
Assigned	2,353	-	-	2,353
Total fund balances	9,247	4,845	9,524	23,616
Total liabilities, deferred inflows and fund balances	\$ 273,189	\$ 4,845	\$ 9,524	\$ 287,558

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Stilwell
Improvement Authority – Year Ended June 30, 2023**

	<u>Stilwell Improvement Authority</u>	<u>SIA Capital Asset Replacement Reserve</u>	<u>SIA Debt Service Reserve</u>	<u>Total</u>
REVENUES				
Investment earnings	\$ 444	\$ 12	\$ 24	\$ 480
Total revenues	444	12	24	480
EXPENDITURES				
Current:				
General government	1	-	-	1
Capital Outlay	1,768,641	-	-	1,768,641
Debt Service:				
Principal	42,750	-	-	42,750
Interest and other charges	65,633	-	-	65,633
Total Expenditures	1,877,025	-	-	1,877,025
Excess (deficiency) of revenues over expenditures	(1,876,581)	12	24	(1,876,545)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	1,230,635	-	-	1,230,635
Transfers in	606,615	4,833	9,500	620,948
Total other financing sources and uses	1,837,250	4,833	9,500	1,851,583
Net change in fund balances	(39,331)	4,845	9,524	(24,962)
Fund balances - beginning	48,578	-	-	48,578
Fund balances - ending	\$ 9,247	\$ 4,845	\$ 9,524	\$ 23,616

CITY OF STILWELL, OKLAHOMA
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As of and for the Year Ended June 30, 2023

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2023

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Federal AL Number	Pass Thru Grant #	Award Amount	Passed-Through to Subrecipients	Contract Expenditures
FEDERAL AWARDS:					
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>					
Passed Through the Oklahoma Department of Commerce:					
Community Development Block Grant	14.228	18545 CDBG 19	\$ 300,000	\$ -	\$ -
<u>DEPARTMENT OF JUSTICE:</u>					
Passed Through the Oklahoma District Attorney's Council:					
Justice Assistance Grant	16.738	JAG-LLE-2022 CI 00050	9,999	-	9,999
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>					
Passed Through the Oklahoma Department of Transportation:					
Safe Routes to Schools	20.205	Safe Routes	205,000	-	60,031
<u>U.S. DEPARTMENT OF TREASURY:</u>					
American Rescue Plan Act	21.019	N/A	712,462	-	299,505
Total Federal Awards			<u>\$ 1,227,461</u>	<u>\$ -</u>	<u>\$ 369,535</u>

State Grantor/Pass Thru Agency Grantor/Program Title	Federal AL Number	Pass Thru Grant #	Award Amount	Passed-Through to Subrecipients	Contract Expenditures
STATE AWARDS:					
<u>OKLAHOMA ARTS COUNCIL</u>					
Arts Council Grant 2022	N/A	N/A	\$ 2,500	\$ -	\$ 2,500
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>					
Operational Grant	N/A	N/A	\$ 4,763	\$ -	\$ -
Operational Grant	N/A	N/A	10,053	-	-
Total Oklahoma Department of Agriculture			14,816	-	-
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT (EODD):</u>					
REAP Grant - 2022	N/A	N/A	50,400	-	31,467
REAP Grant - 2023	N/A	N/A	60,000	-	-
Total Eastern Oklahoma Development District (EODD)			110,400	-	31,467
Total State Awards			<u>\$ 127,716</u>	<u>\$ -</u>	<u>\$ 33,967</u>

Footnotes to Schedule of Expenditures of Federal and State Awards:

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

CITY OF STILWELL, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

INTERNAL CONTROL AND COMPLIANCE INFORMATION

MICHAEL W. GREEN
Certified Public Accountant

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Stilwell, Ok. 74960
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and City Council
City of Stilwell, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stilwell, Oklahoma (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated February 26, 2024.

Report on Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses (2023-01 and 2023-02) that I consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses item (2023-01 and 2023-02).

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

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

Regards,

A handwritten signature in black ink, appearing to read 'Mike Green', is positioned above the printed name.

Michael W. Green, CPA
Stilwell, Oklahoma

February 26, 2024

SCHEDULE OF FINDINGS AND RESPONSES

City of Stilwell, Oklahoma

June 30, 2023

2023-01 – Timely Financial Statements and Audit

Criteria: Title 11 O.S. § 17-105-113 and Title 60 § 180.1-.3 of the Oklahoma Statutes requires all audits to be filed with the Oklahoma Office of the State Auditor and Inspector within six months of the year end.

Condition: The City is not in compliance with State Statutes. The financial statements were not available for audit until after this deadline. These violations create potential issues with funding sources and can create a situation where management decisions are not made based on relevant financial information.

Cause and Effect: Inadequate control over year end closing and financial statement preparation appear to be the cause of this issue.

Recommendation: The year-end closing, and financial statement preparation should be completed by mid-October each year to allow adequate time to complete the audit.

Responsible Official's Response: Management of the City agree that the financial statements and annual audit should be completed within 6 months of the year end and has taken action to be in compliance.

2023-2 Compliance with Purchase Order Requirements

Criteria: 62 O.S. § 310.1- 310.9 requires purchase orders shall have written approval of a purchasing officer and an encumbering clerk prior to release.

Condition: A Significant number of invoices tested had purchase orders dated after the invoice date.

Cause: Goods and services are being purchased without following the Purchase Order Process. Purchase orders are required to be approved prior to any purchases.

Potential Effect: Unauthorized purchases can lead to fraud or theft and may not be detected by management or governance in a timely manner.

Recommendation: I recommend the council ensure that all goods or services are procured utilizing the Purchase Order and Encumbrances policy as defined in 62 O.S. § 310.1- 310.9. All purchase orders must be signed by a purchasing officer and encumbering clerk prior to buying, ordering, or receiving goods or services.

Responsible Official's Response: The council will ensure that appropriate procurement processes are followed.