

Stillwater's Fiscal Journey

2011-2024 Financial Report Summary Briefing Document

The provided documents consist of Annual Comprehensive Financial Reports (ACFRs) for the City of Stillwater, Oklahoma, covering various fiscal years, along with an executive summary spanning 2011-2024. These reports offer a detailed look into the City's financial health, including its governmental and business-type activities, revenue streams like sales tax, and debt management. They feature auditor's reports on financial statements and federal award compliance, noting the absence of significant control deficiencies or non-compliance issues in the audited years. Furthermore, the documents present statistical and supplementary information, such as demographic data, utility connections, and capital asset statistics, providing a broad overview of the city's operational and economic context.

Date: October 26, 2023 **Subject:** Review of City of Stillwater's Financial Performance and Key Indicators based on 2011 and 2024 CAFRs.

Executive Summary

The **City of Stillwater, Oklahoma**, presents itself as a financially stable and "cautiously optimistic" municipality with a diverse economic base anchored by Oklahoma State University. The financial reports for 2011 and 2019 highlight a consistent commitment to sound financial management, evidenced by repeated Certificates of Achievement for Excellence in Financial Reporting. The City operates through governmental activities (e.g., public safety, general government) and business-type activities (e.g., utilities, airport). Over the periods reviewed, Stillwater has generally experienced growth in net assets and revenues, though expenditures have also increased. Key themes include strategic financial planning, ongoing capital improvements, and the significant economic impact of Oklahoma State University.

Key Themes and Most Important Ideas/Facts

1. Strong Financial Management and Reporting Accolades

Commitment to Excellence: Both CAFRs emphasize the City's dedication to robust financial reporting. The 2011 report states, "The comprehensive annual financial report... for the fiscal year ended June 30, 2011, is submitted herewith. This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation...rests with the City."

Disclaimer: The accompanying executive summary and trend analyses are based on the City of Stillwater's Annual Comprehensive Financial Reports (FY 2011–2024) and interpolated estimates for illustrative purposes. While every effort has been made to ensure accuracy, the interpolated revenue, reserve ratio, and debt figures are approximate. Readers should refer to the official CAFR MD&A, financial statements, and notes for precise figures and context. Neither the author nor any affiliated party assumes liability for any errors or omissions, and all data are subject to revision based on final audited results.

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Certificates of Achievement: Stillwater consistently receives the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The 2011 report notes receiving this award for 19 consecutive years, underscoring a long-standing commitment to high-quality financial transparency and management. The 2019 report confirms continued achievement, with the independent audit firm issuing an "unmodified ('clean') opinion" on the financial statements for FY 2019.

Internal Control Framework: Management asserts that a "comprehensive framework of internal control" has been established to provide "reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements." This indicates a proactive approach to safeguarding assets and ensuring reliable financial data.

2. **Economic Outlook and Demographic Context**

Positive Economic Climate: The 2011 CAFR describes Stillwater's economic outlook as "cautiously optimistic," with the City's economy lagging behind the downturn but showing signs of recovery. Stillwater's "economy lagged behind the downturn and the recovery will lag reciprocally." The 2019 report continues to highlight a positive economic environment, supported by a diverse economy and educational centers.

Oklahoma State University (OSU) as a Key Driver: OSU is repeatedly identified as a "regional center for shopping, entertainment, health care, and education" and a "stable labor force" and "largest employer" in both reports. Its significant presence contributes to a "highly diverse economy" and stability. The 2011 report specifically mentions OSU's planned expansion projects, including a \$1.2 billion economic impact on the Stillwater area.

Population Growth: Stillwater's population was over 40,000 in both 2011 and 2019, indicating steady growth and a consistent demographic base.

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3. Governmental vs. Business-type Activities

The City's financial statements distinguish between two primary types of activities:

Governmental Activities: These are primarily supported by taxes and intergovernmental revenues, including "public safety, fire and administration, health care, and education."

2011 Performance: Governmental activities saw a net asset increase of \$380,888 (0.18%). Total revenues were \$33,205 (in thousands), and total expenses were \$37,496 (in thousands), resulting in an operating deficit, offset by transfers and other items.

2019 Performance: Governmental activities experienced a net position change of \$(3,366,173) (in thousands) in 2019, following increases in previous years (e.g., \$15,311,754 in 2018). Total governmental activities expenses in 2019 were \$41,412 (in thousands), compared to program revenues of \$7,746 (in thousands).

Business-type Activities: These are financed through charges for services, primarily for "electric, water, sewer, and sanitation utilities." They also include the airport.

2011 Performance: Business-type activities' net assets increased by \$9,263,355 (4.29%). Total revenues were \$65,429 (in thousands), and total expenses were \$51,494 (in thousands), indicating a strong surplus from operations. Rate increases were implemented for electric, water, wastewater, solid waste collection and street sweeping.

2019 Performance: Business-type activities saw an increase in net assets of \$12,696,730 (in thousands) in 2019. Total revenues for electric, water, wastewater, and sanitation operations were \$79,224 (in thousands), with expenses totaling \$70,635 (in thousands), maintaining a surplus.

4. Capital Assets and Debt Management

Significant Capital Investments: The City actively invests in its infrastructure. As of June 30, 2011, the City had "\$191.3 million invested in capital assets including police and fire equipment, buildings, park facilities, water and sewer lines, electric systems and roads." By June 30, 2019,

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total capital assets had grown to \$381,848 (in thousands) across governmental and business-type activities.

Notable Increases in 2019: Infrastructure assets increased significantly from \$325,138 (in thousands) in 2018 to \$348,495 (in thousands) in 2019. Construction-in-progress also saw a notable increase from \$38,201 (in thousands) in 2018 to \$28,941 (in thousands) in 2019.

Debt Ratios and Policies: The City maintains policies for debt management, including general obligation debt limits and revenue bond covenants. The 2019 report indicates a net general bonded debt of \$1,271,617 (in thousands) for Governmental Activities, significantly lower than the \$8,247,737 in 2011. This suggests a reduction in general obligation debt over the period.

New Accounting Standards (2019): The 2019 report mentions the adoption of several new GASB statements, including:

GASB Statement No. 83, "Certain Asset Retirement Obligations (AROs)," affecting disclosures related to the wastewater system.

GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements," enhancing debt-related note disclosures.

GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," which discontinued capitalizing interest for business-type assets.

5. **Revenue and Expenditure Trends**

Sales Tax as a Primary Revenue Source: Sales tax remains a dominant revenue source for the City, accounting for a significant portion of governmental revenues. In 2011, sales tax revenue was \$24,389 (in thousands). By 2019, total sales and use taxes were \$30,791,644 (in thousands), representing 88.97% of total taxes.

Consistent Revenue Streams: Franchise and Public Service Taxes, Property Taxes, and Hotel/Motel Taxes also contribute consistently to the City's revenue base.

Expenditure Growth: Total governmental activity expenses in 2011 were \$37,496 (in thousands) and for business-type activities were \$51,494 (in thousands). By 2019, total primary government expenses were \$112,047,905 (in thousands), with both governmental and business-type activities showing increases.

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6. Pension and Other Post-Employment Benefits (OPEB)

Pension Systems: Stillwater participates in statewide multi-employer defined benefit pension plans for police and firefighters. Employee and employer contribution rates are specified (e.g., 8% employee, 13% employer for Police and Firefighters).

Defined Contribution Plan for City Manager: The City offers a defined contribution plan for the City Manager, with the City contributing 6% and the employee 3% for the fiscal year ended June 30, 2019.

OPEB Liability: The 2011 report shows a significant "Unfunded actuarial accrued liability (UAAL)" for OPEB of \$6,237,065.

7. Significant Events and Future Outlook (2011)

Economic Recovery Focus: The 2011 report highlighted efforts to recover from the recession, with a focus on "fully maintain[ing] core services related to health, safety, and well-being of citizens and visitors."

Staffing Adjustments: The City had reduced its pre-2009 staffing levels, with some positions eliminated or furloughed, and no cost-of-living increases, impacting employee morale.

Capital Improvement Planning: Stillwater anticipated continued capital needs, with rate increases for water and sewer rates dedicated to infrastructure repair and upgrades. The report mentions a \$5.8 million runway expansion at the airport.

Local Development Initiatives: The Meruiser plant was scheduled to close, but Stillwater was pursuing new manufacturing and advanced technology companies. Positive initiatives included business improvement districts, economic development for retail centers, and promoting Stillwater as a "premier business, cultural and entertainment destination in Oklahoma."

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