

# City of Stillwater, Oklahoma

*Comprehensive Annual Financial Report  
Fiscal Year ended June 30, 2008*



**CITY OF STILLWATER, OKLAHOMA**

Comprehensive Annual Financial Report

And Accompanying

Independent Accountants' Report

For the Fiscal Year Ended June 30, 2008

Prepared by:

Department of Finance

Marcy Alexander

Director of Finance

**CITY OF STILLWATER, OKLAHOMA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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*Introductory  
Section*



December 16, 2008

To the Honorable Mayor Roger McMillian, members of the City Council and the Citizens of the City of Stillwater, Oklahoma:

The comprehensive annual financial report of the City of Stillwater, for the fiscal year ended June 30, 2008, 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, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City in accordance with accounting principles generally accepted in the United States of America; and, accordingly, all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Management's Discussion and Analysis.

## **OVERVIEW**

### **Report Format**

This report conforms to the standards prescribed in Statement No. 34 of the Governmental Accounting Standards Board (GASB). GASB Statement No. 34 implements a model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

For fiscal year 2008, the independent accountants' report on the internal control and compliance with applicable laws, is presented in a separate document which is available upon request.

### **Governmental Structure, Local Economic Conditions and Outlook**

The City of Stillwater, located in north central Oklahoma is a municipal corporation organized in 1891 under the applicable laws of the State of Oklahoma. The City currently has a land area of 28 square miles and a population of over 40,000. Located in Payne County, the City serves as a regional center for shopping, entertainment, health care, and education. Stillwater is home to Oklahoma State University.

The City is governed under the council-manager form of government according to its charter adopted in 1960. Policymaking and legislative authority are vested in the governing body, which consists of a five-member council. The five councilors, including the mayor, are elected at-large on a non-partisan basis for staggered three-year terms. The mayor is elected at large by the citizenry while the vice-mayor is elected by the council from its membership. The council holds regular meetings on the first and third Monday evenings each month. The council schedules work session meetings on the fourth Monday of each month.

The economic outlook for the City of Stillwater and its residents is positive. The City has a diverse economy with a high degree of stability. Stillwater is the county seat for Payne County and houses other governmental entities and educational centers that provide a stable labor force. Oklahoma State University is the City's largest employer and the City is also the headquarters for the Oklahoma Department of Career and Technology Education and the Meridian Technology Center. Employment in the state and local government sectors account for approximately 45% of local wage and salary jobs. In addition manufacturing and advanced technology companies cover a large share of the local economic

base. A study by the Oklahoma Cooperative Extension Service at Oklahoma State University has concluded that Stillwater manufacturing and advanced technology companies account for one quarter of the total economic activity in Payne County. The study found that local manufacturers provided jobs for 2,787 residents and an annual payroll of \$71.9 million, while technology companies accounted for an additional 1,550 jobs and \$40.4 million in income to individuals. The health care sector has been a contributor to local job growth in the past decade. In 2008, Stillwater continued to see retail growth. The addition of several national retailers is expected to have a positive effect on Stillwater's economy by helping to retain local dollars and adding to the sales tax collections. The retail additions are also expected to broaden the city's regional trade influence.

Stillwater business and community leaders began a five-year strategic plan titled "Forward Stillwater" in 2004. The campaign, which was joined by more than 260 area businesses and public sector partners, has raised more than \$2.5 million for economic development. The plan addresses new initiatives for business retention and expansion, industry attraction, entrepreneurial development, and visitor promotion for Stillwater and north central Oklahoma. Some of the successes of this effort include the acquisition of a 46 acre industrial site, more than 60 retail and service business openings representing approximately 450 jobs, hotel projects adding over 500 rooms and expansions of existing manufacturing companies and other local businesses. With the campaign coming to a close, local leaders will be focusing on new efforts to encourage economic development.

Stillwater's cost of living remains well below the U.S. average. Unemployment is consistently among the lowest in the U.S. for Stillwater and the surrounding county.

### **The Reporting Entity and Its Services**

The City's financial reporting entity includes all the funds of the primary government (i.e., the City of Stillwater as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The City provides the full range of municipal services contemplated by the City Charter. These include public safety (police, fire and civil defense), general government functions, recreation and culture, streets and sewers, human services, sanitation, airport and public improvement.

Blended component units, although legally separate entities, are in substance part of the primary government's operations and are included as part of the primary government. Accordingly, the Stillwater Utilities Authority (SUA), Stillwater Public Golf Authority (SPGA), Stillwater Industrial and Redevelopment Authority (SIRA) and the Stillwater Public Works Authority (SPWA) are reported as three enterprise funds and an internal service fund, respectively, of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Stillwater Medical Center Authority is reported as a discretely presented proprietary component unit. The Stillwater Convention and Visitors Bureau is reported as a discretely presented governmental component unit. The reporting entity is described in Note 1 to the combined financial statements in the financial section of this report.

## **FINANCIAL INFORMATION**

### **Internal Controls**

The responsibility for establishing and maintaining the internal control structure rests with the City. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or



disposition and (2) the evaluation of costs and benefits requiring estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Control**

The administrative level of budgetary control is maintained at the character classification level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. The legal level of control at which expenditures and encumbrances may not exceed appropriations is at the category levels for personal services, materials and supplies, other services and charges, capital outlay and debt service for each department within each fund. The method of budget adoption and amendment process is described in Note 1 to the financial statements in the financial section of this report.

### **Accounting System**

The diverse nature of governmental operations and the necessity of complying with legal provisions require an accounting system unlike those used by commercial enterprises. Rather than establishing a single unified set of accounts for recording and summarizing all financial transactions, the accounts of the City are organized on the basis of funds, each of which constitutes a separate accounting entity. The funds used by the City are grouped into the following broad fund types:

**Governmental Funds:** These funds are used to account for the programs and activities of the governmental functions of the City and are comprised of the following:

*General Fund:* This fund serves as the main operating fund of the City. It is used for recording all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds:* These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

*Capital Project Funds:* These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

*Debt Service Fund:* This fund is used to account for the accumulation of financial resources for payment of interest and principle debt and court-assessed judgments.

**Proprietary Funds:** These funds are used to account for ongoing organizations and activities that are similar to those found in the private sector and are comprised of the following:

*Enterprise Funds:* These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges.

*Internal Service Fund:* This fund is used to account for services and/or commodities furnished by a designated program to other programs within the City, on a cost reimbursement basis.

**Fiduciary Fund:** This fund is used to administer resources received and held by a governmental unit as the trustee or as the agent for others. Use of this fund facilitates the discharge of responsibilities placed upon the governmental unit by virtue of law or other similar authority.



## **General Fund Operations**

The General Fund accounts for all revenues and expenditures, which are not accounted for in other funds. It finances the traditional governmental functions and is the principal operating fund of the City. Police, Fire, Parks, Events and Recreation, Library, Community Center, Administration, and Development Services are all activities reported in the general fund.

## **Enterprise Fund Operations & Similar Component Units**

The SUA, the Airport Fund, the SPGA, and the SIRA are classified as Enterprise Funds for reporting purposes. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and/or a determination of net income is desirable. Services accounted for in Enterprise Funds are tangible, and it is possible to determine the extent to which they benefit individual service consumers.

## **Risk Management**

In 1986, the City Council directed that the City initiate a self-insurance program for the vehicle liability, general liability, and City property damage coverage. This action was initiated due to the City's low loss experience compared to high premiums and lower coverage offered by conventional and pooled insurance plans. The first full year of operation for the City's self-insurance program was fiscal year 1987-88.

The City had been self-insured for workers compensation and unemployment compensation coverage prior to the decision to implement a self-insurance program. To create a self-insurance fund for the City, the workers compensation and unemployment compensation funds were combined with the funds budgeted in the 1987 fiscal year for insurance premiums. Within this fund, accounts were created for the different types of losses the City could anticipate. Expenditures from the fund are determined by claims filed with the City during the year and approved for payment. Payment of claims \$10,000 and over require City Council approval. Payments of claims under \$10,000 require City Manager approval.

The health benefit program for employees is self-funded using a third party administrator with the city maintaining stop loss coverage. Traditional property insurance is maintained on the city hall and library. Excess property coverage is maintained on the water utility as required by the bond indenture. Coverage for airport liability and hangar keeper's liability was added in 1995. In 1997, an excess liability program was established with the city continuing to administer claims. Coverage includes general liability, employee benefits liability, law enforcement liability, public entity management, EMT, and commercial auto.

The City has several policies and procedures regarding safety training of employees, hazardous material communications, accident reporting and investigation, and medical assistance. The City intends to limit their risk exposure through stringent enforcement of these policies.

## **Cash Management**

The Finance Director is responsible for maintaining the City's investment portfolio and providing oversight for bond proceeds held by trustees. The City generally combines unrestricted cash for investment purposes. Cash temporarily idle during the year was invested in time deposits and U.S. Treasury Bills. The City, SUA and SPWA use interest bearing NOW checking accounts and higher yielding money market accounts as provided under Public Law 97-320 (sec.327). The City's cash is deposited daily. Deposits are insured by federal depository insurance or collateralized.

## Independent Audit

The Oklahoma State Statutes and City Charter require an annual audit by certified public accountants or qualified independent public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984, as amended in 1996, and related OMB circular A-133 and "Government Auditing Standards" issued by the Comptroller General of the United States. The independent certified public accountants that performed the audit were selected by the City Council.

The City's Audit Committee is a five-member advisory committee provided for under City Ordinance #1929. Under the provisions of the ordinance, the City Council appoints the committee. The purpose of the Audit Committee is to maintain independence between the outside auditors and city management. The primary responsibilities of the Audit Committee are to review and evaluate the year-end financial statements and independent accountants' report, review and report deficiencies in internal control, oversee the audit function and to report to the City Council as required. The independent accountants' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent accountants' reports related specifically to the Single Audit are included in a separately bound Single Audit supplement.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stillwater for its comprehensive annual financial report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

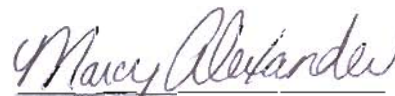
A Certificate of Achievement is valid for a period of one year only. The City of Stillwater has received a Certificate of Achievement for the last twenty-six consecutive years. We believe that our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments.** The preparation of this report could not be accomplished without the dedicated services of the entire Department of Finance staff, with special thanks to Tammy Brown, Christy Cluck and Terri Gibbs and the professional assistance of the City's independent accountants, John M. Arledge & Associates, P.C. In addition, thanks are extended to the members of the Audit Committee for their review and oversight of the audit process and to the members of the City Council for their interest and support in strengthening and improving the fiscal policies of the City of Stillwater.

The City will strive to continue to provide its citizens with quality services, management and financial reporting.

Respectfully submitted,

  
Dan Galloway  
City Manager

  
Marcy Alexander  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Stillwater  
Oklahoma

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

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**CITY OF STILLWATER, OKLAHOMA**  
**CITY OFFICIALS AND AUDIT COMMITTEE**

**JUNE 30, 2008**

**Mayor and City Commission**

Roger McMillian	Mayor
Tom Dugger	Vice Mayor
Tom Williams	Commissioner
Chuck Hopkins	Commissioner
Darrell Dougherty	Commissioner

**Audit Committee**

Carl Weinaug	Chairman
John Mowen	Vice-Chairman
Rex Homing	Member
Joe Weaver	Member

**Administration**

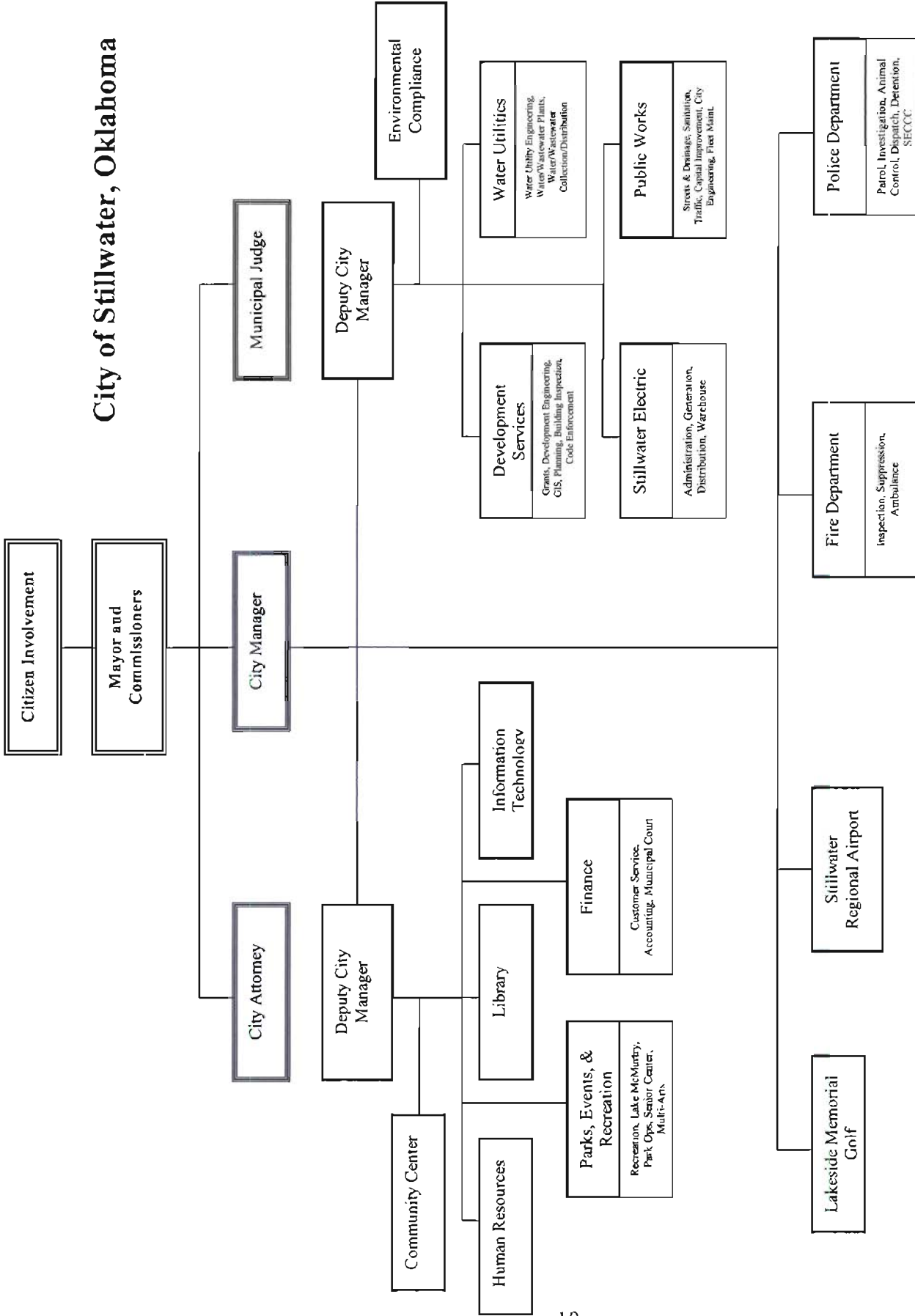
Dan Galloway	City Manager
Mary Rupp	Deputy City Manager
Dan Blankenship	Deputy City Manager
Marcy Alexander	Director of Finance
Lynda Reynolds	Director of Library
Roy Lavicky	Director of Information Services
Jeff Tullis	Director of Electric Utility
Paula Dennison	Director of Development Services
Ralph Kinder	Director of Public Works
Anthony Daniel	Director of Water/Wastewater Utility
Gary Johnson	Director of Airport
John Dorman	City Attorney
Norman McNickle	Police Chief
John McClenny	Director of Parks and Recreation
Robert Barker	Director of Personnel
Marion Blackwell, Jr.	Fire Chief
Fred Forbes	Director of Lakeside Golf Course

**Department Of Finance-Accounting Division**

Tamara Brown	Accounting Supervisor
Christy Cluck	Authority Accountant

City Phone Number: (405) 372-0025

# City of Stillwater, Oklahoma



*Financial  
Section*



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Stillwater Medical Center Authority or the Stillwater Convention and Visitors Bureau, which the City reports as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for these discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information, listed in the Table of Contents under the Introduction Section and Statistical Section, has not been audited by us and, accordingly, we express no opinion on such data.

*John M. Arledge & Associates, P.C.*

Edmond, Oklahoma  
December 2, 2008

## **Management's Discussion and Analysis Fiscal Year Ended June 30, 2008**

As management of the City of Stillwater, we offer readers this narrative overview and analysis of the financial activities of the City of Stillwater for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### **Using the Financial Statement in this Annual Report**

This annual report consists of a series of financial statements. The financial statements presented herein include all of the activities of the City of Stillwater (the "City"), the Stillwater Utilities Authority (the "SUA") and other component units. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole, including the SUA and component units, and present a longer-term view of the City's finances. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type, along with two discretely-presented component units.

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

### **Reporting the City as a Whole – Statements of Net Assets and Activities**

This discussion and analysis is intended to serve as an introduction to the City of Stillwater's basic financial statements. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them from the prior year. The City's net assets – the difference between assets and liabilities – is one way to measure the City's financial condition or position. Over time, increases or decreases in the City's net assets are

indicators of whether its financial health is improving or deteriorating. However, other non-financial factors must be considered, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

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

Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer and sanitation utilities are reported here, along with the golf course and airport.

Discretely-presented component units – The City's report has two discretely presented component units, the Stillwater Medical Authority and the Stillwater Convention and Visitors Bureau. Although they are legally separate entities, these "component units" are important because the City is financially accountable for them in some way. The Stillwater Medical Authority is a public trust of the City and the City is the beneficiary of the trust. The Stillwater Convention and Visitors Bureau receive the proceeds of the City's Hotel/Motel tax to provide economic development by encouraging tourists and conventions to select Stillwater as a destination.

### **Reporting the City's Most Significant Funds – Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Stillwater, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Stillwater can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to

those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

The General Fund's fund balance decreased by \$1.5 million mainly as a result of increased operating expenditures.

The Transportation Fund receives a transfer from the general fund of a ½ percent sales tax dedicated for transportation improvements. The Transportation Fund decreased by \$434,879 due to increased project activity and debt service payments.

*Proprietary fund* – When the City charges customers for the services it provides- whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds, along with certain capital project funds, are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. Net assets of the Stillwater Utilities Authority (SUA) have increased by \$5.2 million or 5.65%. Rate increases were implemented for all operations of the SUA: Electric, Water, Wastewater and Sanitation. Operating Expenditures decreased \$1.5 million or 3.9%.

**The City as Trustee**

The City is the trustee, or fiduciary for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

**The City as a Whole**

For the year ended June 30, 2008, net assets for the governmental activities and business-type activities changed as follows:

<b>The City of Stillwater's Net Assets</b> (expressed in \$ 000's)			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Beginning net assets	90,806	104,337	195,143
Increase/(Decrease)	(756)	4,675	3,919
Ending net assets	90,050	109,012	199,062



The above numbers reflect a decrease of .83% in net assets for governmental activities and an increase of 4.48% in net assets for business-type activities. Overall, the net assets for both governmental and business type activities increased 2.00% for this fiscal year.

The following is a summary comparison of the change in net assets from last year for the City of Stillwater.

**The City of Stillwater's Net Assets**  
(expressed in \$ 000's)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets:</b>						
Current and other assets	18,023	20,252	38,031	29,621	56,054	49,873
Capital assets	87,836	86,495	111,262	112,060	199,098	198,555
<b>Total assets</b>	<b>105,859</b>	<b>106,747</b>	<b>149,293</b>	<b>141,681</b>	<b>255,152</b>	<b>248,428</b>
<b>Liabilities:</b>						
Long-term liabilities	12,046	12,792	35,542	33,458	47,588	46,250
Other liabilities	3,763	3,149	4,738	3,885	8,501	7,034
<b>Total liabilities</b>	<b>15,809</b>	<b>15,941</b>	<b>40,280</b>	<b>37,343</b>	<b>56,089</b>	<b>53,284</b>
<b>Net assets:</b>						
Invested in capital assets	78,006	75,875	84,155	80,898	162,161	156,773
Restricted	10,468	10,856	2,263	1,913	12,731	12,769
Unrestricted	1,576	4,075	22,594	21,527	24,170	25,602
<b>Total net assets</b>	<b>90,050</b>	<b>90,806</b>	<b>109,012</b>	<b>104,338</b>	<b>199,062</b>	<b>195,144</b>

At the end of the current fiscal year, the City of Stillwater is able to report positive balances in net assets for the governmental activities and business-type activities as well as for the city as a whole.

The largest portion of the City's net assets, 81.46 percent, reflects its investment in capital assets, less any related debt used to acquire those assets to provide services to citizens. Capital assets are items such as land, buildings, machinery and equipment, and infrastructure. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, 6.4 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

## Governmental Activities

Governmental activities decreased the City of Stillwater's net assets by \$755,578 which contributed to a .38 decrease of the net assets of the City of Stillwater. The following provides details of the decrease:

### The City of Stillwater's Statement of Activities (expressed in \$ 000's)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 4,092	\$ 4,180	\$54,760	\$53,163	\$58,852	\$57,343
Operating Grants & contributions	121	120	-	-	121	120
Capital grants & contributions	853	2,167	2,155	2,185	3,008	4,352
General revenues:						
Sales taxes	23,860	22,857	-	-	23,860	22,857
Other taxes	3,368	3,137	-	-	3,368	3,137
Other general revenues	1,051	1,149	1,447	1,542	2,498	2,691
<b>Total Revenues</b>	<b>33,345</b>	<b>33,610</b>	<b>58,362</b>	<b>56,890</b>	<b>91,707</b>	<b>90,500</b>
Program Expenses:						
General Government	3,812	3,467			3,812	3,467
Financial Administration	648	635			648	635
Public Safety	17,239	15,590			17,239	15,590
Streets & Sewers	7,009	6,454			7,009	6,454
Engineering and Public Works Administration	630	767			630	767
Tourism	-	-			-	-
Recreation and Culture	5,645	5,428			5,645	5,428
Economic Development	1,035	1,005			1,035	1,005
Health and Welfare	1,670	1,594			1,670	1,594
Interest on Long-term Debt	528	579			528	579
Stillwater Utilities Authority			45,652	46,993	45,652	46,993
Stillwater Public Golf Authority			1,205	1,194	1,205	1,194
Business Area Development			45			
Airport Operations			2,670	2,114	2,670	2,114
<b>Total Expenses</b>	<b>38,216</b>	<b>35,519</b>	<b>49,572</b>	<b>50,301</b>	<b>87,788</b>	<b>85,820</b>
Increase/(Decrease) in Net Assets Before Transfers	(4,871)	(1,909)	8,790	6,589	3,919	4,680
Net Transfers	4,115	5,680	(4,115)	(5,680)	-	-
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ (756)</b>	<b>\$ 3,771</b>	<b>\$ 4,675</b>	<b>\$ 909</b>	<b>\$ 3,919</b>	<b>\$ 4,680</b>



### **Governmental Activities**

Sales and use tax received in fiscal year 2008 resulted in an increase over the prior year of \$1,002,764. This increase was due to increased sales and not as a result of a tax increase. Transfers from the SUA to the general fund were increased by \$1,444,361. Property taxes increased \$27,866 due to collections. Investment income decreased by \$152,818 due to a decrease in principal invested and lower interest rates. Fund balances for governmental activities decreased by 15.7% mostly due to project activity in the Transportation Fund and increased expenditures for public safety and streets and sewers in the general fund.

### **Business-type Activities**

Business-type activities increased the City of Stillwater's net assets by \$4,674,740 which contributed a 2.40% increase in the net assets of the City of Stillwater. Rate increases enacted all utility services contributed to a \$1.6 million increase in charges for services in the business-type activities.

### **General Fund Budgetary Highlights**

The general fund budget for fiscal year 2007-08 was conservative, designed to preserve current service levels, while meeting the City Council's financial goals for community priorities. Sales tax revenues were estimated to grow at 5.00% which would close the gap to only 1% behind historical levels. The expenditure budget was prepared decreasing expenditures by 23% from the previous year's original budget. A 3% COLA was budgeted across all positions. Significant budgeted capital expenditures for the general fund were a new cooling tower for the Library, power assisted cots for the ambulance service and a new HVAC system for the Community Center. Transfers are budgeted based on the anticipated needs of the recipient funds at the time of budget preparation; however actual transfers are made only as needed.

Budget amendments for expenditures included additional appropriations for the acquisition and repair of a vacant retail building in the downtown area and repairs to the roof of the Community Center.

The budget was prepared with the goal of a reserve in the general fund of \$2,060,000 and \$11,330,000 in SUA.

### **Capital Asset & Debt Administration**

The following is a summary of changes in capital assets and debt administration for FY2008. More detailed information on capital asset activity and long-term debt activity is contained in the accompanying notes to the financial statements on pages 48 and 49 and pages 51 to 56, respectively.

## Capital Assets

At the end of June 30, 2008, the City had \$199.1 million invested in capital assets including police and fire equipment, buildings, park facilities, water and sewer lines, electric systems and roads.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 5,640	\$ 5,219	\$ 1,689	\$ 1,689	\$ 7,329	\$ 6,908
Buildings	24,277	23,669	7,109	4,902	31,386	28,571
Other Improvements	-	-	22,050	22,047	22,050	22,047
Equipment	19,536	18,565	19,957	19,906	39,493	38,471
Infrastructure	128,141	119,801	164,410	162,049	292,551	281,850
Intangible Assets	-	-	74	74	74	74
Construction-in-progress	4,452	7,545	5,122	4,421	9,574	11,966
	182,046	174,799	220,411	215,088	402,457	389,887
Less Depreciation	94,210	88,305	109,149	103,028	203,359	191,333
<b>Totals</b>	<b>\$ 87,836</b>	<b>\$ 86,494</b>	<b>\$ 111,262</b>	<b>\$ 112,060</b>	<b>\$ 199,098</b>	<b>198,554</b>

## Debt Administration

At year-end, the City had \$43.6 million in long term debt. These debts are further detailed below as follows:

### The City of Stillwater's Long-term Debt (expressed in \$000's)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 9,830	\$ 10,620	\$ -	\$ -	\$ 9,830	\$ 10,620
Capital Lease Obligations	-	-	1,031	1,664	1,031	1,664
Notes Payable	-	-	18,606	13,307	18,606	13,307
Revenue Bonds	-	-	13,825	16,557	13,825	16,557
Refundable Grant Obligations	363	404	-	-	363	404
<b>Totals</b>	<b>\$ 10,193</b>	<b>\$ 11,024</b>	<b>\$ 33,462</b>	<b>\$ 31,528</b>	<b>\$ 43,655</b>	<b>\$ 42,552</b>

In December of 2007 the City issued \$6,010,000 in revenue notes to pre-fund transportation projects.

## **Economic Factors and Next Year's Budget**

Stillwater has not experienced many of the extreme economic situations that have faced many parts of the nation. Stillwater has been experiencing significant growth in the retail, hotel and financial sectors. Four hotels are newly open or under construction. Five new banks are open or underway. Several new restaurants have opened. The City's first Business Improvement District located in downtown has already seen significant investment in the area since it's creation in December 2007. Several businesses in the area have improved their facades and new establishments have located or relocated to the district. Regular utility rate increases in the past few years have also added to revenues.

Stillwater employers have remained stable and there have been no closings of major employers. Armstrong World Industries and Mercruiser have had recent lay-offs but with high demand for workers, including other local manufacturers, the impact to the local economic condition is expected to be minimal and short-term. Interworks, an information technology company has announced plans for expansion as has Ocean Dental and Accurate Labs. EagleMed has announced it will locate its regional 24-hour medical evacuation service at Stillwater Regional Airport. The company will employ 14 medical and technical personnel and will utilize various rotor and fixed-wing aircraft.

The Stillwater Industrial Foundation (SIF) purchased a 46-acre site for development of new sites for manufacturing and distribution. Partial financing for this project came from Forward Stillwater, a local initiative over the last 5 years to raise funds to provide incentives for economic development. The SIF also sold it's remaining interest in the Airport Industrial/Office Park, a 52-acre business park adjacent to Stillwater Regional Airport. The buyer plans to begin development of build-to-suit and lease space ranging from 6,500 to 100,000 square feet. The Oklahoma Technology and Research Park (OTRP) broke ground on the Michael S. Morgan Business Accelerator Building on the tech park campus. This will become the fourth building constructed at the tech park and will provide office and lab space for emerging technology companies. Both the Airport Industrial Park and the OTRP received certification from the Oklahoma Department of Commerce. The certification assures prospective investors and tenants that the sites have met a high quality of standards.

Oklahoma State University is undertaking expansion projects representing over \$800 million dollars over the next five years, generating a \$1.2 billion economic impact on the Stillwater area. A multimodal transportation facility has been completed on Campus. This \$16 million transit hub used by the OSU bus system also includes more than 1,200 parking spaces for students and visitors to OSU. OSU in cooperation with Northern Oklahoma College broke ground for a new classroom building on the OSU campus. The shared facility will include classrooms, computer labs and lecture halls. Stillwater Public Schools passed a \$31 million bond issue that will be used for band and orchestra instruments, security, furniture and equipment, technology, agriculture education facility improvements, an Early Childhood Center, and athletic facilities including a new multipurpose stadium.

Stillwater was named to the list of the top ten affordable college towns based on the average real estate sales prices as reported by the Coldwell Banker College Home Price Comparison Index. Coming in at number four on the list, Stillwater's average home price was reported as \$162,000. Stillwater was also named to the top ten Small Cities to operate a Business and Retire. This ranking provided by the Southern Business and Development Magazine notes Stillwater's fast track business development process, business start-up assistance, quality health care, recreational opportunities and a cost of living index about 10 percent below the national average.

From January through June 2008, there were 53 new single family residential permits issued totaling \$10,807,800 and 22 commercial permits issued totaling \$10,807,800. Enrollment at Oklahoma State University showed a slight decrease for the Fall 2008 semester with a headcount of 22,768.

The budget for the fiscal year 2008-09 was adopted by the Stillwater City Council on June 9, 2008, and went into effect on July 1, 2008. A basic set of capital projects have been approved in the budget. Emphasis has been placed on completing works in progress and priority projects before additional projects are added in future year capital plans or budgets.

Utility rates are subject to an additional increase in January based on the CPI index of up to 3%. The budget has been designed to reflect a commission policy to increase the reserves held of \$2,060,000 in the general fund and \$11,330,000 in the Stillwater Utilities Authority by 3% to \$2,121,800 and \$11,669,900 respectively.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 723 S. Lewis, P.O. Box 1449, Stillwater, Oklahoma or phone at (405) 372-0025.

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CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Stillwater Medical Center Authority	Stillwater Convention and Visitors Bureau
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,832,301	\$ 18,936,613	\$ 30,768,914	\$ 15,238,378	\$ 83,102
Investments	-	-	-	18,757,328	-
Accounts receivable, net of allowance for uncollectible accounts of \$3,896,042	1,547,405	7,946,445	9,493,850	10,066,337	87,334
Internal balances	388,729	(388,729)	-	-	-
Leasehold receivable	-	362,637	362,637	-	-
Inventories	215,927	1,142,971	1,358,898	2,027,382	-
Due from other governments	4,038,870	-	4,038,870	-	-
Other assets	-	-	-	1,402,339	-
Restricted cash and cash equivalents	-	9,685,525	9,685,525	2,076,681	-
Restricted investments	-	-	-	1,600,895	-
Capital assets:					
Land and construction in progress	10,091,914	6,810,296	16,902,210	4,198,998	-
Other capital assets, net of accumulated depreciation	77,743,841	104,451,718	182,195,559	35,388,130	4,914
Other assets	-	-	-	1,287,911	-
Unamortized debt issuance costs	-	345,156	345,156	-	-
Total assets	<u>105,858,987</u>	<u>149,292,632</u>	<u>255,151,619</u>	<u>92,044,379</u>	<u>175,350</u>
<b>LIABILITIES</b>					
Accounts payable	1,606,283	3,989,554	5,595,837	2,498,677	13,455
Accrued liabilities	2,116,631	329,231	2,445,862	3,791,933	12,086
Accrued interest payable	40,154	321,420	361,574	70,309	-
Unearned revenue	-	97,759	97,759	-	-
Long-term liabilities:					
Due within one year	916,780	5,095,430	6,012,210	1,994,810	-
Due in more than one year	11,128,836	30,446,814	41,575,650	19,806,908	-
Total liabilities	<u>15,808,684</u>	<u>40,280,208</u>	<u>56,088,892</u>	<u>28,162,637</u>	<u>25,541</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	78,005,755	84,155,142	162,160,897	18,836,660	4,914
Restricted for:					
Capital projects	99,216	54,756	153,972	-	-
Debt service	129,488	2,208,517	2,338,005	2,668,850	-
Street improvements	9,609,597	-	9,609,597	-	-
Specific operating activities	630,646	-	630,646	293,430	-
Nonexpendable operating activities	-	-	-	508,529	-
Unrestricted	1,575,601	22,594,009	24,169,610	41,574,273	144,895
Total net assets	<u>\$ 90,050,303</u>	<u>\$ 109,012,424</u>	<u>\$ 199,062,727</u>	<u>\$ 63,881,742</u>	<u>\$ 149,809</u>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Component Units	
						Total	Stillwater Medical Center Authority	Stillwater Convention & Visitors Bureau	
<b>Primary Government</b>									
Government activities									
Public safety	17,238,579	\$ 189,049	\$ 38,226	\$ 145,272	\$ (16,866,032)	\$ -	\$ (16,866,032)		
Recreation and culture	5,645,050	765,242	46,436	15,860	(4,817,512)	-	(4,817,512)		
General government	3,811,781	393,280	36,031	-	(3,382,470)	-	(3,382,470)		
Financial administrator	648,327	890,515	-	-	242,188	-	242,188		
Street and sewers	7,009,091	445,976	-	692,177	(5,870,938)	-	(5,870,938)		
Engineering and public works administration	630,423	-	-	-	(630,423)	-	(630,423)		
Economic development	1,035,287	-	-	-	(1,035,287)	-	(1,035,287)		
Health and welfare	1,669,649	1,408,365	-	-	(261,284)	-	(261,284)		
Interest on long-term debt	528,335	-	-	-	(528,335)	-	(528,335)		
Total governmental activities	38,216,522	4,092,427	120,693	853,309	(33,150,093)	-	(33,150,093)		
<b>Business-type activities</b>									
Electric, water, wastewater and sanitation operations	45,651,630	52,517,022	-	1,866,638	-	8,732,030	8,732,030		
Stillwater Public Golf Authority	1,204,793	730,872	-	-	-	(473,921)	(473,921)		
Business area development	45,740	2,712	-	147,456	-	104,428	104,428		
Airport operations	2,670,192	1,509,281	-	141,375	-	(1,019,536)	(1,019,536)		
Total business-type activities	49,572,355	54,759,887	-	2,155,469	-	7,343,001	7,343,001		
Total primary government	\$ 87,788,877	\$ 58,852,314	\$ 120,693	\$ 3,008,778	(33,150,093)	7,343,001	(25,807,092)		
Component Units									
Medical Center	\$ 75,468,161	\$ 74,873,718	\$ 73,790	\$ 294,366					
Economic Development	463,870	439,650	-	-					
Total component units	\$ 75,932,031	\$ 75,313,368	\$ 73,790	\$ 294,366					
<b>General revenues</b>									
Taxes:									
Sales and use taxes					23,860,004	-	23,860,004		
Property taxes					1,343,353	-	1,343,353		
Franchise and public service taxes					1,502,845	-	1,502,845		
E911 taxes					81,681	-	81,681		
Hotel/motel taxes					439,953	-	439,953		
Investment Income					464,024	847,390	1,311,414		623
Miscellaneous					587,116	599,887	1,187,003		
Transfers-internal activity					4,115,538	(4,115,538)	-		
Total general revenues and transfers					32,394,514	(2,668,261)	29,726,253		623
Change in net assets					(755,579)	4,674,740	3,919,161		(23,597)
Net assets -beginning					90,805,882	104,337,684	195,143,566		173,406
Net assets-ending					\$ 90,050,303	\$ 109,012,424	\$ 199,062,727		\$ 149,809

The accompanying notes are an integral part of this statement.



CITY OF STILLWATER, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Transportation Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 511,224	\$ 10,015,506	\$ 1,103,176	11,629,906
Due from other governments	3,888,941	-	149,929	4,038,870
Accounts receivable, net of uncollectable accounts of \$809,097	1,511,554	-	35,599	1,547,153
Due from other funds	162,259	-	1,576	163,835
Inventories	215,927	-	-	215,927
Total assets	<u>\$ 6,289,905</u>	<u>\$ 10,015,506</u>	<u>\$ 1,290,280</u>	<u>17,595,691</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,036,172	\$ 389,738	\$ 180,373	1,606,283
Accrued liabilities	988,885	13,068	4,555	1,006,508
Due to other funds	111,977	3,103	2,328	117,408
Deferred revenue	723,306	-	47,185	770,491
Total liabilities	<u>2,860,340</u>	<u>405,909</u>	<u>234,441</u>	<u>3,500,690</u>
<b>FUND BALANCES</b>				
Reserved for inventories	215,927	-	-	215,927
Reserved for debt service	-	-	129,488	129,488
Reserved for police activities	103,845	-	-	103,845
Reserved for fire activities	259,093	-	-	259,093
Reserved for capital improvements	-	-	99,216	99,216
Reserved for hotel/motel	51,781	-	-	51,781
Reserved for sales tax transfer	1,617,836	-	-	1,617,836
Unreserved:				
Designated for self insurance	855,704	-	-	855,704
Designated for recreation and culture	105,920	-	-	105,920
Special revenue funds undesignated	-	9,609,597	827,135	10,436,732
General Fund undesignated	219,459	-	-	219,459
Total fund balances	<u>3,429,565</u>	<u>9,609,597</u>	<u>1,055,839</u>	<u>14,095,001</u>
Total liabilities and fund balances	<u>\$ 6,289,905</u>	<u>\$ 10,015,506</u>	<u>\$ 1,290,280</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:  
Capital assets used in governmental activities are not financial resources and, therefore, are not  
report in the funds, net of accumulated depreciation of \$94,209,993 87,835,755

Certain long-term receivables are not available to pay for current fund liabilities and, therefore, are  
deferred in the funds 770,490  
continued

Internal Service fund assets and liabilities are reported in the proprietary fund in the fund financial statements but are included in government activities in the Statement of Net Assets	182,313
Certain long-term liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:	
Accrued workers' compensation claims	(1,110,123)
Accrued interest payable	(40,154)
General obligation bonds payable	(9,830,000)
Accrued compensated absences	(1,852,979)
Net assets of governmental activities	<u>\$ 90,050,303</u>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	General	Transportation Improvement	Other Governmental Funds	Totals Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 25,970,864	\$ -	\$ 1,355,267	\$ 27,326,131
Intergovernmental	120,694	-	301,334	422,028
Charges for services	1,091,356	-	266,055	1,357,411
Fines and forfeits	789,481	-	-	789,481
Fees and rentals	816,051	-	-	816,051
Investment income	54,152	364,519	40,090	458,761
Licenses and permits	246,636	-	-	246,636
Other miscellaneous revenues	1,234,211	63,877	30,099	1,328,187
<b>Total revenues</b>	<b>30,323,445</b>	<b>428,396</b>	<b>1,992,845</b>	<b>32,744,686</b>
<b>EXPENDITURES</b>				
Current				
Public safety	16,682,553	-	-	16,682,553
Recreation and culture	5,005,297	-	9,789	5,015,086
General government	2,986,340	-	-	2,986,340
Financial administration	578,968	-	-	578,968
Streets and sewers	2,039,860	312,144	269,002	2,621,006
Operations	583,597	-	-	583,597
Economic development	1,035,287	-	-	1,035,287
Human services	1,487,800	-	458,893	1,946,693
Debt service:				
Principal retirements	-	-	790,000	790,000
Interest and fiscal charges	-	-	532,525	532,525
Capital outlay	3,011,984	2,828,637	273,213	6,113,834
<b>Total expenditures</b>	<b>33,411,686</b>	<b>3,140,781</b>	<b>2,333,422</b>	<b>38,885,889</b>
Deficiency of revenues under expenditures	(3,088,241)	(2,712,385)	(340,577)	(6,141,203)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,944,466	3,206,068	110,000	15,260,534
Transfers out	(10,406,932)	(928,562)	-	(11,335,494)
<b>Total other financing sources (uses)</b>	<b>1,537,534</b>	<b>2,277,506</b>	<b>110,000</b>	<b>3,925,040</b>
Net change in fund balances	(1,550,707)	(434,879)	(230,577)	(2,216,163)
<b>FUND BALANCES, beginning</b>	<b>4,980,272</b>	<b>10,044,476</b>	<b>1,286,416</b>	<b>16,311,164</b>
<b>FUND BALANCES, ending</b>	<b>\$ 3,429,565</b>	<b>\$ 9,609,597</b>	<b>\$ 1,055,839</b>	<b>\$ 14,095,001</b>

Reconciliation to Statement of Activities:	
Net change in fund balances	\$ (2,216,163)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital asset purchases	6,338,945
Donated capital assets	790,082
Assets transferred from proprietary funds	190,498
Depreciation expense	(5,978,308)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	(113,738)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	790,000
Internal Service Fund revenue	5,274
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Accrued interest payable	4,190
Accrued compensated absences	(85,113)
Accrued workers' compensation claims	(481,246)
Change in net assets-governmental activities	<u>\$ (755,579)</u>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF NET ASSETS- PROPRIETARY FUNDS  
JUNE 30, 2008

	Business-type Activities			Governmental Activities- Internal Service Funds
	Stillwater Utilities Authority	Enterprise Funds Non Major Enterprise Funds	Totals	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 14,503,146	\$ 278,742	\$ 14,781,888	\$ 202,395
Cash and cash equivalents - internally designated	4,154,725	-	4,154,725	-
Restricted cash and cash equivalents	2,783,963	-	2,783,963	-
Accounts receivable, net of allowance for uncollectible accounts of \$234,945	7,940,069	6,376	7,946,445	252
Due from other funds	111,977	-	111,977	-
Advances to other funds	-	4,000	4,000	41,667
Leasehold receivable	-	41,667	41,667	-
Inventories	1,017,763	125,208	1,142,971	-
<b>Total current assets</b>	<b>30,511,643</b>	<b>455,993</b>	<b>30,967,636</b>	<b>244,314</b>
NONCURRENT ASSETS				
Advances to other funds	-	8,000	8,000	320,970
Leasehold receivable	-	320,970	320,970	-
Restricted assets:				
Cash and equivalents	6,901,562	-	6,901,562	-
Capital assets, non depreciable	5,790,670	1,019,626	6,810,296	-
Capital assets, net of accumulated depreciation	94,032,225	10,419,493	104,451,718	-
Unamortized debt issuance costs	345,156	-	345,156	-
<b>Total noncurrent assets</b>	<b>107,069,613</b>	<b>11,768,089</b>	<b>118,837,702</b>	<b>320,970</b>
<b>Total assets</b>	<b>137,581,256</b>	<b>12,224,082</b>	<b>149,805,338</b>	<b>565,284</b>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	3,810,303	179,251	3,989,554	-
Accrued expenses	245,380	83,851	329,231	-
Accrued compensated absences	17,984	6,046	24,030	-
Accrued interest payable	321,420	-	321,420	-
Current portion of customer deposits	575,445	-	575,445	-
Current portion of long-term obligations, net	4,495,955	-	4,495,955	41,667
Due to other funds	1,576	136,493	138,069	20,334
Advances from other funds	-	45,667	45,667	-
Unearned revenue	-	97,759	97,759	-
<b>Total current liabilities</b>	<b>9,468,063</b>	<b>549,067</b>	<b>10,017,130</b>	<b>62,001</b>
NONCURRENT LIABILITIES				
Customer deposits	849,154	-	849,154	-
Compensated absences	580,668	50,919	631,587	-
Refundable grant obligations	-	-	-	320,970
Advances from other funds	-	328,970	328,970	-
Long-term obligations, net	28,966,073	-	28,966,073	-
<b>Total noncurrent liabilities</b>	<b>30,395,895</b>	<b>379,889</b>	<b>30,775,784</b>	<b>320,970</b>
<b>Total liabilities</b>	<b>39,863,958</b>	<b>928,956</b>	<b>40,792,914</b>	<b>382,971</b>
NET ASSETS				
Invested in capital assets, net of related debt	72,716,023	11,439,119	84,155,142	-
Restricted for debt service	2,208,517	-	2,208,517	-
Restricted for capital projects	54,756	-	54,756	-
Unrestricted (deficit)	22,738,002	(143,993)	22,594,009	182,313
<b>Total net assets</b>	<b>\$ 97,717,298</b>	<b>\$ 11,295,126</b>	<b>\$ 109,012,424</b>	<b>\$ 182,313</b>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Stillwater Utilities Authority	Non Major Enterprise Funds	Totals	
<b>OPERATING REVENUES - PLEGDED AS SECURITY FOR REVENUE BONDS</b>				
Charges for services	\$ 51,350,293	\$ 1,757,114	\$ 53,107,407	\$ 10
Other	1,166,729	485,751	1,652,480	-
Total operating revenues	<u>52,517,022</u>	<u>2,242,865</u>	<u>54,759,887</u>	<u>10</u>
<b>OPERATING EXPENSES</b>				
Operating and maintenance	38,848,759	3,024,254	41,873,013	-
Depreciation	5,670,149	895,322	6,565,471	-
Amortization	-	1,149	1,149	-
Total operating expenses	<u>44,518,908</u>	<u>3,920,725</u>	<u>48,439,633</u>	<u>-</u>
Operating income (loss)	<u>7,998,114</u>	<u>(1,677,860)</u>	<u>6,320,254</u>	<u>10</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	843,998	3,392	847,390	5,264
Interest expense	(1,044,046)	-	(1,044,046)	-
Debt issuance costs	(88,676)	-	(88,676)	-
Other income	599,887	-	599,887	-
Net nonoperating revenues	<u>311,163</u>	<u>3,392</u>	<u>314,555</u>	<u>5,264</u>
Income (loss) before capital contributions and transfers	<u>8,309,277</u>	<u>(1,674,468)</u>	<u>6,634,809</u>	<u>5,274</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	1,866,638	288,831	2,155,469	-
Transfers in	7,340,698	835,303	8,176,001	-
Transfers out	(12,291,539)	-	(12,291,539)	-
Net capital contributions and transfers	<u>(3,084,203)</u>	<u>1,124,134</u>	<u>(1,960,069)</u>	<u>-</u>
Change in net assets	5,225,074	(550,334)	4,674,740	5,274
NET ASSETS, beginning	<u>92,492,224</u>	<u>11,845,460</u>	<u>104,337,684</u>	<u>177,039</u>
NET ASSETS, ending	<u>\$ 97,717,298</u>	<u>\$ 11,295,126</u>	<u>\$ 109,012,424</u>	<u>\$ 182,313</u>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities		Totals	Governmental Activities Internal Service Funds
	Stillwater Utilities Authority	Enterprise Funds Non Major Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 50,563,726	\$ 1,791,442	\$ 52,355,168	2,963
Payments to suppliers	(27,921,839)	(1,921,372)	(29,843,211)	-
Payments to employees	(8,893,582)	(974,570)	(9,868,152)	-
Inter fund activity-payments to other funds	(1,462,638)	(250,254)	(1,712,892)	21,667
Other receipts (payments)	1,163,794	484,380	1,648,174	10
Net cash provided by (used for) operating activities	<u>\$ 13,449,461</u>	<u>\$(870,374)</u>	<u>\$ 12,579,087</u>	<u>\$ 24,640</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(12,190,218)	864,693	(11,325,525)	-
Net cash provided by (used for) non-capital financing activities	<u>(12,190,218)</u>	<u>864,693</u>	<u>(11,325,525)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	127,836	141,375	269,231	-
Purchases of assets	(4,218,226)	(6,162)	(4,224,388)	-
Proceeds from sale of capital assets	8,258	-	8,258	-
Proceeds from capital debt	6,010,000	-	6,010,000	-
Bond issue costs paid	(67,100)	-	(67,100)	-
Transfers in related to capital financing	7,340,698	-	7,340,698	-
Principal paid on capital debt	(3,473,714)	41,667	(3,432,047)	-
Interest paid on debt	(943,950)	-	(943,950)	-
Net cash provided by (used for) capital activities	<u>4,783,822</u>	<u>176,880</u>	<u>4,960,702</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	843,998	3,392	847,390	5,263
Net cash provided by investing activities	<u>843,998</u>	<u>3,392</u>	<u>847,390</u>	<u>5,263</u>
<b>Net decrease in cash and cash equivalents</b>	<u>6,887,063</u>	<u>174,591</u>	<u>7,061,654</u>	<u>29,903</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>21,456,333</u>	<u>104,151</u>	<u>21,560,484</u>	<u>172,492</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 28,343,396</u>	<u>\$ 278,742</u>	<u>\$ 28,622,138</u>	<u>\$ 202,395</u>
<b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities</b>				
Operating income (loss)	\$ 7,998,114	\$ (1,677,860)	\$ 6,320,254	\$ 10
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	5,670,149	895,322	6,565,471	-
Amortization expense	-	1,148	1,148	-
Gain on disposal of assets	(2,935)	-	(2,935)	-
Changes in assets and liabilities				
Receivables, net	(913,171)	617	(912,554)	2,963
Inventories	(6,990)	(33,760)	(40,750)	-
Accounts and other payables	662,979	(95,036)	567,943	21,667
Unearned revenue	41,315	33,710	75,025	-
Accrued expenses	13,449,461	5,485	13,454,946	-
Net cash provided by (used for) operating activities	<u>\$ 13,449,461</u>	<u>\$(870,374)</u>	<u>\$ 12,579,087</u>	<u>\$ 24,640</u>
Non cash activities				
Capital assets donated by developers	\$ 1,738,782	-	\$ 1,738,782	-

The accompanying notes are an integral part of this statement



CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 148,120
Investments	260,520
Assessment receivables	<u>6,703</u>
Total assets	<u><u>\$ 415,343</u></u>
LIABILITIES	
Accounts payable	\$ 7,357
Amounts held in escrow	<u>407,986</u>
Total Liabilities	<u><u>\$ 415,343</u></u>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The City of Stillwater, Oklahoma (the City) is a municipal corporation operating under the authority of Oklahoma State Statute. The City operates under a city manager form of government. Four elected members of the City Council and the Mayor set policy. The City Council employs the City Manager. The basic financial statements of the funds and fiduciary funds of the City include those of separately administered organizations that are controlled by or dependent on the legislative or executive branches, the City Council and the City Manager, respectively. In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," the City has presented the entities which comprise the primary government along with its discretely presented component units in the basic financial statements. As required by accounting principles generally accepted in the United States of America, the basic financial statements present the reporting entity which consists of the primary government and organizations for which the primary government is financially accountable.

Based on the foregoing criteria, the accounts of the following organizations are included in the City's reporting entity:

**Blended Component Units**

The following component units have been presented as blended component units because the governing body is substantially the same as the governing body of the City.

**Stillwater Utilities Authority**

The Stillwater Utilities Authority (the "SUA") was created by a trust indenture dated April 1, 1979, pursuant to Title 60, Oklahoma Statutes 1971, Section 176 to 180.4 and the Oklahoma Trust Act, designating the City Council as trustee for the benefit of the City in respect to water, sewer and electric service. The SUA leases, operates and maintains the water, sewer, electrical and sanitation utilities pursuant to a renewable lease agreement and an operation and maintenance contract with the City. The operations, maintenance and debt of the SUA are funded from service charges and a one cent sales tax levied by the City and transferred to the SUA as the SUA has no taxing authority. The operations of SUA are reported in the accompanying basic financial statements as an enterprise fund.

**The Stillwater Public Works Authority**

The Stillwater Public Works Authority (the "SPWA") was created by a Declaration of Trust dated January 21, 1963, pursuant to Title 60, Oklahoma Statutes 1961 and the Oklahoma Trust Act, designating the City Council as trustee to enter into contractual arrangements to provide services and physical facilities to departments of the City and, on behalf of the City, to other governments and residential and commercial residents within the corporate boundaries of the City. There are both formal and informal leasing arrangements between the SPWA and the City. The SPWA operations are reported in the accompanying basic financial statements as the internal service fund.

### **Stillwater Industrial and Redevelopment Authority**

The Stillwater Industrial and Redevelopment Authority (the "SIRA") was established by resolution of the City Council on February 19, 1990 pursuant to Title 60, Oklahoma Statutes 1981, Sections 176-180.4, inclusive as amended and supplemented (The "Public Trust Act"), Title 11, Oklahoma Statutes 1981, Sections 40-101 through 40-115, inclusive, as amended and supplemented (the "Central Business District Redevelopment Act"). The SIRA is a public trust with the City as beneficiary and the City Councilors designated as trustees. The main purpose is the improvement of the economic climate of the trust beneficiary. Methods of improving the economic climate may include but are not limited to, assisting in acquisition of financial resources to improve availability of housing, redevelopment of blighted areas and other economic activities. The operations of the SIRA are reported in the accompanying basic financial statements as an enterprise fund.

### **Stillwater Public Golf Authority**

The Stillwater Golf Authority (the "SPGA") was created by a trust indenture dated July 1, 1997 pursuant to Title 60, Oklahoma Statutes 1991, Section 176-180.3, designating the City Council as trustee for the benefit of the City for the purpose of the operation of an 18 hole golf course, Lakeside Golf Course. The operations, maintenance and debt of the SPGA are funded by fees collected from participants at the golf course. The SPGA operations are reported in the accompanying basic financial statements as an enterprise fund.

## Discretely Presented Component Units

### **Stillwater Medical Center Authority**

The Stillwater Medical Center Authority (the "Hospital") was created by a trust indenture dated December 14, 1971, pursuant to Title 60, Oklahoma Statutes 1961, Sections 176 to 180.4, and the Oklahoma Trust Act, to construct, maintain and operate facilities for various types of health care delivery, for use by the State or any political subdivision or municipality of the State and to lease properties from the City. The Hospital is administered by a seven member Board of Trustees consisting of the Mayor, or one other City Councilor, and six other individuals appointed by the City Council. Although the Hospital Board of Trustees hires hospital management, monitors the activities of the Hospital and establishes the rates and charges of the Hospital, the City may remove the Hospital Trustees at will. The Hospital's operating and capital expenditures, including debt service, are financed entirely by the Hospital's operating income. All indebtedness of the Hospital is the obligation of the Hospital Trustees, payable solely from the Hospital's assets. However, approval from the City is required for debt issues in excess of 5% of the then outstanding Hospital debt. The City leases land to the Hospital and is the beneficiary of the trust estate but has no responsibility to fund deficits or subsidize operations. The Hospital has a December 31 year-end. To obtain separate financial statements for the Hospital, contact the Chief Financial Officer, Stillwater Medical Center, 1323 West Sixth Street, Stillwater, Oklahoma 74074.

### **Stillwater Convention And Visitors Bureau**

The Stillwater Convention and Visitors Bureau was created by an ordinance dated March 25, 1985. The ordinance created a 4% excise tax from the gross proceeds derived from the receipts received from occupancy of hotel rooms. These funds are to be used by the Bureau for the development of Stillwater as a visitor destination. The Bureau is administered by an eleven member board which is appointed by the City Council. The board consists of a majority from the private sector and not less than two from the hotel industry. The city manager or his designated representative serves as ex-officio, non-voting member. The City approves the budget of the Bureau; however the Stillwater Chamber of Commerce provides daily oversight of the Bureau. To obtain separate financial statements for the Convention and Visitors Bureau contact the

Executive Director, Stillwater Convention and Visitors Bureau, P.O. Box 1687, Stillwater, OK 74076.

## BASIS OF PRESENTATION

### Government-wide Financial Statements:

The statement of net assets and statement of activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

### Fund Financial Statements:

The reporting entity is organized into funds, each of which is considered a separate accounting entity. Separate financial statements are provided for the three fund categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds with the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 % of the corresponding fund category total, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 % of the corresponding total for all governmental funds and enterprise funds combined.

The funds of the City are described below:

### General Fund

The general fund is the primary operating fund of the City government and will always be classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

### Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes or otherwise segregated for accounting purposes and include the following:

- Transportation Improvement Fund
- Community Development Block Grant Fund
- Library Materials Enhancement Fund
- Storm Water Management Fund

### Debt Service Fund

The debt service fund is used to account for the accumulation of ad-valorem taxes levied by the City for the payment of general long-term debt principal, interest and related costs.

### Capital Projects Fund

The capital projects fund is used to account for the resources restricted for the acquisition or construction of specific capital projects or items. The remaining balance of the proceeds from the bonds issued for the construction of the Police Building and the remodeling of the Municipal Building remain in this fund.

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, management control, accountability or other purpose. The reporting entity includes the following enterprise funds:

- Stillwater Utilities Authority
- Airport
- Stillwater Public Golf Authority
- Stillwater Industrial Redevelopment Authority

Internal Service fund

The internal service fund is the SPWA and accounts for acquisition and financing of physical facilities. Debt service requirements are provided from charges billed to the benefited fund.

Fiduciary Fund

The Fiduciary fund is used to account for assets held in a trustee or agency capacity for others and cannot be used to support the City's programs. The City has the following agency accounts:

- |                                |                              |
|--------------------------------|------------------------------|
| Property Rehabilitation Escrow | Sanitary Sewer Assessments   |
| Detention Pond Escrow          | Public Library Donations     |
| Sidewalk Escrow                | Bond Escheatment Escrow      |
| Right Of Way Escrow            | Airport Grant Escrow         |
| Street Assessments             | Performance Guarantee Escrow |

Discretely Presented Component Units

Discretely presented component units are separate legal entities whose governing body (in majority) is appointed by the Mayor or City Council, but whose governing body is not substantially the same as the City Council nor is an entity established to provide services primarily to the primary government. Since these component units are not as closely associated with the City as are the blended component units, they are reported in discretely presented columns on the government-wide financial statements labeled "Component Units." The reporting entity includes the following discretely presented component units:

- Stillwater Medical Center Authority
- Stillwater Convention and Visitors Bureau

**Major Governmental Funds:**

Description

- |                                 |   |
|---------------------------------|---|
| General Fund                    | See previous description  |
| Transportation Improvement Fund | Accounts for the expenditures for street projects as approved by the voters in 2001 and other transportation projects. Financing is provided by the ½ cent sales tax also approved by the voters. |

**Major Enterprise Fund:**  
Stillwater Utility Authority (SUA)

Description

Accounts for the operations of the electric, water, sewer and sanitation system under the Stillwater Utilities Authority, a public trust existing under a Trust Indenture dated April 1, 1979, which was created by an ordinance of the City.

**Non-Major funds:**  
Special Revenue Funds:

Community Development Block Grants Accounts for funds used for the improvements in low-income portions of the community. Funding is provided by the Community Development Block Grant Small Cities Set Aside program and local matching funds.

Storm Water Management Accounts for the expenditures for storm water management funded primarily by a storm water fee.

Library Materials Enhancement Accounts for the expenditures of the proceeds from the sale of the old library building.

Debt Service Fund See previous description

Capital Project Fund

Police/Municipal Building See previous description

Enterprise Funds:

Airport Accounts for the operation of the Stillwater Municipal Airport including capital additions and improvements financed through federal and state grant proceeds and City contributions.

Stillwater Industrial Redevelopment Authority Accounts for expenditures for industrial redevelopment. Financing is provided from federal grants, federal loans, city contributions and citizen participation.

Stillwater Public Golf Authority Accounts for the operations of Lakeside Golf Course, an 18 hole public golf course.

**Internal Service Fund:**

Stillwater Public Works Authority Accounts for acquisition and financing of physical facilities. Debt service requirements are provided from charges billed to the benefited fund.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The government-wide statement of net assets and statement of activities are presented using the *economic measurement focus* and the *accrual basis of accounting* as are the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets

and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental funds financial statements are presented on the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means revenues are collectible within the current period or within 60 days of the end of the fiscal year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest and accrued compensated absences which are recorded when due.

The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements in the government-wide and proprietary fund financial statements.

## ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Cash Equivalents - Cash in bank, cash on hand, and short-term investments with original maturities of ninety days or less are reported as cash and cash equivalents. The resources of the individual funds are general in purpose and combined to form a pool of investments which is managed by the Director of Finance. These pooled assets (comprised of Treasury repurchase agreements) are stated at amortized cost if the investment had a maturity of one year or less at the time of purchase and all long-term investments are recorded at fair value. All investments held are authorized under Oklahoma State Statutes. Permissible investments include direct obligations of the U. S. government and agency securities, certificates of deposit, and savings accounts or savings certificates of savings and loan associations. Each fund's equity in the pooled investments account is reported in the basic financial statements as cash and cash equivalents.

Earnings on investments are allocated to the individual funds by a formula based on each fund's month-end equity in the pooled investments account (See Note 2).

Assets Internally Designated - Assets internally designated consist of cash and cash equivalents set aside by the Stillwater Utilities Authority Board of Trustees in anticipation of future potential operating cost increases and/or future substantial capital expenditure requirements (rate stabilization assets) and at the Board's discretion may subsequently be used for other purposes. As of June 30, 2008, cash and cash equivalents in the amount of \$4,154,725 have been internally designated by the SUA trustees for this purpose.

Investments - Investments with an original maturity of one year or less are recorded at amortized cost. Long term investments are recorded at fair value.

Accounts Receivable/Due from Other Governments - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, court fines and ambulance fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Non-exchange revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Proprietary fund receivables consist of all revenues earned at year-end and not yet received. Utility accounts



receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Receivables of the Stillwater Medical Center Authority consists of patient accounts receivable for service rendered. The Hospital provides an allowance for uncollectible accounts receivable based upon historical trends and the existing economic conditions.

Restricted Assets - Proceeds from debt and related sinking fund accounts and contributions from governmental grantors to the Enterprise Funds are classified as restricted assets, since their use is restricted by applicable bond indentures and grant agreements. Customer utilities deposits held by the City are classified as restricted assets.

Inventories - Inventories, consisting primarily of materials and supplies, are stated at weighted average cost. The consumption method of accounting is used by the governmental funds; therefore, inventory purchases are recorded in these funds as expenditures as they are used. Inventories are adjusted to annual physical count and, since inventories are not available spendable resources, are equally offset by a reservation of fund balance in the governmental funds. Inventories of proprietary funds consist primarily of materials, supplies and fuel oil, and are reported at the lower of average cost or market.

Bond Discounts and Issuance Costs - Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method.

Capital Assets - The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations and similar discretely presented component unit operations or proprietary fund operations and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by business-type activities was \$1,044,046. There was no interest capitalized for the fiscal year ended June 30, 2008.

#### Government-Wide Statements

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The threshold for capitalization of assets is \$5,000. All land acquired by the city is capitalized.

Prior to July 1, 2002, governmental activities' infrastructure assets were not capitalized. These assets (dating back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
Buildings	10-70 Years
Other Improvements	2-70 Years
Equipment and vehicles	1-58 Years
Infrastructure	25-50 Years

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.



### Long-term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and similar discretely presented component unit resources and business-type and similar discretely presented component unit resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of accrued compensated absences, general obligation bonds payable, capital leases payable, notes payable and revenue bonds payable.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. Payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

### Compensated Absences

Sick Pay - Employees may accrue a maximum of 1,000 hours of sick leave. An employee with five or more years of service who retires or resigns shall receive a bonus credit of 10% of the accumulated unused sick leave to be computed at the rate of pay being received by the employee at retirement or resignation date. Employees with ten to thirty-five years of service receive a bonus credit ranging from 12.5% to 35%.

Vacation Pay - Employees are credited with vacation at various rates depending on length of employment. Nonuniformed employees may accumulate and carry over to subsequent years up to 200.16 hours of vacation. Police officers can carry over to subsequent years up to 275 hours of vacation. Firefighters can carry over to subsequent years up to 381.96 hours of vacation. Upon termination, employees are paid for unused vacation.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absences to the extent they have matured. The proprietary funds report the liability as it is incurred. As of year-end, there is no liability reported in the fund financial statements. Compensated absences are paid as they are incurred by the applicable fund charged with the employee's compensation. All governmental funds participated in the pooled cash account and thus the payments are funded by this account.

### Deferred Revenue

Deferred revenue primarily consists of unavailable property taxes, municipal court fines, and ambulance charges.

### Equity Classifications

#### Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, leases or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservations include reserves for inventories, debt service, police and fire activities, capital improvements, hotel/motel, and sales tax transfer. Proprietary fund equity is classified the same as in the government-wide statements.

REVENUES, EXPENDITURES AND EXPENSES

Sales tax

The City levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The entire sales tax is recorded as revenue within the General Fund. Upon receipt, the General Fund distributes the dedicated portion of the sales tax as follows:

1. 2 cents retained by the General Fund for operations.
2. 1 cent transferred to the Stillwater Utilities Authority as required by revenue bond indentures. The proceeds are used in accordance with the trust indenture and current bond indentures.
3. ½ cent transferred to the Transportation Fund to be used for the projects approved by the voters in September 2001, other transportation projects and, as approved by voters in May, 2007, debt service related to transportation projects .

Property tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonds and court-assessed judgments. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent.

At the present time the City levies a property tax to fund the annual debt service requirements of the following general obligation bonds:

- 2000 Police/ Municipal Building
- 2001 Police/ Municipal Building

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

Public safety

Fire and police fines assessed for training, fire run fees, operating and capital grants from the Department of Homeland Security, U.S. Department of Justice, Oklahoma Highway Safety Grants and the Department of Juvenile Affairs and donations from outside contributors.

Recreation and culture	Park and recreation fees; capital and operating grants from the Oklahoma Department of Transportation, Department of Wildlife, and donations
General government	Property rentals and donations
Financial administration	Licenses and municipal court fines collected
Streets and sewers	Capital grants, motor fuel tax and commercial vehicle tax revenues
Health and welfare	Ambulance fees, permits, grants from the Oklahoma Department of Commerce and the Oklahoma Department of Forestry.
Economic Development	Donations

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

#### Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds and similar discretely presented component units are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

#### Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities.

In the governmental fund financial statements, expenditures/expenses are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
	Capital outlay
	Debt service

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

### INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statement:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements - repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities.
3. Primary government and component unit activity and balances - resource flows between the primary government (the City) and the discretely presented component unit (the Stillwater Convention and Visitors Bureau) are reported as if they were external transactions.

USE OF ESTIMATES

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

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

FUND ACCOUNTING REQUIREMENTS

The City complies, in all material respects, with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required by</u>
Debt Service Fund	State Law
Stillwater Utilities Authority	Trust Indenture
<u>Fund</u>	<u>Required by</u>
Stillwater Public Golf Authority	Trust Indenture
Stillwater Industrial Redevelopment Authority	Trust Indenture
Stillwater Public Works Authority	Trust Indenture

## DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The City maintains a cash pool that is available for use by most funds, as discussed in Note 1. In addition, cash and investments are separately held by several of the City's funds.

It is the City's policy to use state statutes (as they relate to municipal deposits and investments) as the City's deposit and investment guide. Therefore, the City collateralizes 100% of all deposit amounts, including interest, not covered by federal deposit insurance. Obligations that may be pledged as collateral include U.S. government issues, U.S. government insured securities, State of Oklahoma bonds, and bonds of any Oklahoma county or school district. The City prefers and requests U.S. governmental securities as collateral.

Public trusts created under O.S. Title 60, are not subject to the statutory investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2008, the City and its public trusts complied, in all material respects, with these investment restrictions.

## REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See note 1
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
E-911 Revenue	E-911 Emergency Services Purposes
Ad-valorem Tax	Debt Service on Bonds and Judgments
Grants Revenue	Based upon Individual Grant Agreements
Hotel/Motel Tax	Economic Development
Storm Water Fee	Storm Water Management Purposes
Fire and Police Training Fee	Training of the fire and police departments

For the year ended June 30, 2008, the City complied, in all material respects, with these revenue restrictions.

## DEBT RESTRICTIONS AND COVENANTS

### General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2008, the City complied with this restriction.

### Other Long-Term Debt

As required by the Oklahoma State Constitution, the City (excluding public trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without obtaining voter approval. For the year ended June 30, 2008, no such debt was incurred by the City.

### Revenue Bond Debt

The bond indenture relating to the revenue bond issue of the SUA contains a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through

special accounts, required reserve account balances, and revenue bond debt service coverage requirements. The following schedule presents a brief summary of the most significant requirements and the SUA's level of compliance thereon as of June 30, 2008.

<u>Requirement</u>	<u>Level of Compliance</u>
a. Flow of funds: Sales Tax Account Bond Account	All required accounts have been established and are used per Bond Indenture requirements.
b. Reserve Account Requirement:	The Bonds are secured by a Surety Policy issued by Ambac Assurance Corporation in lieu of capitalizing a Bond Fund Reserve.
c. Revenue Bond Coverage:	For the year ended June 30, 2008, available revenues plus sales tax transfer, was \$61,301,605; bond requirement is operating and maintenance excluding depreciation or \$38,848,759 plus 125% of next years principal and interest or \$6,462,923. Excess coverage was \$15,989,923 or 247%

#### FUND EQUITY/ NET ASSET RESTRICTIONS

##### Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2008 the City had not incurred a fund balance deficit in any individual fund.

##### Special Assessments

In accordance with Statement No. 6 of the Governmental Accounting Standards Board, the capital assets pertaining to the special assessments of 1981 and 1984, for sanitary sewer improvements, have been included in the sewer plant assets. The debt that is associated with special assessments in the City is secured by liens on assessed properties, but is not backed by the full faith and credit of the City and is not backed by any other type of general government commitment. Therefore, the City is not liable under any circumstances for the repayment of this debt should the property owners default. The City is only acting as an agent for the property owners in collecting the assessment and forwarding the collections to the bondholders. At June 30, 2008 the property owners owed the bondholders \$14,250 for the outstanding bonds.

### (3) DETAILED NOTES-TRANSACTION CLASSES/ACCOUNTS

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

#### DEPOSITS AND INVESTMENTS

##### Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.



State law requires collateralization of all deposits with federal depository insurance; U.S. government issues; U.S. government insured securities; State of Oklahoma bonds; or bonds of any county or school district of the State of Oklahoma.

At June 30, 2008, the City's bank balance of \$4,806,066 was not exposed to custodial credit risk. At December 31, 2007, the Hospital's bank balance of \$18,360,811 included \$867,308 which was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### Investments

The City may legally invest in direct obligations of the U.S. government and agency securities, certificates of deposit and savings accounts or savings certificates of savings and loan associations.

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, equity securities and guaranteed investment contracts.

#### Interest Rate Risk

At June 30, 2008, the City had \$29,393,299 invested in money market mutual funds which invest in U.S. government securities. The money market mutual funds are redeemable in full immediately. The City's investment policy does not address interest rate risk. The Hospital's investment policy generally limits its investment portfolio to maturities of three to five years.

At December 31, 2007, the Hospital's investments had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Guaranteed investment contracts	\$ 1,245,000	\$ -	\$ -	\$ -	\$ 1,245,000
Certificates of deposit	4,965,798	2,419,721	2,248,156	297,921	-
U.S. government securities	4,916,758	594,348	2,020,515	2,301,895	-
Corporate bonds	416,290	28,050	388,240	-	-
Mutual funds	1,433,992	1,433,992	-	-	-
Corporate stocks	7,315,117	7,315,117	-	-	-
Accrued interest	65,268	65,268	-	-	-
	<u>\$ 20,358,223</u>	<u>\$ 11,856,496</u>	<u>\$ 4,656,911</u>	<u>\$ 2,599,816</u>	<u>\$ 1,245,000</u>

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's mutual funds are rated AAA by Standard & Poor's. The City's investment policy does not address credit risk. The Hospital's policy is to limit its investments in fixed-income securities to no less than A or better by Standard and Poor's or an equivalent rating by another reputable institution. The investments of the Hospital have ratings ranging from A to AAA by Standard and Poor's and certain investments, which include guaranteed investment contracts, repurchase agreements and certain money market mutual funds were not rated by an agency. At December 31, 2007, all of the Hospital's investments complied with this policy.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. The Hospital's investment policy limits equity investments in any one company to 5% of the total market value of its portfolio and fixed-income investments, except U.S. government and agency securities, in any one issuer to 10%. At December 31, 2007, all of the Hospital's equity investments complied with this policy.



Custodial Risk - Custodial risk is the risk that, in the event of the failure of the counterparty, the Government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial risk. However, the City's investments are in the City's name, thus the City has no custodial risk at June 30, 2008.

At December 31, 2007, the Hospital's \$349,916 of corporate bonds, \$6,568,722 of corporate stocks and \$5,342,412 of U.S. government securities were held by counterparties in other than the Hospital's name. The Hospital's investment policy does not address how these securities are to be held.

Summary of Carrying Values

Reconciliation to Government-wide Statement of Net Assets	
Carrying Amounts	
Deposits	\$ 58,000,720
Investments	20,618,743
	<u>\$ 78,619,463</u>
Included in the following balance sheet captions	
Cash and cash equivalents	\$ 46,090,394
Investments	18,757,328
Restricted cash and cash equivalents	11,762,206
Restricted investments	1,600,895
Fiduciary funds	408,640
Total	<u>\$ 78,619,463</u>

ACCOUNTS RECEIVABLE

The accounts receivable of the governmental activities consist of franchise taxes, use tax, police fines, E-911, ambulance fees, hotel/motel tax receivables and re-insurance receivable. The ambulance fees are 34 percent of the total. Police fines are 18 percent of the total while reinsurance receivable is 13 percent of the total. The remaining receivables are intergovernmental and due from various customers. The accounts receivable of the business-type activities are amounts due from utility customers. All receivables are expected to be collected within one year.

ACCOUNTS PAYABLE

Accounts payable balances are payables to vendors. Accrued liabilities are salaries and wages payable as well as accrued insurance where applicable.

RESTRICTED ASSETS

Certain assets of the SUA are restricted in their use by bond and note indentures. Cash and cash equivalents in the amount of \$2,208,517 at June 30, 2008 was restricted in use to the service of debt.

Certain cash and cash equivalents of the SUA are restricted by agreement for the purpose of acquiring necessary easements related to water line upgrades for an area of service purchased from a rural water district. As of June 30, 2008, cash and cash equivalents of \$54,756 was restricted for this purpose.

Proceeds received from the 2007 Revenue Note issue are restricted in their use to finance transportation improvement projects identified in the 2006 Transportation Sales Tax Ordinance. As of June 30, 2008 cash and cash equivalents, classified as noncurrent, in the amount of \$5,997,652 were restricted for this purpose.

Customer deposits received for water or electric service are restricted in their use toward the customer's final bill. As of June 30, 2008 cash and cash equivalents in the amount of \$1,424,599, of which \$575,445 is classified as current and \$849,154 is classified as non-current, have been restricted for customer deposits

## CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
<b>PRIMARY GOVERNMENT:</b>				
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 5,219,489	\$ 420,198	\$ -	\$ 5,639,687
Construction-in-progress	7,544,843	3,968,256	7,060,872	4,452,227
Total capital assets not being depreciated	<u>12,764,332</u>	<u>4,388,454</u>	<u>7,060,872</u>	<u>10,091,914</u>
Other capital assets:				
Buildings	23,669,380	607,531	-	24,276,911
Other improvements	119,801,430	8,339,222	-	128,140,652
Machinery and equipment	18,565,302	1,519,255	548,286	19,536,271
Total other capital assets at historical cost	<u>162,036,112</u>	<u>10,466,008</u>	<u>548,286</u>	<u>171,953,834</u>
Less accumulated depreciation for:				
Buildings	5,559,162	512,083	-	6,071,245
Other improvements	67,984,468	4,480,892	-	72,465,360
Machinery and equipment	14,762,276	1,291,820	380,708	15,673,388
Total accumulated depreciation	<u>88,305,906</u>	<u>6,284,795</u>	<u>380,708</u>	<u>94,209,993</u>
Other capital assets, net	<u>73,730,206</u>	<u>4,181,213</u>	<u>167,578</u>	<u>77,743,841</u>
Governmental activities capital assets, net	<u>\$ 86,494,538</u>	<u>\$ 8,569,668</u>	<u>\$ 7,228,450</u>	<u>\$ 87,835,755</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,688,795	\$ -	\$ -	\$ 1,688,795
Construction-in-progress	4,421,179	3,763,766	3,063,444	5,121,501
Total capital assets not being depreciated	<u>6,109,974</u>	<u>3,763,766</u>	<u>3,063,444</u>	<u>6,810,296</u>
Other capital assets:				
Buildings	4,902,830	2,206,340	-	7,109,170
Other improvements	22,046,765	3,500	-	22,050,265
Machinery and equipment	19,905,862	943,840	892,341	19,957,361
Intangible assets	74,054	-	-	74,054
Utility plant in service	162,048,797	2,877,268	516,547	164,409,518
Total other capital assets at historical cost	<u>208,978,308</u>	<u>6,030,948</u>	<u>1,408,888</u>	<u>213,600,368</u>
Less accumulated depreciation for:				
Buildings	2,640,069	242,447	-	2,882,516
Other improvements	11,685,036	784,467	-	12,469,503
Machinery and equipment	13,893,547	1,017,008	565,788	14,344,767
Utility plant in service	74,739,692	4,640,999	-	79,380,691
Less amortization for intangible assets:	<u>70,024</u>	<u>1,149</u>	<u>-</u>	<u>71,173</u>
Total accumulated depreciation/amortization	<u>103,028,368</u>	<u>6,686,070</u>	<u>565,788</u>	<u>109,148,650</u>
Other capital assets, net	<u>105,949,940</u>	<u>(655,122)</u>	<u>843,100</u>	<u>104,451,718</u>
Business-type activities capital assets, net	<u>\$ 112,059,914</u>	<u>\$ 3,108,644</u>	<u>\$ 3,906,544</u>	<u>\$ 111,262,014</u>

**COMPONENT UNITS:**

	Balance December 31, 2006	Additions	Disposals	Balance December 31, 2007
Stillwater Medical Center Authority:				
Capital assets not being depreciated				
Land and land improvements	\$ 2,903,167	\$ 600,119	\$ -	\$ 3,503,286
Construction-in-progress	4,417,691	783,564	4,505,543	695,712
Total capital assets not being depreciated	7,320,858	1,383,683	4,505,543	4,198,998
Other capital assets:				
Building, improvements and fixed equip.	39,375,514	4,690,186	5,863	44,059,837
Major moveable equipment	35,521,121	4,156,288	255,524	39,421,885
Total other at capital assets	74,896,635	8,846,474	261,387	83,481,722
Less accumulated depreciation:	43,498,737	4,849,302	254,447	48,093,592
Other capital assets, net	31,397,898	3,997,172	6,940	35,388,130
Capital assets, net	<u>\$ 38,718,756</u>	<u>\$ 5,380,855</u>	<u>\$ 4,512,483</u>	<u>\$ 39,587,128</u>

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Convention and Visitors Bureau:				
Property, plant and equipment	\$ 57,791	\$ 543	\$ -	\$ 58,334
Less accumulated depreciation	50,995	2,425	-	53,420
Capital assets, net	<u>\$ 6,796</u>	<u>\$ (1,882)</u>	<u>\$ -</u>	<u>\$ 4,914</u>

Depreciation expense was charged to functions in the statement of activities as follows:

Primary Government:

Governmental Activities:

General Government

Public Safety	\$ 466,959
Recreation and Culture	568,962
General Government	386,336
Financial Administration	67,885
Street	4,425,962
Human Services	62,204
Total depreciation expense for governmental activities	<u>\$ 5,978,308</u>

Business-type Activities:

Stillwater Utilities Authority	\$ 5,670,149
Airport	814,877
Stillwater Public Golf Authority	80,445
Total depreciation expense for business-type activities	<u>\$ 6,565,471</u>

Component Units:

Stillwater Medical Center Authority	\$ 4,849,302
Convention and Visitors Bureau	2,425
Total depreciation expense for component units	<u>\$ 4,851,727</u>

Governmental and business-type activities additions for accumulated depreciation include amounts related to transfers of assets between departments and certain immaterial reclassifications and therefore do not match the above depreciation expense amounts.

## INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2008 were as follows:

<u>Advances from</u>	<u>Advances to</u>
	Non Major Enterprise funds
Non Major Enterprise funds	\$ 12,000
Stillwater Public Works Authority	<u>362,637</u>
	<u>\$ 374,637</u>

Stillwater Public Works Authority advanced funds to Stillwater Industrial Redevelopment Authority as a grant/loan requirement from the Oklahoma Department of Commerce. This advance will not be paid within one year.

<u>Due from</u>	<u>Due to</u>			
	General Fund	Non Major Governmental funds	Stillwater Utilities Authority	
General Fund	\$ -		\$ 111,977	\$ 111,977
Non Major Governmental funds	2,328		-	2,328
Transportation Improvement fund	3,103		-	3,103
Non Major Enterprise funds	136,493		-	136,493
Stillwater Utilities Authority	-	1,576	-	1,576
Stillwater Public Works Authority	<u>20,334</u>		-	<u>20,334</u>
	<u>\$ 162,259</u>	<u>\$ 1,576</u>	<u>\$ 111,977</u>	<u>\$ 275,812</u>

The interfund balances result from the normal operations of the various funds. All customer utility accounts are collected and deposited into the Stillwater Utilities Authority. The other funds routinely make payments to the City to cover payroll, vendor payments, health insurance costs, workers' compensation costs and other operating costs. Generally these charges are paid within a month of their incurrence.

## INTERFUND TRANSFERS

Interfund transfers were made to fund cash shortages in the various funds as needed. These shortages occurred due to operating expenditures exceeding fund revenues. Of the transfer from SUA to the General fund, \$190,498 consisted of capital assets that were transferred during the year. Interfund transfers reported in the fund financial statements for the year ended June 30, 2008 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>			
	General Fund	Transportation Improvement Fund	Stillwater Utilities Authority	Total
General Fund	\$ -	\$ -	\$11,944,466	\$11,944,466
Governmental activities capital assets	-	-	190,498	190,498
Transp. Impr. Fund	3,206,068	-	-	3,206,068
Stillwater Utilities Authority	6,412,136	928,562	-	7,340,698
Non Major Governmental Funds	110,000	-	-	110,000
non Major Enterprise Funds	<u>678,728</u>	-	<u>156,575</u>	<u>835,303</u>
	<u>\$10,406,932</u>	<u>\$ 928,562</u>	<u>\$12,291,539</u>	<u>\$23,627,033</u>

## LONG-TERM LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities, amounts to be repaid from business-type activities, and amounts to be repaid from component units.

### Governmental Activities:

At June 30, 2008 the governmental activities long-term debt consisted of the following:

#### General Obligation Bonds:

\$8,500,000 Police/ Municipal Building Bonds of 2000, due in annual installments of \$450,000, final payment due June 1, 2020, interest rates range from 4.00% to 8.00% \$ 5,400,000

\$6,470,000 Police/ Municipal Building Bonds of 2001, due in annual installments of \$340,000 until the final payment of \$350,000 due June 1, 2021, interest rates range from 4.00% to 8.00% 4,430,000

Total general obligation Bonds \$9,830,000

Current portion \$ 790,000

Non-current portion 9,040,000

Total general obligation Bonds \$9,830,000

#### Accrued Compensated Absences-Governmental Activities:

Current portion \$ 85,113

Non-current portion 1,767,867

Total accrued compensated absences \$1,852,980

### Stillwater Public Works Authority

#### Refundable Grant Obligations,

Grant from Oklahoma Department of Commerce in the original amount of \$325,000 with 0% interest per annum. The final installment will be December 2011. This obligation is collateralized by a lease between SIRA and Esker US, Inc. \$ 77,637

Grant from Oklahoma Department of Commerce in the original amount of \$400,000 with 0% per annum. The final installment will be October 31, 2023. This obligation is collateralized by a lease between SIRA and Nomadics, Inc. 285,000

Total refundable grant obligations \$ 362,637

Current portion \$ 41,667

Non-current portion 320,970

Total refundable grant obligations \$ 362,637

*Business-type Activities:*

As of June 30, 2008, the long-term liabilities payable from business-type activities consisted of the following:

Stillwater Utilities Authority:

Notes Payable:

2002 Oklahoma Water Resources Board (OWRB) SRF Note Payable dated February 28, 2002, original amount of \$3,413,483 with no interest plus an administrative fee of 0.5%, semiannual installments of principal commencing March 15, 2002 through September 2021. \$2,304,101

2002 OWRB SRF Note Payable dated December 19, 2002, original amount of \$4,876,086 with no interest plus an administrative fee of 0.5%, semiannual installments of principal commencing March 15, 2003 through September 15, 2022 3,535,162

2005 OWRB fixed interest rate Note Payable dated June 29, 2005, original amount of \$7,620,000 with interest at 2.6% plus an administrative fee of 0.5%, semiannual installments of principal and interest commencing September 15, 2005 through March 15, 2025. 6,757,201

2007 Revenue Note Payable dated December 5, 2007, original amount of \$6,010,000, secured by dedicated ½ cent sales tax revenues, interest rate is 3.68%, semiannual installments of principal and interest commencing December 1, 2008 through December 1, 2016 6,010,000

Total notes payable \$18,606,464

Current portion \$ 1,215,681

Non-current portion 17,390,783

Total notes payable \$18,606,464

Revenue Bonds:

2002 Refunding series bonds dated September 16, 2002, original issue amount of \$11,825,000, secured by utility revenues, interest rates range from 2.1% to 3.2%, semiannual interest installments commencing December 1, 2002 through December 1, 2009, annual principal installments commencing December 1, 2002 through December 1, 2009. \$ 2,835,000

Less Unamortized discount (242)

Unamortized loss on defeasance (112,871)

Net 2002 revenue bonds payable 2,721,887

2005 Refunding series bonds dated May 11, 2005, original issue amount of \$12,965,000, secured by utility revenues, interest rates range from 3.25% to 5.0%, semiannual interest installments commencing October 1, 2005 through October 1, 2012, annual principal installments commencing October 1, 2005 through October 1, 2012. 10,755,000

Plus Unamortized premium 415,217

Less Unamortized loss on defeasance (67,354)

Net 2005 revenue bonds 11,102,863

Total revenue bonds \$13,824,750

Revenue Bonds	
Current portion	\$2,857,522
Non-current portion	<u>10,967,228</u>
Total revenue bonds payable	<u>\$13,824,750</u>

Capital Lease Obligations:

Borrowings have been advanced pursuant to a credit agreement with Banc of America Leasing and Capital LLC that provides, until March 14, 2009, for the purchase of equipment. The maximum purchase price for equipment under the agreement is the lower of \$7 million or the fair market value of the equipment with fixed interest rate calculations based on the term of the lease as well as the U.S. Treasury Bond Obligation rate in effect at the time of funding.

Total machinery and equipment financed by capital lease obligations	\$2,027,034
Less accumulated depreciation	<u>(743,934)</u>
Net assets financed by leases	<u>\$1,283,100</u>

\$400,880 capital lease with Bank of America for equipment; fixed interest rate of 2.804%, semiannual installments commencing September 8, 2004 through March 8, 2009.	\$ 84,702
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\$102,148 capital lease with Bank of America for equipment; fixed interest rate of 3.116%, semiannual installments commencing June 10, 2005 through December 10, 2009.	32,319
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\$212,061 capital lease with Bank of America for equipment; fixed interest rate of 3.454%, semiannual installments commencing March 9, 2006 through September 9, 2010.	110,567
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\$184,633 capital lease with Bank of America for equipment; fixed interest rate of 4.0%, semiannual installments commencing November 12, 2006 through May 12, 2011.	115,135
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\$553,307 capital lease with Bank of America for equipment; fixed interest rate of 4.09%, semiannual installments commencing December 15, 2006 through June 15, 2014.	431,303
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\$104,420 capital lease with Bank of America for equipment; fixed interest rate of 4.09%, semiannual installments commencing December 15, 2006 through August 24, 2011.	75,225
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\$57,950 capital lease with Bank of America for equipment; fixed interest rate of 3.9535%, semiannual installments commencing September 2, 2007 through March 2, 2011.	44,302
--	--------

\$411,635 capital lease with Dell Governmental Leasing for equipment; fixed interest rate of 7.522%, annual installments commencing July 1, 2007 through June 1, 2009.	<u>137,261</u>
Total capital leases	<u>\$1,030,814</u>



Current portion	\$ 422,752
Non-current portion	<u>608,062</u>
Total capital leases	<u>\$1,030,814</u>
Accrued Compensated Absences – Business-type activities:	
Current portion	\$ 24,030
Non-current portion	<u>631,587</u>
Total accrued compensated absences	<u>\$ 655,617</u>
<u>Component Unit</u>	
<u>Stillwater Medical Center Authority</u>	
Revenue Bonds	
2005 Series A Revenue bonds original issue amount of \$12,715,000, dated May 2005, secured by gross revenues and trustee-held assets, interest rates from 4.50% to 5.25%, principal payable annually and interest semiannually, due May 2019.	\$11,325,000
Less loss on bond defeasance	(665,301)
Plus original issue premium	<u>231,138</u>
Net bond issue	<u>\$10,890,837</u>
2003 series Revenue bonds original issue amount of \$7,000,000 dated May 2003 secured by gross revenues and trustee held assets, interest at 5.625%, principal paid annually and interest paid semiannually beginning May 15, 2018, due May 2023.	\$ 7,000,000
Total revenue bonds	<u>\$17,890,837</u>
Current portion	\$ 701,662
Non-current portion	<u>17,189,175</u>
Total revenue bonds	<u>\$17,890,837</u>
Notes Payable	
Notes payable of the Hospital consists of a note issued August 2003, in the original amount of \$3,000,000 with an annual interest of 2.75% payable monthly. The note is secured by equipment with the final payment due August 2008.	<u>\$ 424,565</u>
Current portion	\$ 424,565
Noncurrent portion	<u>- 0 -</u>
Total notes payable	<u>\$ 424,565</u>
Capital lease obligations	
Total capital assets financed by capital lease obligations	\$ 3,258,280
Less accumulated depreciation	<u>(1,445,592)</u>
Net assets financed by capital lease obligations	<u>\$ 1,812,688</u>

Capital lease issued for equipment, interest rates vary from 2.17% to 8.46%, due 2010.

	<u>\$ 3,486,316</u>
Current portion	\$ 868,553
Non-current portion	<u>2,617,763</u>
Total capital lease obligations	<u>\$ 3,486,316</u>

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

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

<u>Type of Debt</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due Within One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General obligation Bonds	\$ 10,620,000	\$ -	\$ 790,000	\$ 9,830,000	\$ 790,000
Refundable grant obligations	404,303	-	41,667	362,636	41,667
Accrued compensated absences	<u>1,767,867</u>	<u>1,904,896</u>	<u>1,819,783</u>	<u>1,852,980</u>	<u>85,113</u>
Total governmental activities	<u>\$ 12,792,170</u>	<u>\$ 1,904,896</u>	<u>\$ 2,651,450</u>	<u>\$ 12,045,616</u>	<u>\$ 916,780</u>
<b>Business-type Activities</b>					
Capital lease obligations	\$ 1,663,712	\$ -	\$ 632,898	\$ 1,030,814	\$ 422,752
Notes payable	13,307,167	6,010,000	710,703	18,606,464	1,215,681
Revenue bonds payable; net	16,557,496	-	2,732,746	13,824,750	2,857,522
Customer deposits	1,297,995	702,049	575,445	1,424,599	575,445
Accrued compensated absences	<u>631,586</u>	<u>603,104</u>	<u>579,073</u>	<u>655,617</u>	<u>24,030</u>
Total business-type activities	<u>\$ 33,457,956</u>	<u>\$ 7,315,153</u>	<u>\$ 5,230,865</u>	<u>\$ 35,542,244</u>	<u>\$ 5,095,430</u>
<b>Component Unit:</b>					
<b>Stillwater Medical Center Authority</b>					
Revenue bonds payable; net	\$ 18,562,530	\$ -	\$ 671,693	\$ 17,890,837	\$ 701,692
Notes payable	1,046,846	-	622,281	424,565	424,565
Capital lease obligations	<u>1,260,567</u>	<u>3,000,000</u>	<u>774,251</u>	<u>3,486,316</u>	<u>868,553</u>
	<u>\$ 20,869,943</u>	<u>\$ 3,000,000</u>	<u>\$ 2,068,225</u>	<u>\$ 21,801,718</u>	<u>\$ 1,994,810</u>

Annual Debt Service Requirements-Primary Government

The annual debt service requirements to maturity, including principal and interest, for long-term liabilities as of June 30, 2008 are as follows:

		Governmental Activities			
		General Obligation		Refundable Grant Obligations	
Year Ending		Principal	Interest	Principal	Interest
June 30,					
2009		790,000	481,845	41,667	-
2010		790,000	431,225	41,667	-
2011		790,000	380,265	41,667	-
2012		790,000	342,635	32,635	-
2013		790,000	304,835	20,000	-
2014-2018		3,950,000	966,560	100,000	-
2019-2023		1,930,000	157,500	85,000	-
Total		<u>\$ 9,830,000</u>	<u>\$ 3,064,865</u>	<u>\$ 362,636</u>	<u>-</u>

		Business-Type Activities					
		Revenue Bonds		Capital leases		Notes Payable	
Year Ending		Principal	Interest	Principal	Interest	Principal	Interest
June 30,							
2009		2,855,000	534,658	422,752	42,396	1,215,681	565,000
2010		2,930,000	440,250	197,406	22,194	1,375,380	424,372
2011		3,030,000	314,500	170,531	14,687	1,410,387	388,344
2012		3,190,000	159,000	84,571	8,841	1,445,225	351,534
2013		1,585,000	39,625	76,202	5,591	1,486,347	312,398
2014-2018		-	-	79,352	2,442	6,758,296	955,805
2019-2023		-	-	-	-	3,922,136	373,491
2024-2028		-	-	-	-	993,012	39,449
Total		<u>\$ 13,590,000</u>	<u>\$ 1,488,033</u>	<u>\$ 1,030,814</u>	<u>\$ 96,151</u>	<u>\$18,606,464</u>	<u>\$ 3,410,393</u>

		Component Unit					
		Revenue Bonds		Capital Leases		Notes Payable	
Year Ending		Principal	Interest	Principal	Interest	Principal	Interest
December 31,							
2008		740,000	956,113	868,553	112,874	424,565	4,463
2009		780,000	918,112	903,364	87,869	-	-
2010		815,000	878,237	802,130	52,921	-	-
2011		855,000	835,419	638,526	25,119	-	-
2012		900,000	789,350	273,743	2,771	-	-
2013-2017		5,245,000	3,168,962	-	-	-	-
2018-2022		6,700,000	1,753,093	-	-	-	-
2023-2026		2,290,000	128,812	-	-	-	-
Total		<u>\$ 18,325,000</u>	<u>\$ 9,428,098</u>	<u>\$ 3,486,316</u>	<u>\$ 281,554</u>	<u>\$ 424,565</u>	<u>\$ 4,463</u>

**(4) EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

**Nonuniformed Employees**

All full-time nonuniformed City employees are provided pension benefits through a defined contribution plan created in accordance with Internal Revenue Code Section 401(A). The employee begins participation on the date of employment. Employees are required to contribute a minimum of 3% of their salary with an optional maximum of up to 100% of their salary, limited to \$15,000 annually. The City's contribution is determined by the City Council each year, based on a minimum of 6% of employee salaries. The City's contribution for each employee begins vesting after 5 years and is fully vested after 10 years. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited may be used to reduce the City's current-period contributions requirement.

Salary deferred under the plan is not available to employees until termination, death, retirement or unforeseeable emergency. All amounts of compensation deferred under the plan, all property, and rights purchased with these amounts and all income attributable to these amounts remain the property of the City without being restricted to the provisions of benefits under the plan until such amounts are paid or made available to the employees, subject only to the claims of the City's general creditors.

The plan is administered by the Oklahoma Municipal Retirement Fund. Neither the Oklahoma Municipal Retirement Fund nor the City have a liability for losses under the plan, but have the duty of due care that would be required of an ordinary prudent investor.

The total contribution, net of forfeitures, for the year ended June 30, 2008, was \$1,870,109 which consisted of \$888,484 (net of \$111,993 in forfeitures) from the City and \$981,625 from employees.

The Hospital also participates in the Oklahoma Municipal Retirement Defined Contribution Plan. All full-time employees of the Hospital are covered. The Hospital and employees contribute 6% and 3%, respectively of eligible salaries into the plan. Contributions, net of forfeitures, were \$1,220,949 from the Hospital and \$606,750 from employees for the year ended December 31, 2007. Forfeitures of approximately \$227,846 were applied to the Hospital's required 6% contribution.

**Oklahoma Police And Firefighter's Pension And Retirement Systems**

The City of Stillwater, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the police officers and firefighters. The Systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63 <sup>rd</sup> St. Suite 605 Oklahoma City Ok 73116-7335	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Suite 265 Oklahoma City, Ok. 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participants municipality hired before age 45

	Oklahoma Police Pension and <u>Retirement System</u>	Oklahoma Firefighter's Pension and <u>Retirement System</u>
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's required contribution rate (percent of covered payroll)	8%	8%
City's required contribution rate (percent of covered payroll)	13%	13%
State obligation	State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
Periods required to vest	10 years	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested at or after age 50 or after 10 but before 20 years of credited service with reduced benefits	20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested at or after age 50 or after 10 but before 20 years of credited service with reduced benefits
Deferred retirement option	Yes. 20 years credited service with additional option to participate in deferred compensation plan (Louisiana Plan)	Yes. 20 years credited service with continued service for a maximum of 30 years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

## Retirement System

Trend Information:

Contributions required by State statute:

Fiscal Year	<u>Oklahoma Police and Pension Retirement System</u>		<u>Oklahoma Firefighter's Pension and Retirement System</u>	
	City's Required Contribution	Percentage Contributed	City's Required Contribution	Percentage Contributed
2006	455,621	100%	495,884	100%
2007	499,023	100%	505,122	100%
2008	521,301	100%	540,976	100%

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in the respective separate annual financial reports of the Police and Firefighter Pension Systems.

The total amount contributed to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighter's Pension and Retirement System by the State of Oklahoma on behalf of the City was approximately \$251,000 and \$173,000, respectively.

### C. Related Party Investments

As of June 30, 2008, the Systems held no related-party investments of the City or of its related entities.

## (5) RISK MANAGEMENT

As of June 30, 2008, claims outstanding against the City and its public authorities were \$1,417,685 and is accrued under the heading "Accrued Liabilities" in the accompanying financial statements. Liabilities were accrued for tort claims, general liability claims and employee health insurance claims. The City is self-insured for group medical, general liability, workers compensation, unemployment, and property damage. The City has a reinsurance policy which limits the City's liability for major medical to \$100,000 per individual. The City also maintains an aggregate reimbursement policy which limits the total liability of the City for major medical to \$5,100,000. The City purchases conventional insurance for excess losses for general liability and property damage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The claims liability for health claims incurred but not reported is estimated by management using a five-month claims lag analysis. The claims liability for workers compensation claims and judgments is estimated using information provided by a third party administrator based on their opinion of probable outcome of litigation. The balance of the claim liability is expected to be paid within the next year and is included in accrued liabilities on the statement of net assets. All claims are paid from the consolidated cash account, funded by the General Fund. Changes in the balances of claims liabilities during fiscal years 2007-2008 and 2006-2007 were as follows:

	Beginning Liability Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability Balance
2007-2008	\$ 1,164,669	\$ 5,275,484	\$ 5,022,468	\$ 1,417,685
2006-2007	601,323	6,171,300	5,607,954	1,164,669

The Hospital is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee disability and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health care benefits. Settled claims have not exceeded any commercial insurance coverage in any three preceding years.

The Hospital partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for specific claims in excess of \$100,000. The Medical Center also purchases annual stop-loss insurance coverage for total claims in the aggregate in excess of 125% of projected annual claims. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. Changes in the balances of claims liabilities for the period ended December 31, 2007 and December 31, 2006 were as follows:

	Beginning Liability Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability Balance
2007	\$ 600,000	\$ 3,890,387	\$ 3,890,387	\$ 600,000
2006	800,000	2,917,734	3,117,734	600,000

## (6) CONTINGENT LIABILITIES, LITIGATION AND COMMITMENTS

Under the terms of federal and state grants, periodic audits are required, and certain costs and revenues may be questioned as to how they have been reported to the grantor agency. Such audits could lead to reimbursement to the grantor agency. The City's management believes disallowances, if any, will be immaterial to the accompanying basic financial statements.

Various claims and lawsuits are pending against the City. In the opinion of management, some of these may result in monetary judgments against the City. The claims result from sewer backup, police activities, employment disputes, and other claims seeking declaratory/injunctive relief. Although the outcome of these claims and lawsuits is not presently determinable, the amount of judgments could range from under \$25,000 to in excess of \$100,000. The City has not recorded any accrual for these claims.

Dedrickson vs. City, et al, Case No. CJ-2008-97, District Court of Payne County. This taxpayer suit against the City and the Stillwater Utilities Authority alleges unlawful diversion of earmarked tax revenues into the City's general fund. If this suit is successful, it would require the City to return \$43 million dollars to the Authority. At the present time, no trial date is set and discovery is ongoing. A verdict in favor of the plaintiff would result in "all or nothing" damages. Management believes this suit results from a misunderstanding of the facts and intends to vigorously defend this action.

Included in the purchase of Rural Water Corporation No. 3, SUA has agreed to consolidate the two water distribution systems over the next five years. This will include making improvements and upgrades to pump stations and adding additional water lines to specific areas.



## **(7) POST-RETIREMENT BENEFITS**

In addition to the pension benefits described in Note 4, the City offers postretirement health care benefits to all employees who retire from the City on or after attaining age 55 with at least 10 years of service. The election to participate must be made at the time of separation from service. At June 30, 2008 20 retiree-related participants (retirees, and/or spouses, and/or families) were participating in the City health care plan. There were no retirees who met the eligibility requirements at June 30 who did not choose to participate. The City requires a monthly premium based on City-wide claim trends of the previous fiscal year. The premium rate for retirees is adjusted each July 1<sup>st</sup>. Upon monthly payment of this premium, the City covers all medical expenses just as for active employees on a pay-as-you-go basis. Coverage is available until the first day of the month in which the retiree reaches his or her Medicare eligibility age (currently 65). If the spouse of a retiree is covered at the time the retiree comes off of the plan at age 65, that spouse is COBRA-eligible until age 65 or for 36 months, whichever is less. During the fiscal year ended June 30, 2008, expenditures of \$199,326 were attributable to postretirement health care (excluding prescription coverage).

## **(8) REVENUES PLEDGED**

SUA has pledged future sales tax revenues to repay a \$6,010,000 note issued in December 2007 to finance transportation improvement projects identified in the 2006 Transportation Sales Tax Ordinance. The note is payable solely from sales tax revenue equal to one half of the one-half cent transportation sales tax collected by the City and transferred to SUA by way of the Sales Tax Agreement. Sales taxes are projected to produce 100 percent of the debt service requirements over the life of the note. Total principal and interest remaining on the note is \$7,185,327, payable semiannually commencing December 2008 and concluding December 2016. For the current year, total sales tax revenues were \$928,562.

SUA has pledged future sales tax revenues and future utility revenues, net of operating and maintenance expenses, to repay debt obligations. Proceeds from the debt issues financed the refunding of prior debt obligations of SUA and the Stillwater Public Golf Authority and refinanced outstanding balances of notes to the OWRB. The debt obligations are payable from the one cent sales tax revenue dedicated to SUA by City Ordinance No. 1835 and from net revenues derived from the existence and operation of the utility system to the extent sales tax revenue fails to cover the debt obligations. Pledged revenues are projected to produce 125 percent of the debt service requirements over the life of the debt. For the current year, sales tax revenues were \$6,412,136 and net revenues were \$14,491,788.

The city has pledged future ad valorem taxes to repay the \$8,500,000 2000 General Obligation bonds and the \$6,470,000 2001 General Obligation bonds used to provide financing for the construction and remodel of the City Hall/Police building. The bonds are payable thru 2020 and 2021 respectively. Ad valorem revenue can only be collected to pay principal and interest on general obligation bonds or court assessed judgments. Levying of an ad valorem tax requires a vote of the citizens. The total principal and interest payable for the remainder of the life of these bonds is \$6,959,475 for the 2000 General Obligation Bonds and \$5,935,390 for the 2001 General Obligation Bonds. Pledged ad valorem taxes received in the current year were \$1,358,404. Debt service payments of \$1,322,525 in the current fiscal year were 97% of the pledged ad valorem taxes.

The following is a summary of the debt issues included in this pledge of revenues:

<b>Debt Issue</b>	<b>Issue Amount</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Remaining Principal and Interest</b>	<b>Current Year Principal and Interest</b>
2005 Refunding Series Bonds	\$ 12,965,000	May 2005	Oct 2012	\$ 12,171,962	\$ 1,304,325
2002 Refunding Series Bonds	11,825,000	Sept 2002	Dec 2009	2,906,071	2,044,280
2007 Revenue Bonds	6,010,000	Dec 2007	Dec 2016	7,185,327	820,891
2002 OWRB SRF Note	3,413,483	Feb 2002	Sept 2021	2,385,932	183,039
2002 OWRB SRF Note	4,876,086	Dec 2002	Sept 2022	3,669,681	262,706
2005 OWRB Fixed Rate Note	7,620,000	Jun 2005	Mar 2025	8,775,917	516,230
2000 General Obligation Bonds	8,500,000	June 2000	June 2020	6,959,475	722,925
2001 General Obligation Bonds	6,470,000	June 2001	June 2021	5,935,390	548,920

**(9) RECENTLY ISSUED ACCOUNTING STANDARDS**

The following accounting standards have been recently issued and will be adopted as applicable by the City in future years.

Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions" – This statement establishes accounting and financial reporting for post employment health care and other benefits if provided separately from a pension plan. This statement will become effective for the City in the fiscal year ending June 30, 2009.

Statement No. 49: "Accounting and Financial Reporting for Pollution Remediation Obligations" - This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. This statement will become effective for the City in the fiscal year ending June 30, 2009.

Statement No. 51: "Accounting and Financial Reporting for Intangible Assets" - The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This statement will become effective for the City in the fiscal year ending June 30, 2010.

Management has not yet determined the impact of these statements on the City's financial statements.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

CITY OF STILLWATER, OKLAHOMA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES -- BUDGET AND ACTUAL (BUDGET BASIS) -- GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
Sales tax	\$ 23,995,302	\$ 23,595,302	\$ 23,713,106	\$ 117,804
Other taxes	1,933,000	2,132,200	2,075,229	(56,971)
Intergovernmental	147,975	169,840	131,400	(38,440)
Charges for Services	1,240,000	1,140,000	1,003,761	(136,239)
Fines and forfeits	890,000	793,500	911,469	117,969
Fees and rentals	754,700	817,860	811,112	(6,748)
Investment income	50,000	50,000	54,152	4,152
Licenses and permits	218,600	223,650	246,636	22,986
Other miscellaneous revenue	585,525	764,825	843,165	78,340
Total revenues	<u>29,815,102</u>	<u>29,687,177</u>	<u>29,790,029</u>	<u>102,852</u>
<b>EXPENDITURES</b>				
Current				
Public Safety:				
Police:				
Personal services	8,040,875	8,044,137	7,920,791	123,346
Materials and supplies	548,505	542,201	433,731	108,470
Contract services	465,862	474,424	319,384	155,040
Fire:				
Personal services	6,245,027	6,160,997	6,158,937	2,060
Materials and supplies	294,591	320,081	270,786	49,295
Contract services	431,202	313,661	280,530	33,131
Total public safety	<u>16,026,063</u>	<u>15,855,501</u>	<u>15,384,160</u>	<u>471,342</u>
Recreation and culture:				
Parks and recreation:				
Personal services	2,983,133	2,833,638	2,694,902	138,736
Materials and supplies	501,709	541,170	472,295	68,875
Contract services	487,845	499,713	392,514	107,199
Library:				
Personal services	997,872	985,008	938,729	46,279
Materials and supplies	176,100	175,097	171,692	3,405
Contract services	194,400	353,478	335,165	18,313
Total recreation and culture	<u>5,341,059</u>	<u>5,388,104</u>	<u>5,005,297</u>	<u>382,807</u>

continued

CITY OF STILLWATER, OKLAHOMA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES -- BUDGET AND ACTUAL (BUDGET BASIS) -- GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General Government:				
Personal services	1,772,393	1,762,871	1,690,105	72,766
Materials and supplies	1,119,217	1,339,457	1,332,413	7,044
Contract services	<u>1,538,991</u>	<u>1,492,775</u>	<u>1,099,082</u>	<u>393,693</u>
Total General government	<u>4,430,601</u>	<u>4,595,103</u>	<u>4,121,600</u>	<u>473,504</u>
Financial administration:				
Personal services	528,636	516,697	439,599	77,097
Materials and supplies	45,661	33,316	17,439	15,877
Contract services	<u>117,283</u>	<u>135,549</u>	<u>121,929</u>	<u>13,620</u>
Total financial administration	<u>691,580</u>	<u>685,562</u>	<u>578,968</u>	<u>106,594</u>
Public works administration:				
Personal services	791,225	778,553	516,916	261,637
Materials and supplies	34,427	41,711	32,033	9,678
Contract services	<u>87,100</u>	<u>49,564</u>	<u>34,648</u>	<u>14,916</u>
Total public works administration	<u>912,752</u>	<u>869,828</u>	<u>583,597</u>	<u>286,231</u>
Street and sewers:				
Personal services	1,320,802	1,394,703	1,333,158	61,545
Materials and supplies	617,452	661,596	555,500	106,096
Contract services	<u>248,697</u>	<u>406,300</u>	<u>151,203</u>	<u>255,097</u>
Total street and sewers	<u>2,186,951</u>	<u>2,462,599</u>	<u>2,039,861</u>	<u>422,738</u>
Human services:				
Health:				
Personal services	654,243	725,696	551,885	173,811
Materials and supplies	169,712	148,212	136,231	11,981
Contract services	201,015	172,115	121,045	51,070
Community Development:				
Personal services	861,938	883,458	775,214	108,245
Materials and supplies	20,114	22,814	17,354	5,460
Contract services	<u>67,605</u>	<u>87,905</u>	<u>49,206</u>	<u>38,699</u>
Total human services	<u>1,974,628</u>	<u>2,040,201</u>	<u>1,650,935</u>	<u>389,266</u>

continued

CITY OF STILLWATER, OKLAHOMA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES -- BUDGET AND ACTUAL (BUDGET BASIS) -- GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

(continued)

	Original Budget	Final Budget	Actual	Variance from Final Budget
Economic development:				
Materials and supplies	2,550	2,575	-	2,575
Contract services	1,000,862	1,043,062	1,035,287	7,775
Total economic development	<u>1,003,412</u>	<u>1,045,637</u>	<u>1,035,287</u>	<u>10,350</u>
Capital Outlay:				
Police	204,714	235,432	235,054	378
Fire	-	29,374	29,374	-
Recreation and culture	120,700	352,488	351,076	1,412
General Government	6,000	705,000	704,647	353
Public works operation	-	-	-	-
Human Services	34,000	35,500	30,155	5,345
Street and sewers	1,068,500	1,666,796	1,661,678	5,118
	<u>1,433,914</u>	<u>3,024,590</u>	<u>3,011,984</u>	<u>12,606</u>
Total expenditures	<u>34,000,960</u>	<u>35,967,125</u>	<u>33,411,687</u>	<u>2,552,863</u>
Excess (deficiency) of revenues over (under) expenditures	(4,185,858)	(6,279,948)	(3,621,658)	2,658,289
OTHER FINANCING SOURCES(USES):				
Transfers in	11,490,870	14,505,421	11,944,466	(2,560,955)
Transfers out	(7,322,252)	(10,181,094)	(10,406,932)	(225,838)
Total other financing sources (uses)	<u>4,168,618</u>	<u>4,324,327</u>	<u>1,537,534</u>	<u>(2,786,793)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(17,240)	(1,955,621)	(2,084,124)	(128,503)
FUND BALANCES, beginning	2,397,015	2,397,015	2,397,015	-
FUND BALANCES, ending	<u>\$ 2,379,775</u>	<u>\$ 441,394</u>	<u>\$ 312,891</u>	<u>\$ (128,503)</u>

CITY OF STILLWATER, OKLAHOMA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES -- BUDGET AND ACTUAL (BUDGET BASIS) -- TRANSPORTATION FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
Investment income	\$ -	\$ 364,519	\$ 364,519	\$ -
Total revenues	-	364,519	364,519	-
<b>EXPENDITURES</b>				
Street and sewers:				
Personal services	426,105	268,451	206,969	61,482
Materials and supplies	44,346	42,894	41,763	1,131
Contract services	-	802	802	-
Total street and sewers	470,451	312,147	249,534	62,613
Capital outlay				
Street and sewers	7,523,444	2,097,660	2,097,657	3
Total expenditures	7,993,895	2,409,807	2,347,191	62,616
Excess (deficiency) of revenues over (under) expenditures	(7,993,895)	(2,045,288)	(1,982,672)	62,616
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfers in	3,312,210	3,206,067	3,206,067	-
Transfers out	(110,632)	(928,563)	(928,562)	1
Total other financing sources (uses)	3,201,578	2,277,504	2,277,505	1
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(4,792,317)	232,216	294,833	62,617
FUND BALANCES, beginning	10,233,209	10,233,209	10,233,209	-
FUND BALANCES, ending	\$ 5,440,892	\$ 10,465,425	\$ 10,528,042	\$ 62,617



CITY OF STILLWATER, OKLAHOMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE

JUNE 30, 2008

BUDGETARY COMPLIANCE

Budget Law

The City operates under the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). The budget, as adopted by the City Commission, is filed with the State of Oklahoma Office of the Auditor and Inspector. Budget amendments or supplements made during the year are recommended by the City Manager and must be approved by the City Commission. An amended budget is filed before year-end with the agency mentioned above. Current year amendments are not material in relation to the original appropriated amounts. The budget and actual comparisons presented in the financial statements include the legally amended budgets for the respective funds.

The City uses the following procedures to establish the budgetary data reflected in the accompanying general purpose financial statements:

Prior to June 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at regular commission meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.

Prior to July 1, the budget is legally enacted through the passage of a motion by the City Commission.

The Budget Act specifies that the governing body may grant authorization to the City Manager to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Commission.

Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, Debt Service Fund and the capital projects funds. Budgets are legally adopted for General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Internal Service Funds and Enterprise Funds.

Budgets as adopted by the City Commission are prepared on a cash basis except for accrued expenses (other than vacation and sick pay) which are treated as expenditures.

Budgetary control is maintained by department and by the following category of expenditures: personnel services, materials and supplies, other services and charges, capital outlay and debt service. Expenditures and encumbrances may not legally exceed appropriations at the department level. All transfers of appropriations between funds and supplemental appropriations require City Commission approval. The City Manager may transfer appropriations between object categories within a fund with City Commission approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

All encumbered appropriations lapse at year end and are rebudgeted in the following budget year where appropriate. Unencumbered appropriations also lapse at year end.

The City prepared and adopted a legal annual budget for all funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Stillwater Medical Center Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

The Stillwater Convention and Visitors Bureau presents a budget to the commission in conjunction with the Stillwater Chamber of Commerce. The Chamber of Commerce presents a budget in order to satisfy the requirements of the agreement with the City to receive economic development funds. However, there are not further requirements such as form of budget, approval of the budget or definition of legal level of control.

Budgetary Compliance

For the year ended June 30, 2008, the City complied, in all material respects, with the applicable budget laws.

Reconciliation of budgetary basis and GAAP basis amounts

The City Commission adopts annual operating budgets for the General Fund, special revenue funds, Debt Service Fund and capital projects funds. The City budgets revenues on the basis of cash receipts. For financial reporting purposes, revenues are recognized when measurable and available. For budgetary and financial purposes, expenditures are recognized as incurred.

The following summary reconciles revenues for the year from the budgetary basis to the GAAP basis of reporting:

	General Fund	Transportation Improvement
Revenues on budget basis	\$ 29,790,029	\$ 364,519
Revenues received during fiscal year and measurable and available at June 30, 2007	(5,052,607)	-
Revenues received during fiscal year and measurable and available at June 30, 2008	<u>5,586,023</u>	-
Revenues on GAAP basis	<u>\$ 30,323,445</u>	<u>\$ 364,519</u>

OTHER  
SUPPLEMENTARY  
INFORMATION

## NONMAJOR GOVERNMENTAL FUNDS

COMMUNITY DEVELOPMENT BLOCK GRANT - to account for funds used for the improvements in low-income portions of the community. Funding is provided by the Community Development Block Grant Small Cities Set Aside program and local matching funds.

LIBRARY MATERIALS ENHANCEMENT - to account for the proceeds from the sale of the old library building.

STORM WATER MANAGEMENT - to account for the fees collected for the development of a storm water management system.

DEBT SERVICE - to account for the accumulation of ad-valorem taxes levied by the City for the payment of general long-term principal, interest and related costs.

POLICE/MUNICIPAL BUILDING BONDS - to account for the construction and purchase of furnishing for a new police building and renovation of the municipal building financed through general obligation bonds issue.

CITY OF STILLWATER, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue Funds		
	Community Development Block Grant	Library Materials Enhancement	Storm Water Management
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,332	\$ 145,121	\$ 728,090
Due from other governments	98,002	-	-
Accounts receivable	-	-	35,599
Due from other funds	-	-	1,576
Total assets	<u>\$ 101,334</u>	<u>\$ 145,121</u>	<u>\$ 765,265</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 117,132	\$ 112	\$ 60,458
Accrued liabilities	-	-	4,555
Due to other funds	-	-	2,328
Deferred revenue	-	-	-
Total liabilities	<u>117,132</u>	<u>112</u>	<u>67,341</u>
<b>FUND BALANCES</b>			
Reserved for			
Debt Service	-	-	-
Capital Projects	-	-	-
Unreserved reported in			
Special Revenues	(15,798)	145,009	697,924
Total fund balances	<u>(15,798)</u>	<u>145,009</u>	<u>697,924</u>
Total liabilities and fund balances	<u>\$ 101,334</u>	<u>\$ 145,121</u>	<u>\$ 765,265</u>

continued

CITY OF STILLWATER, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008  
 (continued)

ASSETS	Debt Service	Capital Projects Fund	Total Nonmajor Governmental Funds
	Sinking Fund	Police/Municipal Building	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 124,746	\$ 101,887	\$ 1,103,176
Due from other governments	51,927	-	149,929
Accounts receivable	-	-	35,599
Due from other funds	-	-	1,576
Total assets	<u>\$ 176,673</u>	<u>\$ 101,887</u>	<u>\$ 1,290,280</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 2,671	\$ 180,373
Accrued liabilities	-	-	4,555
Due to other funds	-	-	2,328
Deferred revenue	47,185	-	47,185
Total liabilities	<u>47,185</u>	<u>2,671</u>	<u>234,441</u>
<b>FUND BALANCES:</b>			
Reserved for			
Debt Service	129,488	-	129,488
Capital Projects	-	99,216	99,216
Unreserved reported in			
Special Revenues	-	-	827,135
Total fund balances	<u>129,488</u>	<u>99,216</u>	<u>1,055,839</u>
Total liabilities and fund balances	<u>\$ 176,673</u>	<u>\$ 101,887</u>	<u>\$ 1,290,280</u>

CITY OF STILLWATER, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds		
	Community Development Block Grant	Library Materials Enhancement	Storm Water Management
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for services	-	-	266,055
Intergovernmental	301,334	-	-
Miscellaneous	30,099	-	-
Investment income	-	7,798	28,138
Total revenues	<u>331,433</u>	<u>7,798</u>	<u>294,193</u>
<b>EXPENDITURES</b>			
Current operating			
Recreation and culture	-	9,789	-
Streets and sewers	-	-	269,002
Human services	458,893	-	-
Debt service			
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	82,206	129,350
Total expenditures	<u>458,893</u>	<u>91,995</u>	<u>398,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(127,460)</u>	<u>(84,197)</u>	<u>(104,159)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	110,000	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>110,000</u>	<u>-</u>	<u>-</u>
Net change in Fund Balances	(17,460)	(84,197)	(104,159)
FUND BALANCES, beginning	<u>1,662</u>	<u>229,206</u>	<u>802,083</u>
FUND BALANCES, ending	<u>\$ (15,798)</u>	<u>\$ 145,009</u>	<u>\$ 697,924</u>

continued



CITY OF STILLWATER, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

(continued)

	Debt Service	Capital Projects Fund	Total Nonmajor Governmental Funds
	Sinking Fund	Police/Municipal Building	
<b>REVENUES</b>			
Taxes	\$ 1,355,267	\$ -	\$ 1,355,267
Charges for services	-	-	266,055
Intergovernmental	-	-	301,334
Miscellaneous	-	-	30,099
Investment income	-	4,154	40,090
Total revenues	<u>1,355,267</u>	<u>4,154</u>	<u>1,992,845</u>
<b>EXPENDITURES</b>			
Current operating			
Recreation and culture	-	-	9,789
Streets and sewers	-	-	269,002
Human services	-	-	458,893
Debt service			
Principal retirements	790,000	-	790,000
Interest and fiscal charges	532,525	-	532,525
Capital outlay	-	61,657	273,213
Total expenditures	<u>1,322,525</u>	<u>61,657</u>	<u>2,333,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,742</u>	<u>(57,503)</u>	<u>(340,577)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	110,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>110,000</u>
Net change in Fund Balances	32,742	(57,503)	(230,577)
FUND BALANCES, beginning	96,746	156,719	1,286,416
FUND BALANCES, ending	<u>\$ 129,488</u>	<u>\$ 99,216</u>	<u>\$ 1,055,839</u>

CITY OF STILLWATER, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE				SPECIAL REVENUE			
	COMMUNITY DEVELOPMENT		BLOCK GRANT		LIBRARY MATERIALS ENHANCEMENT			
	Budgeted Amount	Actual	Variance From	Budgeted Amounts	Actual	Variance From	Final Budget	
Original	Final	Final Budget	Original	Final	Final Budget	Final Budget		
<b>REVENUES</b>								
Taxes								
Intergovernmental	101,308	\$ -	\$ -	-	-	\$ -	\$ -	
Miscellaneous	-	269,223	244,860	-	-	-	(24,363)	
Charges for services	-	17,000	30,099	-	-	-	13,099	
Investment income	-	-	-	-	-	-	-	
Total revenues	101,308	286,223	274,959	8,000	9,871	7,798	(2,073)	
				8,000	9,871	7,798	(2,073)	
<b>EXPENDITURES</b>								
Current operating								
Recreation and culture	-	-	-	8,000	9,871	9,789	82	
Streets and sewers	-	-	-	-	-	-	-	
Human services	185,616	494,145	458,893	-	-	-	35,252	
Debt service	-	-	-	-	-	-	-	
Principal retirements	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	
Total expenditures	185,616	494,145	458,893	8,000	92,010	82,206	(67)	
Excess (deficiency) of								
revenues over (under) expenditures:	(84,308)	(207,922)	(183,934)	-	(82,139)	(84,197)	(2,088)	
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	231,974	110,000	-	-	-	121,974	
Transfers out	-	-	-	-	-	-	-	
Total other financing sources (uses):	-	231,974	110,000	-	-	-	121,974	
Net change in Fund Balances	(84,308)	24,052	(73,934)	-	(82,139)	(84,197)	(2,088)	
<b>FUND BALANCES, beginning</b>	126,444	126,444	126,444	229,206	229,206	229,206	-	
<b>FUND BALANCES, ending</b>	\$ 42,136	\$ 150,496	\$ 52,510	\$ 229,206	\$ 147,067	\$ 145,009	\$ (2,088)	
Reconciliation of budget to GAAP								
Revenues on budget basis		\$ 274,959				\$ 7,798		
Revenues received during fiscal year		(41,528)				-		
measurable and available at June 30, 2007								
Revenues received during fiscal year		98,002						
measurable and available at June 30, 2008								
Revenues on GAAP basis		\$ 331,433				\$ 7,798		

continued

CITY OF STILLWATER, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 (continued)

	SPECIAL REVENUE				STORM WATER MANAGEMENT				DEBT SERVICE			
	Budgeted Amounts		Actual	Variance From Final Budget	Budgeted Amounts		Actual	Variance From Final Budget	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final			Original	Final			Original	Final		
<b>REVENUES:</b>												
Taxes	-	\$ -	\$ -	\$ -	-	-	-	-	\$ 1,322,925	\$ 1,322,925	\$ 1,322,925	\$ 35,513
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	256,000	256,000	264,623	8,623	-	-	-	-	-	-	-	-
Investment income	-	-	28,138	28,138	-	-	-	-	-	-	-	-
Total revenues	256,000	256,000	292,761	36,761	-	-	-	-	1,322,925	1,322,925	1,338,438	35,513
<b>EXPENDITURES:</b>												
Current operating												
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-	-
Streets and sewers	302,859	310,153	269,002	41,151	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	790,000	790,000	790,000	-
Principal retirements	-	-	-	-	-	-	-	-	532,925	532,925	532,925	400
Interest and fiscal changes	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	573,800	608,800	129,350	479,450	-	-	-	-	-	-	-	-
Total expenditures	876,659	918,953	398,352	520,601	-	-	-	-	1,322,925	1,322,925	1,322,925	400
Excess (deficiency) of revenues over (under) expenditures	(620,659)	(662,953)	(105,591)	557,362	-	-	-	-	-	-	35,913	35,913
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Net change in Fund Balances	(620,659)	(662,953)	(105,591)	557,362	-	-	-	-	-	-	35,913	35,913
FUND BALANCES, beginning	101,905	101,905	101,905	-	-	-	-	-	178,016	178,016	178,016	-
FUND BALANCES, ending	\$ (518,754)	\$ (561,048)	\$ (3,686)	\$ 557,362	-	-	-	-	\$ 178,016	\$ 213,929	\$ 213,929	\$ 35,913
Reconciliation of budget to GAAP												
Revenues on budget basis			\$ 292,761								\$ 1,338,438	
Revenues received during fiscal year			(34,167)								(67,012)	
measurable and available at June 30, 2007												
Revenues received during fiscal year			35,599								51,927	
measurable and available at June 30, 2008												
Revenues on GAAP basis			\$ 294,193								\$ 1,343,353	

continued

CITY OF STILLWATER, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 (continued)

	CAPITAL PROJECTS FUND			
	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	4,154	4,154
Total revenues	-	-	4,154	4,154
<b>EXPENDITURES</b>				
Current operating	-	-	-	-
Recreation and culture	-	-	-	-
Streets and sewers	-	-	-	-
Human services	-	-	-	-
Debt service	-	-	-	-
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	61,658	61,657	1
Total expenditures	-	61,658	61,657	1
Excess (deficiency) of revenues over (under) expenditures	-	(61,658)	(57,503)	4,154
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in Fund Balances	-	(61,658)	(57,503)	4,154
<b>FUND BALANCES, beginning</b>	156,719	156,719	156,719	-
<b>FUND BALANCES, ending</b>	\$ 156,719	\$ 95,061	\$ 99,216	\$ 4,154
<b>Reconciliation of budget to GAAP</b>				
Revenues on budget basis			\$ 4,154	
Revenues received during fiscal year measurable and available at June 30, 2007			-	
Revenues received during fiscal year measurable and available at June 30, 2008			-	
Revenues on GAAP basis			\$ 4,154	

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## NONMAJOR PROPRIETARY FUNDS

AIRPORT - to account for the operation of the Stillwater Municipal Airport including capital additions and improvements financed through federal and state grant proceeds and City contributions.

STILLWATER PUBLIC GOLF AUTHORITY - to account for the operation of an 18-hole public golf course, Lakeside Golf Course.

STILLWATER INDUSTRIAL REDEVELOPMENT AUTHORITY - to account for expenditures for industrial redevelopment. Financing is provided from federal grants, federal loans, city contributions and citizen participation.

COMMUNITY CENTER – to account for rental of the Community Center.

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF NET ASSETS--NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2008

ASSETS	Airport	Stillwater Public Golf Authority	Stillwater Industrial Redevelopment Authority	Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 60,310	\$ 218,432	\$ 278,742
Accounts receivable, net of allowance	5,338	1,038	-	6,376
Advances to other funds	-	-	4,000	4,000
Leasehold receivable	-	-	41,667	41,667
Inventories	57,618	67,590	-	125,208
<b>Total current assets</b>	<b>62,956</b>	<b>128,938</b>	<b>264,099</b>	<b>455,993</b>
<b>NONCURRENT ASSETS</b>				
Advances to other funds	-	-	8,000	8,000
Leasehold receivable	-	-	320,970	320,970
Capital assets, nondepreciable	1,003,626	16,000	-	1,019,626
Capital assets, depreciable, net	8,735,516	1,683,977	-	10,419,493
<b>Total noncurrent assets</b>	<b>9,739,142</b>	<b>1,699,977</b>	<b>328,970</b>	<b>11,768,089</b>
<b>Total assets</b>	<b>9,802,098</b>	<b>1,828,915</b>	<b>593,069</b>	<b>12,224,082</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	84,713	88,485	6,053	179,251
Accrued expenses	8,178	73,678	1,994	83,850
Accrued compensated absences	2,193	3,853	-	6,046
Due to other funds	86,741	49,365	388	136,494
Advances from other funds	4,000	-	41,667	45,667
Unearned revenue	1,680	96,079	-	97,759
<b>Total current liabilities</b>	<b>187,505</b>	<b>311,460</b>	<b>50,102</b>	<b>549,067</b>
<b>NONCURRENT LIABILITIES</b>				
Advances from other funds	8,000	-	320,970	328,970
Compensated absences	21,935	28,984	-	50,919
<b>Total noncurrent liabilities</b>	<b>29,935</b>	<b>28,984</b>	<b>320,970</b>	<b>379,889</b>
<b>Total liabilities</b>	<b>217,440</b>	<b>340,444</b>	<b>371,072</b>	<b>928,956</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,739,142	1,699,977	-	11,439,119
Unrestricted (deficit)	(154,484)	(211,506)	221,997	(143,993)
<b>Total net assets</b>	<b>\$ 9,584,658</b>	<b>\$ 1,488,471</b>	<b>\$ 221,997</b>	<b>\$ 11,295,126</b>



CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS -NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Airport	Stillwater Public Golf Authority	Stillwater Industrial Redevelopment Authority	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,209,355	\$ 547,759	\$ -	\$ 1,757,114
Other	299,926	183,113	2,712	485,751
Total operating revenues	<u>1,509,281</u>	<u>730,872</u>	<u>2,712</u>	<u>2,242,865</u>
<b>OPERATING EXPENSES</b>				
Operating and maintenance	1,854,166	1,124,348	45,740	3,024,254
Depreciation	814,877	80,445	-	895,322
Amortization	1,149	-	-	1,149
Total operating expenses	<u>2,670,192</u>	<u>1,204,793</u>	<u>45,740</u>	<u>3,920,725</u>
Operating income (loss)	<u>(1,160,911)</u>	<u>(473,921)</u>	<u>(43,028)</u>	<u>(1,677,860)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	842	81	2,469	3,392
Net nonoperating revenues	842	81	2,469	3,392
Income (loss) before capital contributions and transfers	<u>(1,160,069)</u>	<u>(473,840)</u>	<u>(40,559)</u>	<u>(1,674,468)</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	141,375	-	147,456	288,831
Transfers in	403,728	406,575	25,000	835,303
Transfers out	-	-	-	-
Net capital contributions and transfers	<u>545,103</u>	<u>406,575</u>	<u>172,456</u>	<u>1,124,134</u>
Change in net assets	<u>(614,966)</u>	<u>(67,265)</u>	<u>131,897</u>	<u>(550,334)</u>
NET ASSETS, beginning	<u>10,199,624</u>	<u>1,555,736</u>	<u>90,100</u>	<u>11,845,460</u>
NET ASSETS, ending	<u>\$ 9,584,658</u>	<u>\$ 1,488,471</u>	<u>\$ 221,997</u>	<u>\$ 11,295,126</u>

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF CASH FLOWS --NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Airport	Stillwater Public Golf Authority	Stillwater Industrial Redevelopment Authority	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,208,088	\$ 583,354	\$ -	\$ 1,791,442
Payments to suppliers	(1,324,098)	(380,676)	(16,598)	(1,921,372)
Payments to employees	(309,352)	(644,123)	(21,095)	(974,570)
Inter activity-payments to other funds	(208,975)	-	(41,279)	(250,254)
Other receipts (payments)	298,554	183,114	2,712	484,380
Net cash provided by (used for) operating activities:	<u>(535,783)</u>	<u>(258,331)</u>	<u>(76,260)</u>	<u>(870,374)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from (to) other funds	403,728	288,509	172,436	864,693
Net cash provided by (used for) noncapital financing activities	<u>403,728</u>	<u>288,509</u>	<u>172,436</u>	<u>864,693</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	141,375	-	-	141,375
Purchases of assets	(6,162)	-	-	(6,162)
Principal (paid) received on capital debt	(4,000)	-	45,667	41,667
Net cash provided by (used for) capital activities:	<u>131,213</u>	<u>-</u>	<u>45,667</u>	<u>176,880</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	842	81	2,469	3,392
Net cash provided by (used for) investing activities:	<u>842</u>	<u>81</u>	<u>2,469</u>	<u>3,392</u>
Net increase (decrease) in cash and cash equivalents	-	30,259	144,332	174,591
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>				
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ -</u>	<u>\$ 30,051</u>	<u>\$ 74,100</u>	<u>\$ 104,151</u>
	<u>\$ -</u>	<u>\$ 60,310</u>	<u>\$ 218,432</u>	<u>\$ 278,742</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used by) operating activities</b>				
Operating income (loss)	\$ (1,160,911)	\$ (473,921)	\$ (43,028)	\$ (1,677,860)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	814,877	80,445	-	895,322
Amortization expense	1,148	-	-	1,148
Changes in assets and liabilities:				
Receivables, net	(1,267)	1,884	-	617
Inventories	(34,964)	1,204	-	(33,760)
Accounts and other payables	(158,156)	98,347	(35,227)	(95,036)
Change in deferred operating revenues:				
Accrued expenses	3,490	-	1,995	5,485
Net cash provided by (used for) operating activities:	<u>\$ (535,783)</u>	<u>\$ (258,331)</u>	<u>\$ (76,260)</u>	<u>\$ (870,374)</u>

CITY OF STILLWATER, OKLAHOMA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,482	152,218	\$ 173,395	\$ 10,305
Pooled investments	383,781	234,997	480,963	137,815
Other investments	190,000	70,520	-	260,520
Assessment receivable	7,949	8,117	9,363	6,703
Total assets	<u>\$ 613,212</u>	<u>\$ 465,852</u>	<u>\$ 663,721</u>	<u>\$ 415,343</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,379	16,568	\$ 16,589	\$ 7,358
Amounts held in escrow	605,833	465,873	663,721	407,985
Total liabilities	<u>\$ 613,212</u>	<u>\$ 482,441</u>	<u>\$ 680,310</u>	<u>\$ 415,343</u>

*Statistical  
Section*

## STATISTICAL SECTION OVERVIEW

**FINANCIAL TRENDS** – These schedules contain trend information showing how the City's financial performance and position have changed over time.

- Net Assets by Component – Last five fiscal years
- Changes in Net Assets – Last five fiscal years
- Fund Balances, Governmental Funds – Last five fiscal years
- Changes in Fund Balances, Governmental Funds – Last five fiscal years

**REVENUE CAPACITY** – These schedules contain information on the City's significant revenue sources – property tax and sales tax.

- Tax Revenues by Source, Governmental Funds – Last ten fiscal years
- Assessed Value and Actual Value of Taxable Property – Last ten fiscal years
- Direct and Overlapping Property Tax Rates – Last ten fiscal years
- Principal Property Tax Payers – Current year and Nine years ago
- Property Tax Levies and Collections – Last ten fiscal years
- Taxable Sales by Category – Last five fiscal years
- Direct and Overlapping Sales Tax Rates – Last ten calendar years

**DEBT CAPACITY** – These schedules show the City's current debt position and also the City's ability to issue additional debt in the future.

- Legal Debt Margin Information – Last ten fiscal years
- Direct and Overlapping Governmental Activities Debt – As of June 30, 2007
- Electric Utility Customers and Sales by Type – Last ten fiscal years
- Ratios of Outstanding Debt by Type – Last ten fiscal years
- Ratios of General Bonded Debt to Assessed Values – Last ten fiscal years
- Pledged Revenue Coverage – Last ten fiscal years

**OPERATING INFORMATION** – These schedules show service and infrastructure information to help show how the financial information contained in the City's financial report relates to the activities performed and services provided by the City

- Full-time Equivalent City Government Employees by Function/Program – Last five fiscal years
- Capital Asset Statistics by Function/Program – Last eight fiscal years
- Operating Indicators by Function/Program – Last eight fiscal years

**DEMOGRAPHIC AND ECONOMIC INFORMATION** – These schedules show demographic and economic indicators surrounding the City's financial environment

- Principal Employers – Current year and nine years ago
- Demographic and Economic Statistics – Last ten fiscal years

CITY OF STILLWATER, OKLAHOMA  
NET ASSETS BY COMPONENT  
LAST SIX FISCAL YEARS \*

	As of June 30,					
	2003	2004	2005	2006	2007	2008
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 72,220,782	\$ 70,989,399	\$ 71,724,485	\$ 70,865,043	\$ 75,874,538	\$ 78,005,755
Restricted for capital projects	553,894	311,827	227,641	182,859	156,719	99,216
Restricted for debt service	613,449	761,585	696,375	168,999	96,746	129,488
Restricted for street improvements	-	-	7,158,849	9,582,135	10,044,476	9,609,597
Restricted for specific operating activities	-	-	536,641	615,844	558,210	630,646
Unrestricted	11,813,537	12,374,202	3,327,269	5,620,201	4,075,193	1,575,602
<b>Total governmental activities net assets</b>	<b>\$ 85,201,662</b>	<b>\$ 84,437,013</b>	<b>\$ 83,671,260</b>	<b>\$ 87,035,081</b>	<b>\$ 90,805,882</b>	<b>\$ 90,050,304</b>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 65,423,858	\$ 70,512,395	\$ 74,539,974	\$ 77,374,975	\$ 80,898,110	\$ 84,155,142
Restricted for capital projects	-	-	-	-	-	54,756
Restricted for debt service	2,266,493	2,275,899	1,376,664	1,582,124	1,912,627	2,208,517
Unrestricted	25,627,707	25,425,194	26,489,143	24,471,836	21,526,947	22,594,009
<b>Total business-type activities net assets</b>	<b>\$ 93,318,058</b>	<b>\$ 98,213,488</b>	<b>\$ 102,405,781</b>	<b>\$ 103,428,935</b>	<b>\$ 104,337,684</b>	<b>\$ 109,012,424</b>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 137,644,640	\$ 141,501,794	\$ 146,264,459	\$ 148,240,018	\$ 156,772,648	\$ 162,160,897
Restricted for capital projects	553,894	311,827	227,641	182,859	156,719	153,972
Restricted for debt service	2,879,942	3,037,484	2,073,039	1,751,123	2,009,373	2,338,005
Restricted for street improvements	-	-	7,158,849	9,582,135	10,044,476	9,609,597
Restricted for specific operating activities	-	-	536,641	615,844	558,210	630,646
Unrestricted	37,441,244	37,799,396	29,816,412	30,092,037	25,602,140	24,169,611
<b>Total primary government net assets</b>	<b>\$ 178,519,720</b>	<b>\$ 182,650,501</b>	<b>\$ 186,077,041</b>	<b>\$ 190,464,016</b>	<b>\$ 195,143,566</b>	<b>\$ 199,062,728</b>

\* Data for years prior to 2003 is not readily available.

CITY OF STILLWATER, OKLAHOMA  
 CHANGES IN NET ASSETS  
 LAST SIX FISCAL YEARS •

	Fiscal Year Ended June 30,					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
Public Safety	\$ 12,030,274	\$ 12,681,613	\$ 13,485,558	\$ 14,091,743	\$ 15,590,805	\$ 17,238,579
Recreation and culture	4,766,960	4,652,366	5,176,504	5,185,248	5,428,234	5,645,050
General government	2,109,441	2,274,740	2,475,642	2,522,896	3,466,609	3,811,781
Financial administration	616,804	569,047	604,803	751,577	635,329	648,327
Street and sewers	5,161,605	5,401,003	5,520,360	5,726,635	6,454,425	7,009,091
Engineering and public works administration	1,141,343	832,998	1,008,922	914,956	767,258	630,423
Tourism	269,786	280,485	331,483	370,356	-	-
Economic development	386,524	509,066	605,611	602,346	1,004,617	1,035,287
Health and welfare	1,339,060	1,227,161	1,613,431	1,441,499	1,593,649	1,669,649
Interest on long-term debt	803,198	740,282	681,061	628,333	578,703	528,335
<b>Total governmental activities expenses</b>	<b>28,624,995</b>	<b>29,168,761</b>	<b>31,503,375</b>	<b>32,235,589</b>	<b>35,519,629</b>	<b>38,216,522</b>
Business-type activities:						
Electric, water, wastewater and sanitation operations	34,171,680	35,062,143	37,756,145	43,453,117	46,993,426	45,651,630
Stillwater Public Golf Authority	1,173,163	1,180,919	1,161,042	1,101,923	1,194,269	1,204,793
Stillwater Industrial Redevelopment Authority	71,315	49,797	101,129	-	-	-
Business area development	0	0	0	-	-	45,740
Airport operations	1,283,965	1,374,786	1,959,733	2,161,111	2,113,932	2,670,192
<b>Total business-type activities expenses</b>	<b>36,700,123</b>	<b>37,667,645</b>	<b>40,978,049</b>	<b>46,716,151</b>	<b>50,301,627</b>	<b>49,572,355</b>
<b>Total primary government expenses</b>	<b>\$ 65,325,118</b>	<b>\$ 66,836,406</b>	<b>\$ 72,481,424</b>	<b>\$ 78,951,740</b>	<b>\$ 85,821,256</b>	<b>\$ 87,788,877</b>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
Public safety	\$ 211,099	\$ 112,999	\$ 118,593	\$ 171,172	\$ 164,246	\$ 189,049
Recreation and culture	556,394	584,684	632,614	831,725	757,084	765,242
General government	12,820	15,219	5,908	30,738	277,421	393,280
Financial administration	785,127	768,888	923,756	834,381	1,116,601	890,515
Streets and sewers	256,111	413,023	413,023	523,616	449,124	445,976
Engineering and public works administration	-	-	5,405	-	-	-
Economic Development	-	-	-	-	3,261	-
Health and welfare	903,458	888,583	956,444	1,257,203	1,412,587	1,408,365
Operating grants and contributions	467,172	321,587	725,092	178,129	119,845	120,693
Capital grants and contributions	176,310	214,198	102,907	822,889	2,166,742	853,309
<b>Total governmental activities program revenues</b>	<b>3,368,491</b>	<b>3,319,181</b>	<b>3,883,742</b>	<b>4,649,853</b>	<b>6,466,911</b>	<b>5,066,429</b>

continued

\* Data for years prior to 2003 is not readily available.



CITY OF STILLWATER, OKLAHOMA  
 CHANGES IN NET ASSETS  
 LAST SIX FISCAL YEARS \*  
 (continued)

	Fiscal Year Ended June 30,					
	2003	2004	2005	2006	2007	2008
<b>Business-type activities:</b>						
Charges for services:						
Electric, water, wastewater, and sanitation operations	39,021,354	41,065,887	43,595,811	48,197,848	51,315,037	52,517,022
Stillwater Public Golf Authority	811,516	796,669	775,913	820,232	697,495	730,872
Stillwater Industrial Redevelopment Authority	1,571	1,181	932	751	-	-
Business area development	0	0	0	0	-	2,712
Airport operations	486,935	586,264	787,127	1,156,881	1,150,365	1,509,281
Operating grants and contributions	17,050	22,138	255,892	100,640	-	-
Capital grants and contributions	2,194,428	1,619,051	3,926,570	1,276,045	2,185,284	2,155,469
Total business-type activities program revenues	42,532,854	44,091,190	49,342,245	51,552,397	55,348,181	56,915,356
Total primary government program revenues	\$ 45,901,345	\$ 47,410,371	\$ 53,225,987	\$ 56,202,250	\$ 61,815,092	\$ 61,981,785
<b>Net (Expense)/Revenue</b>	\$ (25,256,504)	\$ (25,849,580)	\$ (27,619,633)	\$ (27,585,736)	\$ (29,052,718)	\$ (33,150,093)
<b>Governmental activities</b>	5,832,731	6,423,545	8,364,196	4,836,246	5,046,554	7,343,001
<b>Business-type activities</b>	\$ (19,423,773)	\$ (19,426,035)	\$ (19,255,437)	\$ (22,749,490)	\$ (24,006,164)	\$ (25,807,092)
<b>General Revenues and Other Changes In Net Assets</b>						
<b>Governmental activities:</b>						
<b>Taxes:</b>						
Sales and use taxes	\$ 17,443,260	\$ 18,598,176	\$ 19,822,637	\$ 21,824,709	\$ 22,857,240	\$ 23,860,004
Property taxes	2,224,535	2,130,193	1,979,773	1,368,897	1,315,487	1,343,353
Franchise and public service taxes	1,249,009	1,322,018	1,380,775	1,437,986	1,330,835	1,502,845
E911 taxes	113,610	117,167	98,792	93,739	84,444	81,681
Hotel/motel taxes	277,307	294,015	332,727	368,826	406,552	439,953
Investment income	93,243	75,000	284,037	382,339	616,842	464,024
Miscellaneous	277,565	212,258	139,247	514,193	532,498	587,117
Transfers-internal activity	6,982,099	2,178,317	2,299,435	4,758,359	5,679,621	4,115,538
Total governmental activities	28,660,628	24,927,144	26,337,423	30,749,048	32,823,519	32,394,515
<b>Business-type activities:</b>						
Investment income	330,530	166,447	461,770	908,708	1,212,709	847,390
Miscellaneous	608,826	743,816	202,682	237,068	329,107	599,887
Transfers-internal activity	(6,982,100)	(2,178,317)	(2,299,435)	(4,758,359)	(5,679,621)	(4,115,538)
Total business-type activities	(6,042,744)	(1,268,054)	(1,634,983)	(3,612,583)	(4,137,805)	(2,668,261)
Total primary government	\$ 22,617,884	\$ 23,659,090	\$ 24,702,440	\$ 27,136,465	\$ 28,685,714	\$ 29,726,254
<b>Change in Net Assets</b>						
Governmental activities	\$ 3,404,124	\$ (922,436)	\$ (1,282,210)	\$ 3,163,312	\$ 3,770,801	\$ (755,578)
Business-type activities	(210,013)	5,155,491	6,729,213	1,223,663	908,749	4,674,740
Total primary government	\$ 3,194,111	\$ 4,233,055	\$ 5,447,003	\$ 4,386,975	\$ 4,679,550	\$ 3,919,162

\* Data for years prior to 2003 is not readily available.

CITY OF STILLWATER, OKLAHOMA  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST SIX FISCAL YEARS \*  
 (modified accrual basis of accounting)

	As of June 30,					
	2003	2004	2005	2006	2007	2008
General fund						
Reserved for inventories	\$ 144,293	\$ 179,414	\$ 171,519	\$ 196,965	\$ 178,914	\$ 215,927
Reserved for police activities	110,863	109,045	110,373	111,150	102,174	103,845
Reserved for fire activities	167,177	207,097	228,212	236,210	230,006	259,093
Reserved for sales tax transfer	1,188,233	1,235,969	1,334,010	1,496,905	1,543,166	1,617,836
Reserved for hotel/motel	-	43,034	40,930	28,797	47,115	51,781
Unreserved:						
Designated for self insurance	951,031	855,704	855,704	1,072,554	1,484,580	855,704
Designated for recreation and culture	528,444	165,246	169,065	99,291	76,976	105,920
Undesignated	6,130,987	4,953,732	1,342,491	3,160,167	1,317,341	219,459
Total general fund	\$ 9,221,028	\$ 7,749,241	\$ 4,252,304	\$ 6,402,039	\$ 4,980,272	\$ 3,429,565
All other Governmental Funds						
Reserved for debt service	\$ 613,449	\$ 761,585	\$ 696,375	\$ 168,999	\$ 96,746	\$ 129,488
Reserved for capital improvements	553,894	311,827	227,641	182,859	156,719	99,216
Unreserved, reported in:						
Special revenue funds	3,243,615	5,773,881	7,979,196	10,620,862	11,077,427	10,436,732
Total all other governmental funds	\$ 4,410,958	\$ 6,847,293	\$ 8,903,212	\$ 10,972,720	\$ 11,330,892	\$ 10,665,436

\* Data for years prior to 2003 is not readily available.

CITY OF STILLWATER, OKLAHOMA  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST SIX FISCAL YEARS \*  
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,					
	2003	2004	2005	2006	2007	2008
<b>Revenues</b>						
Taxes	\$ 21,057,097	\$ 22,445,024	\$ 23,460,061	\$ 24,995,004	\$ 25,893,302	\$ 27,326,131
Intergovernmental	495,483	292,990	742,105	245,939	308,548	422,028
Charges for service	449,299	1,373,709	1,428,079	1,653,785	1,468,896	1,357,411
Fines and forfeits	756,362	845,093	889,850	877,165	807,431	789,481
Fees and rentals	429,325	498,198	526,700	642,259	802,179	816,051
Investment income	90,865	73,414	192,169	377,479	609,562	458,761
Licenses and permits	88,583	113,460	182,293	222,355	303,354	246,636
Other miscellaneous revenues	1,346,061	381,880	397,285	686,876	1,092,042	1,328,187
<b>Total revenues</b>	<b>24,713,075</b>	<b>26,023,768</b>	<b>27,818,542</b>	<b>29,700,862</b>	<b>31,285,314</b>	<b>32,744,686</b>
<b>Expenditures</b>						
<b>Current:</b>						
Public safety	11,212,713	12,238,250	12,919,050	13,663,801	15,147,760	16,682,553
Recreation and culture	3,725,646	3,779,171	4,050,919	4,256,098	4,791,101	5,015,086
General government	1,549,115	1,723,360	2,156,559	2,172,095	2,624,051	2,986,340
Financial administration	523,328	488,920	525,900	614,774	612,413	578,968
Streets and sewers	1,826,022	1,879,794	1,889,400	2,025,858	2,375,075	2,621,006
Operations	731,566	807,442	902,206	882,005	741,181	583,597
Economic development	386,524	509,066	937,095	972,702	1,004,617	1,035,287
Human services	1,236,491	1,191,431	1,527,309	1,365,664	1,647,385	1,946,693
Debt service:						
Principal retirements	790,000	790,000	790,000	790,000	790,000	790,000
Interest and fiscal charges	808,465	745,265	685,465	632,465	582,865	532,525
Capital outlay	5,617,633	2,878,591	5,175,092	2,864,516	6,402,132	6,113,834
<b>Total expenditures</b>	<b>28,407,503</b>	<b>27,031,290</b>	<b>31,558,995</b>	<b>30,239,978</b>	<b>36,718,580</b>	<b>38,885,859</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,694,428)</b>	<b>(1,007,522)</b>	<b>(3,740,453)</b>	<b>(539,116)</b>	<b>(5,433,266)</b>	<b>(6,141,203)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	15,654,554	11,683,976	11,755,379	14,541,601	13,534,835	15,260,534
Transfers out	(8,672,455)	(9,431,421)	(9,455,944)	(9,783,242)	(9,165,164)	(11,335,494)
Transfer out to component unit	(269,786)	(280,485)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>6,712,313</b>	<b>1,972,070</b>	<b>2,299,435</b>	<b>4,758,359</b>	<b>4,369,671</b>	<b>3,925,040</b>
<b>Net change in fund balances</b>	<b>\$ 3,017,885</b>	<b>\$ 964,548</b>	<b>\$ (1,441,018)</b>	<b>\$ 4,219,243</b>	<b>\$ (1,063,955)</b>	<b>\$ (2,216,163)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>7.01%</b>	<b>6.36%</b>	<b>5.59%</b>	<b>5.20%</b>	<b>4.53%</b>	<b>4.04%</b>

\* Data for years prior to 2003 is not readily available

CITY OF STILLWATER, OKLAHOMA  
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (A)  
LAST TEN FISCAL YEARS  
*(accrual basis of accounting)*

Fiscal Year	Franchise and Public				Sales Tax as Percentage of				
	Sales & Use Taxes	Property Taxes	Service Taxes	E911 Taxes	Hotel/Motel Taxes	Other Taxes	Total Taxes	Total Taxes	Total Taxes
1999	11,336,863	1,194,087				1,274,403	13,805,353	13,805,353	82.12%
2000	14,328,401	1,235,635	\$	\$	124,030	993,507	16,924,991	16,924,991	84.66%
2001	14,916,853	1,239,927			135,327	1,264,432	17,789,338	17,789,338	83.85%
2002	16,654,826	1,795,054			127,647	1,024,380	19,838,662	19,838,662	83.95%
2003	17,058,712	2,087,520	\$		113,610	277,307	21,057,097	21,057,097	81.01%
2004	18,598,176	2,130,193			117,167	294,015	22,461,569	22,461,569	82.80%
2005	19,822,637	1,979,773			98,792	332,727	23,614,704	23,614,704	83.94%
2006	21,824,709	1,368,897			93,739	368,826	25,094,157	25,094,157	86.97%
2007	22,857,240	1,315,487			84,444	406,552	25,994,558	25,994,558	87.93%
2008	23,860,004	1,343,353			81,681	439,953	27,227,836	27,227,836	87.63%

(A) For fiscal years 1999 thru 2002 (pre-GASB 34) includes all taxes of General, Special Revenue, and Debt Service Funds.

Note: For fiscal years 1999 thru 2002, taxes are classified to the extent the information is readily available.

CITY OF STILLWATER, OKLAHOMA  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
*(in thousands)*

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Valuation	Homestead Exemption	Net Total Valuation	Total Direct Tax Rate	Total Estimated Actual Value	Ratio of Total Assessed to Actual Value
1999	99,268	25,514	4,882	129,664	5,294	124,370	10.08	1,137,404	11.40%
2000	107,228	26,108	5,648	138,984	5,304	133,680	9.28	1,219,158	11.40%
2001	114,714	29,564	5,817	150,095	5,306	144,789	8.54	1,316,623	11.40%
2002	122,299	30,969	6,833	160,101	5,303	154,798	11.54	1,404,395	11.40%
2003	127,396	30,420	9,096	166,912	5,326	161,586	13.70	1,464,140	11.40%
2004	138,265	31,250	10,610	180,125	5,227	174,898	12.29	1,580,044	11.40%
2005	147,535	30,862	10,956	189,353	5,096	184,257	10.76	1,660,991	11.40%
2006	157,236	32,721	12,360	202,317	5,091	197,226	7.19	1,774,711	11.40%
2007	173,283	35,512	11,516	220,311	5,198	215,113	6.17	1,932,553	11.40%
2008	190,637	38,567	9,911	239,115	5,300	233,815	5.72	2,097,439	11.40%

Source: Payne County Assessor

The assessed value of the taxable property as certified by the Payne County Assessor to be used for the 2008-2009 fiscal year is as follows:

2009	Real Property	Personal Property	Public Service Property	Total Valuation	Homestead Exemption	Net Total Valuation	Total Direct Tax Rate	Total Estimated Actual Value
	\$ 205,793	\$ 40,243	\$ 8,976	\$ 255,012	\$ 5,307	\$ 249,705	\$ 5.75	\$ 2,236,947

CITY OF STILLWATER, OKLAHOMA  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS  
*(rate per \$1,000 of assessed value)*

Fiscal Year	City of Stillwater	Independent School	Meridian Technology	Payne County	Total
	Debt Service Fund	District No. 16	Center		
1999	10.08	53.63	15.00	16.00	94.71
2000	9.28	52.20	15.00	16.00	92.48
2001	8.54	54.91	15.00	16.00	94.45
2002	11.54	57.37	15.00	16.00	99.91
2003	13.70	64.34	15.00	16.00	109.04
2004	12.29	62.55	15.00	16.00	105.84
2005	10.76	62.96	15.00	16.00	104.72
2006	7.19	63.71	15.00	16.00	101.90
2007	6.17	62.93	15.00	16.00	100.10
2008	5.72	64.17	15.00	16.00	100.89

Source: Payne County Assessor

The direct and overlapping tax rates for FY 2008-2009 are as follows:

Fiscal Year	City of Stillwater	Independent School	Meridian Technology	Payne County	Total
	Debt Service Fund	District No. 16	Center		
2009	\$ 5.75	\$ 62.09	\$ 15.00	\$ 16.00	\$ 98.84

CITY OF STILLWATER, OKLAHOMA  
 PRINCIPAL PROPERTY TAX PAYERS  
 CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2008			1999		
		2008 Assessed Valuation	Percentage of Total Assessed Valuation	Rank	1999 Assessed Valuation	Percentage of Total Assessed Valuation	Rank
Armstrong World Industries, Inc.	Manufacturer of floor coverings	6,028,054	2.41%	1	2,579,030	1.93%	4
Brunswick Corporation	Manufacturer of stern-drive boat motors	4,967,929	1.99%	2	4,952,507	3.70%	1
Wal-Mart Stores, Inc. #137	Discount supercenter	4,430,183	1.77%	3	1,570,185	1.17%	5
Links at Stillwater	Apartments/golf/fitness development	3,646,129	1.46%	4			
Wells, Henry	Real estate developer	2,973,138	1.19%	5			
Quebecor World Inc.	Printer of magazines and advertising inserts	2,957,553	1.18%	6	2,636,009	1.97%	3
Chickasaw Telecom Services, Inc.	Telephone utility	2,451,920	0.98%	7			
Southwestern Bell	Telephone utility	2,270,260	0.91%	8	3,219,801	2.41%	2
National Standard Co.	Manufacturer of steel cord for radial tires	2,021,386	0.81%	9	1,559,535	1.17%	6
Lakeview Poime	Shopping Center	1,949,537	0.78%	10			
Oklahoma Natural Gas	Gas Utility				1,307,517	0.98%	8
Lowes Home Center, Inc.	Home improvement store				1,383,351	1.03%	7
Moore Business Forms, Inc.	Business forms printer				1,255,679	0.94%	9
Stillwater Designs & Audio, Inc.	Home & auto audio manufacturer				889,158	0.67%	10
		<u>\$33,696,089</u>	<u>13.49%</u>		<u>\$21,352,772</u>	<u>15.97%</u>	

Source: Payne County Assessor

CITY OF STILLWATER, OKLAHOMA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
*(in thousands of dollars)*

Fiscal Year	Taxes Levied for the year	Collected within the Fiscal Year of the Levy		Collected on Prior
		Amount	Percentage of Levy	Years' Levies (A)
1999	1,254	1,238	99%	5
2000	1,241	1,233	99%	3
2001	1,237	1,243	100%	4
2002	1,786	1,727	97%	3
2003	2,214	2,087	94%	3
2004	2,149	2,084	97%	78
2005	1,982	1,942	98%	15
2006	1,417	1,433	101%	18
2007	1,320	1,286	97%	19
2008	1,344	1,294	96%	64

(A) Collections of property taxes in Oklahoma are made at the County level. Information received from Payne County with collected delinquent amounts does not include the original levy year.

Note: Total collections for July through November, 2008 are \$21 thousand in current taxes and \$4 thousand in delinquent taxes.



CITY OF STILLWATER, OKLAHOMA  
TAXABLE SALES BY CATEGORY  
LAST SIX FISCAL YEARS  
*(in thousands of dollars)*

	2003	2004	2005	2006	2007	2008
General merchandise stores	\$119,431	\$123,633	\$128,097	\$141,576	\$144,281	\$165,326
Eating and drinking places	57,980	60,824	68,314	79,720	84,125	88,711
Miscellaneous retail	46,129	49,969	52,776	53,655	59,973	63,590
Building material, hardware, garden supply	34,248	41,593	48,395	52,357	51,659	58,193
Food stores	49,366	49,339	42,733	38,049	35,924	34,492
Electric, gas, and sanitary services	30,008	30,326	31,763	36,563	39,310	38,680
Wholesale trade - durable goods	17,784	20,511	23,857	28,128	25,108	26,072
Apparel & accessory stores	25,924	26,172	26,549	25,996	35,824	34,128
Furniture, home furnishings & equipment	18,406	19,749	21,611	24,266	24,478	26,142
Communications	24,067	24,607	24,831	22,357	23,368	23,531
Automotive dealers & gasoline service	13,119	13,509	14,544	13,862	15,227	14,103
Education services	8,832	12,582	10,580	10,947	12,768	10,555
Business services	9,984	9,445	9,237	10,125	14,276	13,639
All other outlets	37,426	39,326	40,427	47,200	14,811	51,539
<b>Total</b>	<b>\$492,704</b>	<b>\$521,585</b>	<b>\$543,714</b>	<b>\$584,801</b>	<b>\$581,132</b>	<b>\$648,701</b>
City general sales tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Transferable to SUA	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Dedicated sales tax (transportation projects) *	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
<b>Total tax rate</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>

\* Dedicated sales tax of 0.5% was effective October 1, 2001. This additional tax was to expire September 30, 2006 but was extended until September 30, 2016 by a vote of the citizens of Stillwater on April 4, 2006.

Source: Oklahoma Tax Commission  
Information for fiscal years before 2002/2003 is not readily available.

Note: The State of Oklahoma retains 1% of the sales tax collected as an administrative fee.

CITY OF STILLWATER, OKLAHOMA  
 DIRECT AND OVERLAPPING SALES TAX RATES  
 LAST TEN CALENDAR YEARS

Fiscal Year	City of Stillwater	State of Oklahoma	Payne County
1999	2.00%	4.50%	0.50%/0.0375%
2000	2.00%	4.50%	0.0375%/0.50%
2001	2.00%	4.50%	0.50%
2002 *	2.00%/2.50%	4.50%	0.50%
2003	2.50%	4.50%	0.50%
2004	2.50%	4.50%	0.50%
2005	2.50%	4.50%	0.50%
2006	2.50%	4.50%	0.50%/0.75%
2007	2.50%	4.50%	0.75%
2008	2.50%	4.50%	0.75%

Note: Sales Tax is a major revenue source of the General Fund of the City of Stillwater.

Sales tax is collected by local merchants and remitted to the State of Oklahoma Tax Commission by the 15th of the month following its receipt. The Tax Commission returns the City's portion of the sales tax to the city by the 15th of the following month. Beginning in 1979, an additional 1% sales tax was levied by the city for the debt service of Stillwater Utilities Authority ("SUA"), i.e., a Public Trust which operates the water, sewer and electric utilities of the City. The sales tax dedicated for the SUA is received by the City's General Fund and is immediately transferred to SUA.

Stillwater is located in Payne County which initiated a .5% sales tax effective January 1, 1994.

The .5% sales tax expired and was replaced with a .375% sales tax effective January 1, 1999.

The Payne County sales tax was increased to .5% effective April 1, 2000

The Payne County sales tax was increased to 0.75% effective April 1, 2006

\* The City portion of sales tax increases to 2.50% effective October 1, 2001. The additional .50% is dedicated to fund transportation (street) projects. This additional tax will expire September 30, 2016.

CITY OF STILLWATER, OKLAHOMA  
ELECTRIC UTILITY CUSTOMERS AND SALES BY TYPE  
LAST TEN FISCAL YEARS \*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Commercial</b>										
Ave monthly customers	1,372	1,426	1,488	1,495	1,527	1,544	1,665	1,740	1,801	1,873
Annual Sales	3,517,734	3,384,792	3,669,320	3,770,360	3,737,569	3,877,638	4,115,871	4,704,547	5,097,084	5,239,488
Percentage of Total Annual Sales	13%	13%	13%	13%	13%	13%	14%	14%	13%	14%
<b>Residential</b>										
Ave monthly customers	14,471	14,819	15,246	15,307	15,708	16,056	16,182	16,760	16,690	16,874
Annual Sales	11,403,892	10,679,089	12,003,543	12,069,428	12,232,987	12,877,862	13,100,486	15,647,337	16,803,705	16,639,744
Percentage of Total Annual Sales	44%	42%	43%	43%	44%	44%	43%	45%	44%	45%
<b>Industrial/Institutional</b>										
Ave monthly customers	184	193	202	208	209	205	206	212	220	225
Annual Sales	11,166,637	11,354,496	12,172,030	12,246,100	12,130,641	12,683,716	13,204,681	14,428,839	16,256,536	15,475,209
Percentage of Total Annual Sales	43%	45%	44%	44%	43%	43%	43%	41%	43%	41%

CITY OF STILLWATER, OKLAHOMA  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
*(in thousands)*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Legal Debt Margin Calculation for Fiscal Year 2008:</b>										
Net assessed valuation		\$ 249,705								
Allowable debt of nonpublic utility bonds, limited by State Constitution, Article 10, Section 26, to 10% of net assessed valuation		\$ 24,971								
Less- Debt applicable to debt limit. Municipal/police building general obligation bonds					(9,830)					
Legal debt margin					\$ 15,141					
Debt limit	\$ 13,368	\$ 14,479	\$ 15,480	\$ 16,159	\$ 17,490	\$ 18,426	\$ 19,723	\$ 21,511	\$ 23,381	\$ 24,971
Less - Total net debt applicable to limit	(550)	(8,500)	(14,970)	(14,570)	(13,780)	(12,990)	(12,200)	(11,410)	(10,620)	(9,830)
Legal debt margin	\$ 12,818	\$ 5,979	\$ 510	\$ 1,589	\$ 3,710	\$ 5,436	\$ 7,523	\$ 10,101	\$ 12,761	\$ 15,141
Total net debt applicable to the limit as a percentage of debt limit	4.1%	58.7%	96.7%	90.2%	78.8%	70.5%	61.9%	53.0%	45.4%	39.4%

CITY OF STILLWATER, OKLAHOMA  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 AS OF JUNE 30, 2008  
*(in thousands of dollars)*

Governmental Unit:	Bonds Outstanding		Debt Service Cash Available (A)	Net Bonds Outstanding	Percentage Applicable to City of Stillwater Property Owners / Patrons		Estimated Share of Overlapping Debt
	\$						
<b>Debt repaid with property taxes</b>							
Stillwater Independent School District #16	\$ 27,795	\$	5,459	\$ 22,336	84.12%	\$	18,789
<b>Debt repaid with sales taxes</b>							
Payne County Facilities Authority	\$ 19,840	\$	3,855	\$ 15,985	73.49%		11,747
Subtotal - overlapping debt						\$	30,536
City of Stillwater direct debt	\$ 9,830	\$	125	\$ 9,705	100.00%		9,705
<b>Total direct and overlapping debts</b>						<u>\$</u>	<u>40,241</u>

(A) - Restricted in use by bond indentures and/or trustee agreements.

Note: Stillwater School District and Payne County include all of the City of Stillwater and extend beyond the physical boundaries of the City. This schedule estimates the portion of governmental debt that is borne by the property owners (via property taxes) and patrons (via sales tax) of the City of Stillwater.

Computation assumptions: For debt repaid with property taxes, the percentage of assessed property within the City of Stillwater in relation to the assessed value of the school district (which extends beyond the city limits) was used. For the County debt repaid with sales taxes, the percentage of taxable sales for the City of Stillwater in relation to the taxable sales for the entire county was used.

Sources: Assessed value data, School and County amounts - Payne County Assessor's office

CITY OF STILLWATER, OKLAHOMA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Personal Income (in thousands of dollars)	Debt as Percentage of Personal Income	Population	Total Debt Per Capita
	General Obligation Bonds	Revenue Bonds	General Obligation Bonds	Bonds	Notes Payable	Capital Leases						
1999	550,000	17,145,000	3,420,000	3,420,000	2,213,369	-	23,328,369	1,309,326	1.8%	38,880	600.01	
2000	8,500,000	16,030,000	2,940,000	2,940,000	2,213,369	-	29,683,369	1,434,174	2.1%	41,000	723.98	
2001	14,970,000	14,830,000	2,440,000	2,440,000	9,095,262	622,000	41,957,262	1,483,556	2.8%	39,065	1,074.04	
2002	14,570,000	11,825,000	1,940,000	1,940,000	26,641,747	1,336,402	56,313,150	1,516,716	3.7%	40,409	1,393.58	
2003	13,780,000	11,490,000	1,485,000	1,485,000	30,178,762	1,253,010	58,186,773	1,564,678	3.7%	40,735	1,428.42	
2004	12,990,000	9,900,000	1,010,000	1,010,000	29,253,384	1,349,741	54,503,125	1,623,651	3.4%	41,320	1,319.05	
2005	12,200,000	21,250,000	505,000	505,000	14,702,699	1,018,953	49,676,652	1,759,533	2.8%	41,940	1,184.47	
2006	11,410,000	18,945,000	-	-	14,009,350	1,563,305	45,927,655	**	**	45,674	1,005.55	
2007	10,620,000	16,320,000	-	-	13,307,167	1,663,711	41,910,878	**	**	46,383	903.58	
2008	9,830,000	13,590,000	-	-	18,606,464	1,030,812	43,057,276	**	**	46,976	916.58	

\*\* Data not available at time of publication

CITY OF STILLWATER, OKLAHOMA  
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUES  
AND PER CAPITA BONDED DEBT  
LAST TEN FISCAL YEARS

General Obligation Bonds

Fiscal Year	Governmental		Business -Type Activities	Total Primary Government	Population	Total Bonded Debt Per Capita	Total Estimated Actual Value (in thousands)	Bonded Debt per \$1,000 of assessed value
	Activities	Activities						
1999	550,000	3,420,000	3,970,000	38,880	102.11	1,137,404	3.49	
2000	8,500,000	2,940,000	11,440,000	41,000	279.02	1,219,158	9.38	
2001	14,970,000	2,440,000	17,410,000	39,065	445.67	1,316,623	13.22	
2002	14,570,000	1,940,000	16,510,000	40,409	408.57	1,404,395	11.76	
2003	13,780,000	1,485,000	15,265,000	40,735	374.74	1,464,140	10.43	
2004	12,990,000	1,010,000	14,000,000	41,320	338.82	1,580,044	8.86	
2005	12,200,000	505,000	12,705,000	41,940	302.93	1,660,991	7.65	
2006	11,410,000	-	11,410,000	45,674	249.81	1,774,711	6.43	
2007	10,620,000	-	10,620,000	46,383	228.96	1,932,553	5.50	
2008	9,830,000	-	9,830,000	46,976	209.26	2,097,439	4.69	

CITY OF STILLWATER, OKLAHOMA  
 PLEDGED REVENUE COVERAGE  
 LAST TEN FISCAL YEARS  
*(dollars in thousands)*

Fiscal Year	Revenue Bonds Payable						Coverage with sales tax transfer
	Operating Revenues	Less: Operating Expenses	Principal	Interest	Coverage	Sales Tax Transfer	
1999	31,689	23,405	1,025	1,124	3.85	4,234	5.83 times
2000	32,460	24,820	1,115	1,090	3.46	4,515	5.51
2001	38,160	28,411	1,210	1,120	4.18	4,817	6.25
2002	36,113	26,633	1,410	1,021	3.90	4,838	5.89
2003	36,506	26,855	916	819	5.56	4,865	8.37
2004	38,117	27,292	2,515	823	3.24	5,172	4.79
2005	43,596	37,498	2,305	709	2.02	5,379	3.81
2006	48,198	42,396	2,625	693	1.75	5,751	3.48
2007	51,315	45,907	2,730	619	1.61	6,069	3.43
2008	52,517	44,519	2,855	535	2.36	7,341	4.52

Note: A one-cent sales tax is collected which is available for debt coverage and operational needs.



CITY OF STILLWATER, OKLAHOMA  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST SIX FISCAL YEARS \*

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:						
Public safety	178	182	189.5	189.5	188	193
Recreation and culture	92.5	93.5	96.5	86.8	97	88.75
General government	23	28	24.5	27.8	25	38
Financial administration	12.5	12.5	13	13	13.5	15
Street and sewers	28	25	28	28	22	33
Engineering and public works administration	21	22	25.5	22.5	28	17
Health and welfare	19	19.5	18	19	18	23
Business-type activities:						
Electric, water and wastewater operations	127	132	136	137.8	130	138.5
Sanitation operations	35.5	36	35	35	30	34.5
Community Center operations	4.5	4.5	4.5	4.8	5	5
Stillwater Public Golf Authority	21	25	22	21	19.5	21
Airport Operations	4.5	5	5	5	5	5
Total	566.5	585	597.5	590.1	581.0	611.75

\*data for years prior to 2003 not readily available

CITY OF STILLWATER, OKLAHOMA  
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
 LAST NINE FISCAL YEARS \*

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Governmental activities:</b>									
<b>Public safety</b>									
Police stations	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4
<b>Recreation and culture</b>									
Athletic fields	21	21	21	21	21	21	24	24	24
Tennis Courts	14	14	14	14	14	14	14	14	10
Neighborhood/community parks	22	22	22	22	22	22	24	24	22
<b>Street and sewers</b>									
Streets (miles)	246	295	255	255	295	295	297	230	230
Traffic signals	48	48	50	50	51	51	53	61	61
<b>Business-type activities.</b>									
<b>Electric, water, wastewater</b>									
<b>Power plants</b>									
Power plants	1	1	1	1	1	1	1	1	1
Substations	8	8	8	8	8	8	8	8	8
Miles of 69KV line	19.5	19.5	19.5	19.5	19.5	19.5	20.9	20.9	21
<b>Water</b>									
<b>Water Plant</b>									
Water Plant	1	1	1	1	1	1	1	1	1
Water storage towers (away from plant)	4	4	4	4	4	4	4	5	5
<b>Wastewater</b>									
<b>Wastewater Plant</b>									
Wastewater Plant	1	1	1	1	1	1	1	1	1
Lift Stations	7	8	8	9	11	13	15	15	15
<b>Stillwater Public Golf Authority</b>									
<b>Acreage</b>									
Acreage	160	160	160	160	160	160	160	160	160

\* Date for years prior to 2000 is not readily available

CITY OF STILLWATER, OKLAHOMA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST NINE FISCAL YEARS \*

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Governmental activities:</b>									
<b>Public safety</b>									
Traffic citations	5,879	6,409	5,999	5,769	6,252	5,621	5,700	5,075	5,010
Parking tickets	9,952	9,744	6,914	10,161	10,645	12,967	14,000	13,662	11,601
Police calls for service	41,407	43,978	42,104	39,691	41,924	42,721	44,697	39,841	33,810
Animals handled by Animal Control	3,008	3,288	2,959	2,607	2,951	2,411	4,034	738	2,434
Fire calls for service	1,307	1,438	1,704	1,682	1,463	1,390	1,517	1,632	1,447
Ambulance calls for service	3,105	3,264	3,470	3,501	3,502	3,486	3,512	3,971	3,574
<b>Recreation and culture</b>									
Acres mowed (1)	935	935	935	950	950	12,229	8,532	11,552	11,240
Program participants	7,035	5,797	6,073	5,734	5,638	6,154	6,303	7,490	2,296
Senior Center daily average attendance	64	62	68	57	62	73	67	60	70
Multi Arts participants	832	663	694	886	1,100	1,341	2,978	2,236	6,000
Swimming pool admissions	17,350	17,850	22,018	20,071	22,000	29,148	17,342	18,094	18,056
Mini bus rides	14,125	13,808	20,923	20,123	20,500	17,284	15,554	9,699	4,390
Volumes in library	100,947	97,341	95,840	95,179	95,286	89,059	**	**	91,674
Total circulation of library materials (2)	**	**	**	348,121	363,696	352,258	372,998	349,502	340,421
<b>General government</b>									
Supported micro-computers by IT	342	365	396	415	403	418	411	407	430
Helpdesk/trouble calls by IT	**	868	2,016	2,323	2,067	1,624	2,122	1,858	2,547
Ordinances drafted	34	32	29	37	42	71	**	35	35
<b>Financial administration</b>									
Computer generated accounts payable checks	11,464	13,753	10,801	10,198	10,387	5,995	4,262	4,123	2,963
Budget revisions/amendments processed	458	462	437	448	464	478	430	325	328
Requisitions reviewed	7,830	9,590	10,801	9,207	8,444	3,427	1,902	1,608	1,709
Municipal court cases	2,796	9,541	10,113	10,213	10,826	11,000	11,000	10,008	10,318
<b>Street and sewers</b>									
Blocks of striping	185	165	238	70	144	150	89	96	82
Signs made	**	**	**	458	439	450	270	305	159
Crack sealant (blocks)***	6,735	2,024	8,723	71	59	62	68	252	10,765
Slurry sealant (blocks)	139	155	138	200	107	175	74	72	23
Concrete replacement (cu. yds.)	**	**	**	636	914	900	900	758	834
<b>Engineering and public works administration</b>									
Developments reviewed	52	106	121	127	149	166	201	140	95
Permits issued	**	**	742	1,856	2,217	3,730	3,494	3,478	3,047
Vehicles maintained	274	274	278	280	283	285	293	323	340
Fleet job orders completed	3,463	3,592	3,406	3,070	3,272	3,686	3,085	3,388	3,619
<b>Health and welfare</b>									
Code enforcement inspections	3,667	4,721	4,736	5,045	3,636	4,400	7,584	8,595	3,163
High grass and weed cases	335	525	602	600	604	592	593	490	746
Trees and shrubs planted	157	269	203	217	210	210	197	54	22
<b>Business-type activities:</b>									
<b>Electric, water and wastewater operations</b>									
Electric connections	17,084	17,429	17,592	18,480	18,754	19,113	19,800	18,338	19,605
Water connections	12,641	12,712	12,943	13,337	13,709	14,067	14,932	15,274	16,200
Water line repairs	83	103	138	189	144	126	292	281	272
Water treated (million gallons)	3,111	2,585	2,263	2,886	2,951	2,768	3,079	**	2,604
Sewage treated (million gallons)	2,135	2,186	2,337	2,173	2,027	2,098	2,277	1,940	2,035
<b>Sanitation operations</b>									
Landfill usage (tons)	21,021	20,326	19,131	17,775	17,822	18,513	20,002	22,884	21,000
Yard waste hauled (tons)	N/A	N/A	N/A	1,329	1,050	960	961	1,198	1,183
<b>Community Center operations</b>									
Admissions	60,000	92,800	102,789	90,386	71,328	77,404	107,228	104,129	118,310
<b>Stillwater Public Golf Authority</b>									
Rounds of golf	34,867	33,236	33,665	31,268	28,339	28,735	31,218	25,717	25,088
<b>Airport Operations</b>									
Operations (avg month)	**	**	4,500	4,897	4,945	5,267	5,912	6,292	**

\*data for years prior to 2000 is not readily available

\*\*unavailable

\*\*\*measured in lbs. through 2002

(1) - Changed measure of acres mowed in fiscal year 2005 to acres mowed times number of mowed

(2) - Changed measure of library activity to total circulation to better represent activity

CITY OF STILLWATER, OKLAHOMA  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

Employer	Current Year			Nine Years Ago		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Oklahoma State University	5,769	1	25%	6,088	1	27%
Wal-Mart	820	2	4%	*		
Stillwater Medical Center	800	3	3%	677	4	3%
Mercury MerCruiser	790	4	3%	964	2	4%
Stillwater Public Schools	730	5	3%	721	3	3%
Stan Clark Companies	571	6	2%	325	6	1%
City of Stillwater	550	7	2%	482	5	2%
Quebecor World	275	8	1%	325	3	1%
Stillwater Designs/Kicker Audio	249	9	1%	170		1%
Stillwater National Bank	237	10	1%	200		1%
OK State Dept. of Career Tech	230		1%	298	8	1%
National Standard	207		1%	290	9	1%
Creative Labs	172		1%	325	7	1%
Meridian Technology Center	149		1%	278	10	1%
Others:						
Wittwer Construction	190					
Lowes	155					
Armstrong World Industries	150					
Oncue Marketing	108					
Stillwater Milling	90					

\* - Although these employers were in business nine years ago, employee counts for that time period is not readily available.