

CITY OF STILLWATER, OKLAHOMA

Comprehensive Annual Financial Report

And Accompanying

Independent Auditor's report

For the Fiscal Year ended June 30, 2004

Prepared by:

Department of Finance

Marcy Alexander

Director of Finance

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**CITY OF STILLWATER, OKLAHOMA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2004**

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Table of contents	1-2
Letter of Transmittal	3-7
GFOA Certificate of Achievement	8
City Officials	9
City Organization Chart	10
 FINANCIAL SECTION	
Independent Auditor's Report	11-12
Required Supplementary Information:	
Management's Discussion and Analysis	13-20
Basic Financial Statements:	
Government-wide financial Statements	
Statement of Net Assets	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet-governmental Funds	23-24
Statement of Revenues, Expenditures, and Changes In Fund Balances-Governmental Funds	25-26
Statement of Net Assets-Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	28
Statement of Cash Flows-Proprietary Funds	29
Statement of Fiduciary Net Assets	30
Notes to the Combined Financial Statements	31-63
Required Supplementary Information	
Budgetary Comparison Schedule-General Fund	64-66
Notes to Required Supplementary Information-Budgetary Comparison Schedule	67-68
Other Supplementary Information:	
Combining Balance Sheet-Nonmajor Governmental Funds	69-70
Combining Statement of Revenues, Expenditures and Changes in Fund Balance-Nonmajor Governmental Funds	71-72
Budgetary Comparison Schedule-Nonmajor Governmental Funds	73-75
Statement of Net Assets-Nonmajor Proprietary Funds	76
Statement of Revenues, Expenses and Changes in Fund Net Assets- Nonmajor Proprietary Funds:	77
Statement of Cash Flows-Nonmajor Proprietary Funds	78
Statement of Changes in Fiduciary Net Assets	79

	<u>Page No.</u>
STATISTICAL SECTION	
Net Assets by Component	80
Changes in Net Assets	81-82
Fund Balances, Governmental Funds	83
Changes in Fund Balances, Governmental Funds	84
Tax Revenues by Source, Governmental Funds	85
Assessed Value and Actual Value of Taxable Property	86
Direct and Overlapping Property Tax Rates	87
Principal Property Tax Payers	88
Property Tax Levies and Collections	89
Taxable Sales by Category	90
Direct and Overlapping Sales Tax Rates	91
Legal Debt Margin Information	92
Direct and Overlapping Governmental Activities Debt	93
Ratios of Outstanding Debt by Type	94
Pledged Revenue Coverage	95
Full-time Equivalent City Government Employees by Function/Program	96
Capital Asset Statistics by Function/Program	97
Operating Indicators by Function/Program	98
Principal Employers	99
Demographic and Economic Statistics	100



November 19, 2004

To the Honorable Mayor Bud Lacy, members of the City Commission 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, 2004, 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 generally accepted accounting principles; 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 new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

The comprehensive annual financial report is composed of the following three sections:

Introductory Section - Includes this transmittal letter, the City's organizational chart and a list of City officials including the audit committee.

Financial Section - Begins with the independent auditor's opinion and includes Management's Discussion and Analysis and the basic financial statements which provide an overview of the City's financial position and operating results, followed by required supplemental information and other supplemental disclosures that provide detailed information relative to the basic financial statements.

Statistical Section - Presents unaudited financial, economic and demographic data and other information relative to the community.

Results of the Single Audit for fiscal year 2004, including the independent auditors' reports on the internal control and compliance with applicable laws, are 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 commission-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 commission. The five commissioners, 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 commission from its membership. The commission holds regular meetings each Monday evening.

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. In addition manufacturing and advanced technology companies cover a large share of the local economic base. A recent 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.

Stillwater business and community leaders began a five-year strategic plan titled "Forward Stillwater". The campaign, which was joined by more than 260 area businesses and public sector partners, raised more than \$2.5 million for economic development in 2004. The plan addresses new initiatives for business retention and expansion, industry attraction, entrepreneurial development, and visitor promotion for Stillwater and north central Oklahoma.

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 and account groups 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 combined 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 services for each department within each fund. The method of budget adoption and amendment process is described in Note 1 to the basic 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.

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.

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 Funds: These funds are used to account for services and/or commodities furnished by a designated program to other programs within the City, on a cost reimbursement basis.

Agency Funds: These funds are used to administer resources received and held by a governmental unit as the trustee or as the agent for others. Use of these funds 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, Administration, and Development Services are all activities reported in the general fund.

Enterprise Fund Operations & Similar Component Units

The SUA, the Airport Fund, the Sanitation Fund, the SPGA, the SIRA and the Community Center Fund 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.

Extensive upgrades have been made to the water and wastewater treatment plants in the last few years which should provide customers with quality service for many years to come. A major runway extension project underway at the Stillwater Airport will enable larger aircraft to use the airport. The Lakeside Golf Course has been operated by the SPGA for the last seven years after an extensive renovation to the course and clubhouse facilities. Several upgrades to cart paths and bridges have been made adding to the aesthetics and the functionality of the course. The Community Center recently opened the newly renovated west wing and the Lowry Activity Center. Funds made available for this renovation included approximately \$500,000 in donated funds.

Risk Management

In 1986, the City Commission 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 by the City Commission.

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 city hall and the 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 who performed the audit were selected by the City Commission.

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 Commission 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 auditors' report, review and report deficiencies in internal control, oversee the audit function and to report to the City Commission as required. The independent auditor's 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 auditor's 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, 2003. 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 generally accepted accounting principles and applicable legal requirements.

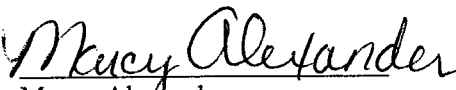
A Certificate of Achievement is valid for a period of one year only. The City of Stillwater has received a Certificate of Achievement for the last twenty-two consecutive years. We believe that our current report continues to meet the Certificate of Achievement Program requirements and we are submitting 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 Nancy Franklin and Tammy Brown and the professional assistance of the City's independent auditors, Crawford and 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 Commission 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,


Jason Gage
City Manager


Marcy Alexander
Director of Finance

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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, 2003

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.



Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

CITY OF STILLWATER
CITY OFFICIALS AND AUDIT COMMITTEE

JUNE 30, 2004

Mayor and City Commission

Bud Lacy
Martha McMillian
Ruth Ann Kennedy
Tom Dugger
Tom Williams

Mayor
Vice Mayor
Commissioner
Commissioner
Commissioner

Audit Committee

Susie Presley
Bud Lacy
Lanny Chasteen
K. Cohlma
Cindy Todd

Chairman
Member
Member
Member
Member

Administration

Jason Gage
Mary Rupp
Marcy Alexander
Lynda Reynolds
Roy Lavicky
Mike Herron
Dan Blankenship
Chad Morris
Gary Johnson
John Dorman
Norman McNickle
John McClenney
Tom Hagen
Larry Mullikan

City Manager
Assistant City Manager
Director of Finance
Director of Library
Director of Information Services
Director of Electric Utility
Director of Development Services
Director of Water/Wastewater Utility
Director of Airport
City Attorney
Police Chief
Director of Parks and Recreation
Director of Personnel
Fire Chief

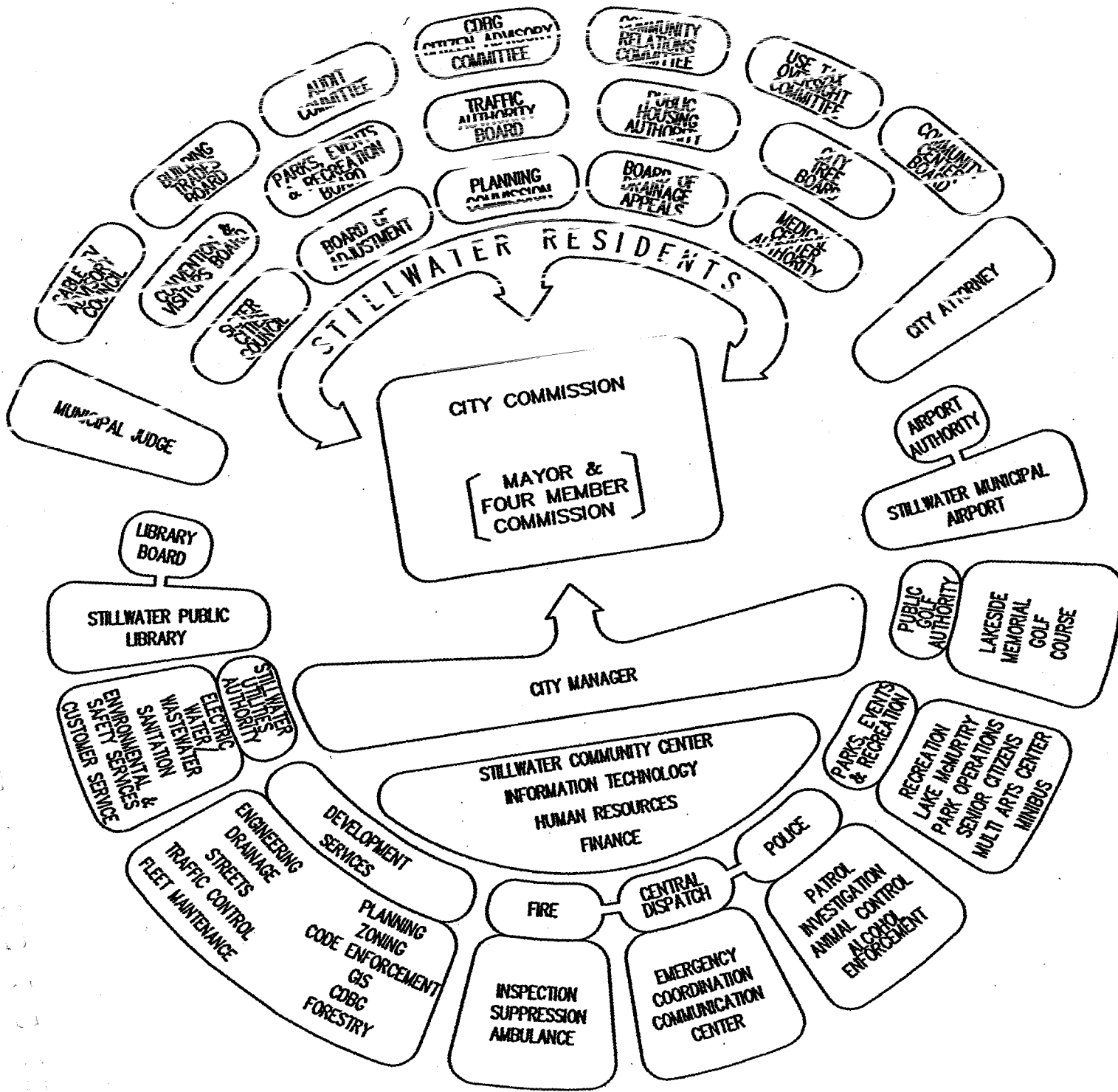
Department Of Finance-Accounting Division

Nancy Franklin
Tamara Brown
Terri Gibbs

Accounting Supervisor
Authority Accountant
Internal Auditor

City Phone Number: (405) 372-0025

CITY OF STILLWATER, OKLAHOMA ORGANIZATIONAL CHART



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Stillwater, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma, as of and for the year ended June 30, 2004, 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 of Stillwater's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stillwater Medical Center Authority and the Stillwater Convention and Visitor's Bureau included as discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the aggregate discretely presented component units, insofar as it relates to the amounts included for the Stillwater Medical Center Authority and the Stillwater Convention and Visitor's Bureau is based solely on the report 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. The financial statements of the Stillwater Convention and Visitor's Bureau discretely presented component unit were not audited in accordance with *Government Auditing Standards*. 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 report 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, 2004, 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 November 19, 2004 on our consideration of the City of Stillwater'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

CRAWFORD & ASSOCIATES, P.C.

Honorable Mayor and City Council
City of Stillwater, Oklahoma
Page 2

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 Information on pages 13 through 20 and 64 through 68 are not a required part of the basic financial statements but are supplementary information required by the 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 required 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 of Stillwater's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplemental schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

For the year ended June 30, 2004, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: Statistical Section* which has altered the format and content of the statistical section.

Crawford & Associates, P.C.

November 19, 2004



Management's Discussion & Analysis Fiscal Year Ended June 30, 2004

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, 2004. 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 governmental-wide statements for each of two categories of activities – governmental and business-type, along with two discretely-presented component units.

The governmental-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 are 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 one

indicator 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 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 receives 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.

Significant changes in fund balances occurred in the Transportation Improvement Fund, the Storm Water Fund and the Capital Projects Fund. The Transportation Improvement Fund continues to receive a dedicated sales tax used to finance transportation improvements while the speed of the projects has slowed due to the complexity of the current projects. This fund balance will decrease as the projects are completed over the next two years. The Storm Water Fund has an increased fund balance due to the slowing of projects in this fund. The Capital Projects Fund is being decreased as the Police/Municipal Building project nears completion.

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.

Community Center funds have increased due to the receipt of a donor gift used to renovate a portion of the west wing improvements and the Airport fund has received contributed assets due to the grant funding of a major runway renovation project.

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 these funds are used for their intended purposes.

The City as a Whole

For the year ended June 30, 2004, net assets for the governmental activities and business-type activities changed as follows:

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

	Governmental Activities	Business-type Activities	Total
Beginning net assets, restated	85,099	93,318	178,417
Increase/(Decrease)	(662)	4,895	4,233
Ending net assets	<u>84,437</u>	<u>98,213</u>	<u>182,650</u>

The above numbers reflect an decrease of .78% in net assets for governmental activities and an increase of 5.25% in net assets for business-type activities. Overall, the net assets for both governmental and business type activities increased 2.37% 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	
	2004	2003	2004	2003	2004	2003
Assets & liabilities:						
Current and other assets	17,541	17,133	33,120	33,504	50,661	50,637
Capital assets	83,979	86,001	111,296	105,229	195,275	191,230
Total assets	<u>101,520</u>	<u>103,134</u>	<u>144,416</u>	<u>138,733</u>	<u>245,936</u>	<u>241,867</u>
Long-term liabilities	14,858	15,682	41,566	40,245	56,424	55,927
Other liabilities	2,225	2,250	4,636	5,170	6,861	7,420
Total liabilities	<u>17,083</u>	<u>17,932</u>	<u>46,202</u>	<u>45,415</u>	<u>63,285</u>	<u>63,347</u>
Net assets:						
Invested in capital assets	70,989	72,221	70,512	65,424	141,501	137,645
Restricted	1,074	1,167	2,276	2,266	3,350	3,433
Unrestricted	12,374	11,814	25,425	25,628	37,799	37,442
Total net assets	<u>84,437</u>	<u>85,202</u>	<u>98,213</u>	<u>93,318</u>	<u>182,650</u>	<u>178,520</u>

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.

Governmental Activities

Governmental activities decreased the City of Stillwater's net assets by \$662,375 which contributed to a .37% 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	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	2,718	2,653	42,516	40,393	45,234	43,046
Grants & contributions	322	467	22	17	344	484
Capital grants & contributions	214	176	1,619	2,195	1,833	2,371
General revenues:						
Sales taxes	18,598	17,443			18,598	17,443
Other taxes	3,863	3,865			3,863	3,865
Other general revenues	287	371	910	939	1,197	1,310
Total Revenues	26,002	24,975	45,067	43,544	71,069	68,519
Program Expenses:						
General Government	2,275	2,109			2,275	2,109
Financial Administration	569	617			569	617
Public Safety	12,682	12,030			12,682	12,030
Streets & Sewers	5,401	5,162			5,401	5,162
Engineering and Public Works Administration	833	1,141			833	1,141
Tourism	280	270			280	270
Recreation and Culture	4,326	4,478			4,326	4,478
Economic Development	509	387			509	387
Health and Welfare	1,227	1,339			1,227	1,339
Interest on Long-term Debt	740	803			740	803
Stillwater Utilities Authority			32,366	31,758	32,366	31,758
Sanitation Operations			2,696	2,414	2,696	2,414
Community Center Operations			326	289	326	289
Stillwater Public Golf Authority			1,181	1,173	1,181	1,173
Stillwater Industrial & Redevelopment Authority			50	71	50	71
Airport Operations			1,375	1,284	1,375	1,284
Total Expenses	28,842	28,336	37,994	36,989	66,836	65,325
Excess/(Deficiency)	(2,840)	(3,361)	7,073	6,555	4,233	3,194
Net Transfers	2,178	6,982	(2,178)	(6,982)	-	-
Increase/(Decrease) Net Assets	(662)	3,621	4,895	(427)	4,233	3,194

Sales and use tax received in fiscal year 2004 resulted in an increase over the prior year of \$1,154,916. This increase was due to increased sales and not as a result of a tax increase. Transfers from the SUA to governmental funds were \$4.0 million under the prior year. This was due to the decrease in capital projects approved for governmental funds that rely on the transfer as a source of project funding. Property taxes decreased \$94,342 due to a slight decrease in the levies to support the repayment of the outstanding general obligation bonds.

Business-type Activities

Business-type activities increased the City of Stillwater's net assets by \$4,895,430 which contributed to a 2.74% increase in the net assets of the City of Stillwater. Business-type activity results were comparable to prior years. The SUA had an electric rate increase of 2.00% which combined with an increase in sales tax decreased the amount the SUA transferred to the governmental funds by \$4.0 million from the amount of the prior year.

General Fund Budgetary Highlights

The general fund budget for fiscal year 2003-04 was completed in an environment of caution. The decline in sales tax over the past two years and mild weather conditions which contributed to a decline in utility revenues preceded a decision to prepare a budget that included reductions in capital expenditures sourced by the general fund. Revenue adjustments approved in the 2003-04 budget included increases in fees for various fees and permits.

The final amended budget for 2003-04 reflected changes from the original for various events that occurred throughout the year. Sales tax growth began to achieve historical levels after two years of stagnant growth resulting in an estimate change of \$800,000 over what was originally anticipated. Revenues anticipated from the Oklahoma Department of Transportation of \$1,500,000 were eliminated when the related capital project was postponed. Public Safety expenditures were revised to allow for agreements with collective bargaining groups after the adoption of the original budget. Contingency funds in general government were reallocated to offset some expenditure revisions.

Capital Asset & Debt Administration

The following is a summary of changes in capital assets and debt administration for FY2004. More detailed information on long-term debt activity and capital asset activity is contained in the accompanying notes to the financial statements.

Capital Assets

At the end of June 30, 2004, the City had \$190.8 million invested in capital assets including police and fire equipment, buildings, park facilities, water and sewer lines, electric systems and roads.

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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	4,814	4,814	1,608	1,608	6,422	6,422
Buildings	23,308	23,074	6,192	6,192	29,500	29,266
Other Improvements	-	-	13,406	13,402	13,406	13,402
Equipment	16,193	15,971	16,376	15,595	32,569	31,566
Infrastructure	108,868	108,473	128,321	126,222	237,189	234,695
Intangible Assets			74	74	74	74
Construction-in-progress	2,835	828	30,655	22,352	33,490	23,180
Less Depreciation	72,039	67,159	85,337	80,584	157,376	147,743
Totals	83,979	86,001	111,295	104,861	195,274	190,862

Debt Administration

At year-end, the City had \$54,582,377 in outstanding notes, bonds, and capital leases. Additionally, the City had \$1,493,902 in accrued compensated absences and \$1,051,184 in utility deposits. 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	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	12,990	13,780	1,010	1,485	14,000	15,265
Capital Lease Obligations			1,350	1,253	1,350	1,253
Notes Payable			29,253	26,060	29,253	26,060
Revenue Bonds			9,979	11,490	9,979	11,490
Unamortized Loss on Defeasance			(430)	(509)	(430)	(509)
Accrued Compensation	1,494	1,315	450	466	1,944	1,781
Utility Deposits			1,051	1,050	1,051	1,050
Refundable Grant Obligations	544	586			544	586

New debt resulted from additions to the construction loan used for the wastewater treatment plan upgrade and from the addition of a long-term lease used to finance equipment purchases.

Economic Factors and Next Year's Budget

Stillwater has not experienced many of the extreme economic situations that have faced many other Oklahoma cities, however due to the decline in the growth of sales tax in two recent fiscal years and mild weather conditions for two summers which contributed to a decline in utility revenues; the ability to fund capital equipment and other major projects has declined. Sales tax growth for the 03-04 year and utility rate increases have eased the situation somewhat. The budget for the fiscal year 2004-05 was adopted by the Stillwater City Commission on June 21, 2004 and went into effect on July 1, 2004. A basic set of capital projects have been approved in the budget after two years of minimal capital expenditures. Emphasis has been placed on completing works in progress and priority projects before additional projects are added in future year capital plans or budgets.

Stillwater employers have remained stable and there have been no significant reductions in workforce or closings of major employers. Stillwater continues to be Oklahoma's 10th largest city with a steady increase in population according to statistics released by the U.S. Census Bureau. From January through June, 2004 there were 223 new single family residential permits issued totaling \$ 35,680,300 and 109 commercial permits issued totaling \$32,795,962. Enrollment projections for the Oklahoma State University Campus indicate an increase of several hundred students for the fall 2004 semester.

Revenue adjustments approved in the 2004-05 budget include a 3.72% across the board increase for all classes of electric utility customers and a 2.5% increase for water and sewer rates.

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.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	Stillwater Medical Center Authority	Stillwater Convention & Visitors Bureau
ASSETS:					
Cash and cash equivalents	\$ 2,202,596	\$ 18,977,992	\$ 21,180,588	\$ 10,456,601	\$ 68,733
Investment	-	-	-	5,031,172	-
Pooled investments	10,315,320	605,784	10,921,104	-	-
Accounts receivable, net	788,701	6,243,994	7,032,695	8,494,242	-
Equipment lease deposit	-	10	10	-	-
Internal balances	935,359	(935,359)	-	-	-
Inventories	179,414	989,083	1,168,497	1,489,749	-
Due from other governments	3,119,483	575,274	3,694,757	-	-
Leasehold receivable	-	529,304	529,304	-	-
Other assets	-	-	-	1,085,209	1,650
Restricted cash and cash equivalents	-	5,785,578	5,785,578	1,240,254	-
Restricted investments	-	27,857	27,857	12,656,318	-
Capital assets:					
Land and construction in progress	7,648,736	32,263,421	39,912,157	4,454,857	-
Other capital assets, net of depreciation	76,330,663	79,032,309	155,362,972	25,308,990	9,455
Intangible assets	-	-	-	825,809	-
Unamortized debt expense	-	320,511	320,511	-	-
Total assets	101,520,272	144,415,758	245,936,030	71,043,201	79,838
LIABILITIES					
Accounts payable	1,090,233	3,048,336	4,138,569	1,913,610	-
Accrued liabilities	1,078,271	156,163	1,234,434	3,539,985	5,769
Accrued interest payable	57,055	224,488	281,543	155,350	-
Deferred revenue	-	156,270	156,270	-	-
Customer deposits	-	1,051,184	1,051,184	-	-
Long-term liabilities:					
Due within one year	987,177	4,480,091	5,467,268	1,277,668	-
Due in more than one year	13,870,523	37,085,736	50,956,259	22,521,243	-
Total liabilities	17,083,259	46,202,268	63,285,527	29,407,856	5,769
NET ASSETS					
Invested in capital assets, net of related debt	70,989,399	70,512,395	141,501,794	13,615,830	9,455
Restricted for:					
Capital projects	311,827	-	311,827	185,000	-
Debt service	761,585	2,275,899	3,037,484	269,841	-
Specific operating activities	-	-	-	261,928	-
Nonexpendable operating activities	-	-	-	415,267	-
Unrestricted	12,374,202	25,425,194	37,799,396	26,887,416	64,614
Total net assets	\$ 84,437,013	\$ 98,213,488	\$ 182,650,501	\$ 41,635,282	\$ 74,069

**CITY OF STILLWATER, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Center Authority	Stillwater Medical & Visitors Bureau	Stillwater Convention
Primary Government									
Government activities	\$ 12,681,613	\$ 112,999	\$ 128,594	\$ (12,440,020)	-	\$ (12,440,020)			
Public safety	4,325,929	518,308	35,039	(3,760,682)	-	(3,760,682)			
Recreation and culture	2,274,740	15,219	220	(2,259,301)	-	(2,259,301)			
General government	569,047	768,888	-	199,841	-	199,841			
Financial administration	5,401,003	413,023	202,298	(4,770,014)	-	(4,770,014)			
Street and sewers	832,998	-	-	(832,998)	-	(832,998)			
Engineering and public works administration	280,485	-	-	(280,485)	-	(280,485)			
Tourism	509,066	-	20,000	(489,066)	-	(489,066)			
Economic development	1,227,161	888,583	122,066	(216,512)	-	(216,512)			
Health and welfare	740,282	-	-	(740,282)	-	(740,282)			
Interest on long-term debt	28,842,324	2,717,020	321,587	(25,589,519)	-	(25,589,519)			
Total governmental activities									
Business-type activities									
Electric, water and wastewater operations	32,366,006	38,117,447	371,471	-	\$ 6,122,912	6,122,912			
Sanitation operations	2,696,137	2,948,440	-	-	252,303	252,303			
Community Center operations	326,437	66,376	-	-	(237,923)	(237,923)			
Stillwater Public Golf Authority	1,180,919	796,669	-	-	(384,250)	(384,250)			
Stillwater Industrial Redevelopment Authority	49,797	1,181	-	-	(48,616)	(48,616)			
Airport operations	1,374,786	586,264	1,247,580	-	459,058	459,058			
Total business-type activity	37,994,082	42,516,377	1,619,051	-	6,163,484	6,163,484			
Total primary government	\$ 66,836,406	\$ 45,233,397	\$ 343,725	\$ (25,589,519)	6,163,484	(19,426,035)			
Component Units							\$ 3,284,105	\$ (24,102)	
Medical Center	\$ 53,895,662	\$ 56,791,129	-	-	-	-	3,284,105	(24,102)	
Economic Development	304,587	280,485	-	-	-	-	-	-	
Total component units	\$ 54,200,249	\$ 57,071,614	\$ -	\$ -	\$ -	\$ -	\$ 3,284,105	\$ (24,102)	
General revenues									
Taxes:									
Sales and use taxes	18,598,176	-	-	18,598,176	-	18,598,176			
Property taxes	2,130,193	-	-	2,130,193	-	2,130,193			
Franchise and public service taxes	1,322,018	-	-	1,322,018	-	1,322,018			
ES11 taxes	117,167	-	-	117,167	-	117,167			
Hotel/motel taxes	294,015	-	-	294,015	-	294,015			404
Investment income	75,000	166,447	-	241,447	166,447	241,447	1,471,351		
Miscellaneous	212,258	743,816	-	956,074	743,816	956,074			
Transfers-internal activity	2,178,317	(2,178,317)	-	-	(2,178,317)	-			
Total general revenues and transfers	24,927,144	(1,268,054)	388,638	23,659,090	(1,268,054)	23,659,090	1,471,351	404	
Change in net assets									
Net assets-beginning (as revised)	(662,375)	83,099,338	(662,375)	4,895,430	4,895,430	4,233,055	4,755,456	(23,698)	97,767
Net assets-ending	\$ 84,437,013	\$ 84,437,013	\$ 84,437,013	\$ 98,213,488	\$ 98,213,488	\$ 182,650,501	\$ 41,635,286	\$ 74,069	\$ 74,069

CITY OF STILLWATER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 906,927	\$ 1,137,453	\$ 2,044,380
Pooled investments	4,504,065	5,811,255	10,315,320
Due from other governments	2,963,334	156,149	3,119,483
Accounts receivable, net	738,533	35,011	773,544
Due from other funds	451,590	1,342	452,932
Inventories	179,414	-	179,414
Total assets and other debits	<u>\$ 9,743,863</u>	<u>\$ 7,141,210</u>	<u>\$ 16,885,073</u>
LIABILITIES:			
Accounts payable	\$ 884,908	\$ 205,325	\$ 1,090,233
Accrued liabilities	786,151	1,274	787,425
Due to other funds	8,732	29,388	38,120
Deferred Revenue	314,831	57,930	372,761
Total liabilities	<u>1,994,622</u>	<u>293,917</u>	<u>2,288,539</u>
FUND BALANCES:			
Reserved for inventories	179,414	-	179,414
Reserved for debt service	-	761,585	761,585
Reserved for police activities	109,045	-	109,045
Reserved for fire activities	207,097	-	207,097
Reserved for capital improvements	-	311,827	311,827
Reserved for sales tax transfer	1,235,969	-	1,235,969
Reserved for street and alley	9,372	-	9,372
Reserved for hotel/motel	43,034	-	43,034
Unreserved:			
Designated for self insurance	855,704	-	855,704
Designated for recreation and culture	165,246	-	165,246
Special revenue funds undesignated	-	5,773,881	5,773,881
General Fund undesignated	4,944,360	-	4,944,360
Total equity and other credits	<u>7,749,241</u>	<u>6,847,293</u>	<u>14,596,534</u>
Total liabilities, equity and other credits	<u>\$ 9,743,863</u>	<u>\$ 7,141,210</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 \$72,035,632	83,979,399
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Certain long-term assets are not available to pay for current fund liabilities and, therefore are deferred in the funds:

Court fines receivable, net of allowanace of \$98,276	151,963
Ambulance receivable, net of allowance of \$480,155	150,967

Property tax receivable	57,930
Park grant receivable	11,900
Internal Service fund assets and liabilities are reported as a proprietary fund in the fund financial statements but are included in government activities in the Statement of Net Assets	164,615
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	(290,846)
Accrued interest payable	(57,053)
General obligation bonds payable	(12,990,000)
Accrued compensated absences	(1,338,396)
Net assets of governmental activities	<u>\$ 84,437,013</u>

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES OF FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Totals Governmental Funds
REVENUES:			
Taxes	\$ 20,229,431	\$ 2,215,593	\$ 22,445,024
Intergovernmental	175,336	117,654	292,990
Charges for service	1,118,405	255,304	1,373,709
Fines and forfeits	845,093	-	845,093
Fees and rentals	498,198	-	498,198
Investment income	45,727	27,687	73,414
Licenses and permits	113,460	-	113,460
Other miscellaneous revenues	375,944	5,936	381,880
Total revenues	23,401,594	2,622,174	26,023,768
EXPENDITURES:			
Current operating:			
Public safety	12,238,250	-	12,238,250
Recreation and culture	3,777,154	2,017	3,779,171
General government	1,723,360	-	1,723,360
Financial administration	488,920	-	488,920
Streets and sewers	1,720,219	159,575	1,879,794
Operations	807,442	-	807,442
Economic development	789,551	-	789,551
Human services	1,041,966	149,465	1,191,431
Debt service:			
Principal retirements	-	790,000	790,000
Interest and fiscal charges	-	745,265	745,265
Capital outlay	2,303,188	575,403	2,878,591
Total expenditures	24,890,050	2,421,725	27,311,775
Excess (deficiency) of revenues over expenditures	(1,488,456)	200,449	(1,288,007)
OTHER FINANCING SOURCES (USES):			
Transfers in	8,915,898	2,768,078	11,683,976
Transfers out	(8,899,229)	(532,192)	(9,431,421)
Net other financing sources (uses)	16,669	2,235,886	2,252,555
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,471,787)	2,436,335	964,548
FUND BALANCES, beginning	9,221,028	4,410,958	13,631,986
FUND BALANCES, ending	\$ 7,749,241	\$ 6,847,293	\$ 14,596,534

The accompanying notes are an integral part of this statement.

Reconciliation to Statement of Activities:	
Change in fund balance	\$ 964,548
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 purchase capitalized	2,836,457
Capital asset purchase capitalized	201,673
Loss on assets disposed or transferred	(46,486)
Depreciation expense	(5,013,025)
Assets contributed, not shown on governmental fund statement	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	(190,399)
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	980
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 workers compensation claims	(188,572)
Accrued interest payable	4,984
Accrued compensated absences	(22,535)
Change in net assets-governmental activities	<u>\$ (662,375)</u>

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF NET ASSETS- PROPRIETARY FUNDS
June 30,2004

ASSETS	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Stillwater Utilities Authority	Non Major Enterprise Funds	Totals	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 18,774,161	\$ 203,831	\$ 18,977,992	\$ 158,216
Restricted cash and cash equivalents	1,641,782	-	1,641,782	-
Pooled investments	-	605,784	605,784	-
Accounts receivable, net of allowance	5,840,648	403,346	6,243,994	15,157
Due from other funds	8,732	232,111	240,843	529,304
Equipment lease deposit	10	-	10	-
Inventories	914,164	74,919	989,083	-
Leasehold receivable	-	529,304	529,304	-
Total current assets	27,179,497	2,049,295	29,228,792	702,677
NONCURRENT ASSETS				
Restricted assets:				
Cash and equivalents	4,138,344	5,452	4,143,796	-
Pooled investments	-	27,857	27,857	-
Due from other governments	-	575,274	575,274	-
Capital assets, non depreciable	25,197,155	7,066,265	32,263,420	-
Capital assets, depreciable, net	72,074,319	6,957,989	79,032,308	-
Unamortized note issuance cost	310,692	9,819	320,511	-
Total non current assets	101,720,510	14,642,656	116,363,166	-
Total assets	\$ 128,900,007	\$ 16,691,951	\$ 145,591,958	\$ 702,677
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	\$ 2,324,421	\$ 723,915	\$ 3,048,336	-
Accrued liabilities	114,727	41,436	156,163	-
Accrued Compensated absences	23,996	14,744	38,740	-
Accrued interest payable	205,717	18,771	224,488	-
Current portion of customer deposits	502,600	1,404	504,004	-
Current portion of long-term obligations, net	4,242,871	198,481	4,441,352	\$ 21,667
Due to other funds	382,893	793,308	1,176,201	8,758
Deferred revenue	-	156,272	156,272	-
Total current liabilities	7,797,225	1,948,331	9,745,556	30,425
NONCURRENT LIABILITIES:				
Customer deposits	539,805	7,375	547,180	-
Compensated absences	374,134	69,875	444,009	-
Refundable grant obligations	-	-	-	507,637
Long-term obligations, net	34,777,548	1,864,178	36,641,726	-
Total noncurrent liabilities	35,691,487	1,941,428	37,632,915	507,637
Total liabilities	43,488,712	3,889,759	47,378,471	538,062
NET ASSETS				
Invested in capital assets, net of related debt	58,561,747	11,961,954	70,523,701	-
Restricted for debt service	2,275,899	-	2,275,899	-
Unrestricted	24,573,649	840,239	25,413,888	164,615
Total net assets	\$ 85,411,295	\$ 12,802,193	\$ 98,213,488	\$ 164,615

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds		Totals	
	Stillwater Utilities Authority	Non Major Enterprise Funds		
OPERATING REVENUES:				
Charges for services	\$ 37,809,437	\$ 4,077,554	\$ 41,886,991	\$ 10
Other	308,010	343,514	651,524	-
Total operating revenues	<u>38,117,447</u>	<u>4,421,068</u>	<u>42,538,515</u>	<u>10</u>
OPERATING EXPENSES:				
Operating and maintenance	27,292,142	4,652,857	31,944,999	616
Depreciation	4,092,846	853,930	4,946,776	-
Amortization	-	3,400	3,400	-
Total operating expenses	<u>31,384,988</u>	<u>5,510,187</u>	<u>36,895,175</u>	<u>616.00</u>
Operating income (loss)	6,732,459	(1,089,119)	5,643,340	(606)
NONOPERATING REVENUES (EXPENSES):				
Investment income	158,939	7,508	166,447	1,586
Interest expense	(940,073)	(117,889)	(1,057,962)	-
Amortization of bond expense	(40,945)	-	(40,945)	-
Gain/(loss) on disposal of assets	-	4,278	4,278	-
Other income	743,816	-	743,816	-
Net nonoperating revenues	<u>(78,263)</u>	<u>(106,103)</u>	<u>(184,366)</u>	<u>1,586</u>
Income (loss) before capital contributions and transfers	<u>6,654,196</u>	<u>(1,195,222)</u>	<u>5,458,974</u>	<u>980</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS:				
Contributed assets	-	1,247,580	1,247,580	-
Transfers in	6,084,853	1,409,515	7,494,368	-
Transfers out	(9,289,595)	(15,898)	(9,305,493)	-
Net capital contributions and transfers	<u>(3,204,742)</u>	<u>2,641,197</u>	<u>(563,545)</u>	<u>-</u>
Change in net assets	3,449,454	1,445,975	4,895,429	980
NET ASSETS, beginning	<u>81,961,841</u>	<u>11,356,218</u>	<u>93,318,059</u>	<u>163,635</u>
NET ASSETS, ending	<u>\$ 85,411,295</u>	<u>\$ 12,802,193</u>	<u>\$ 98,213,488</u>	<u>\$ 164,615</u>

**CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Business-type Activities</u>		<u>Governmental</u>	
	<u>Enterprise Funds</u>		<u>Activities</u>	
	<u>Stillwater</u>	<u>Non Major</u>	<u>Internal</u>	<u>Service Funds</u>
	<u>Utilities</u>	<u>Enterprise</u>	<u>Service Funds</u>	
	<u>Authority</u>	<u>Funds</u>		
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 37,200,841	\$ 4,183,573	\$ 41,384,414	\$ 7,987
Payments to suppliers	(20,617,729)	(2,112,931)	(22,730,660)	-
Payments to employees	(6,643,748)	(2,531,021)	(9,174,769)	21,885
Inter activity-payments to other funds	(944,815)	(148,344)	(1,093,159)	(3,544)
Other receipts (payments)	308,010	208,522	514,532	28,108
Net cash provided by (used for) operating activities	<u>9,302,539</u>	<u>(402,201)</u>	<u>8,900,338</u>	<u>28,108</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	(9,714,832)	-	(9,714,832)	-
Transfers from other funds	5,704,390	1,292,944	6,997,334	-
Net cash provided by (used for) noncapital financing activities	<u>(4,010,442)</u>	<u>1,292,944</u>	<u>(2,717,498)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from debt	4,118,281	-	4,118,281	-
Payments to redeem debt	-	-	-	-
Payments for expenses and premiums on debt	-	1,056,280	1,056,280	-
Capital contributions	(8,583,978)	(1,698,725)	(10,282,703)	-
Purchases of assets	(3,143,819)	131,579	(3,012,240)	-
Sale of asset	(1,070,937)	(150,709)	(1,221,646)	-
Principal paid on capital debt	1,437,462	(128,005)	(1,565,467)	-
Interest paid on debt	(7,242,991)	(790,580)	(8,033,571)	-
Other receipts (payments)	-	(284,077)	(284,077)	2,368
Net cash provided by (used for) capital activities	<u>158,939</u>	<u>7,508</u>	<u>166,447</u>	<u>2,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	158,939	(276,568)	(117,630)	-
Interest	(1,791,935)	(176,406)	(1,968,341)	28,476
Net cash provided by (used for) investing activities	<u>26,346,222</u>	<u>380,237</u>	<u>26,726,459</u>	<u>160,938</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 24,554,287</u>	<u>\$ 209,831</u>	<u>\$ 24,758,118</u>	<u>\$ 179,412</u>
CASH AND CASH EQUIVALENTS, beginning of year				
CASH AND CASH EQUIVALENTS, end of year	\$ 6,732,459	\$ (1,078,918)	\$ 5,653,541	\$ 10
Reconciliation of operating income (loss) to net cash provided (used by) operating activities:				
Operation income (loss)	4,092,846	857,329	4,950,175	-
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	(608,211)	(21,155)	(629,366)	29,643
Changes in assets and liabilities:	43,975	(17,566)	26,409	-
Receivables, net	(902,680)	(109,834)	(1,012,514)	(3,545)
Inventories	(35,830)	(6,984)	(42,814)	-
Accounts and other payables	9,302,539	(25,073)	9,277,466	-
Change in deferred revenue	-	(402,201)	(402,201)	26,108
Accrued expenses	400,880	4,735	405,615	-
Net cash provided by (used in) operating activities	<u>400,880</u>	<u>4,735</u>	<u>405,615</u>	<u>26,108</u>
Non cash activities				
Change in capital assets due to capital lease				
Non cash transfer from SUA				

**CITY OF STILLWATER, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 99,118
Pooled investments	373,766
Interest receivable	261
Assessment Receivables	11,090
Total assets	<u>\$ 484,235</u>
LIABILITIES	
Accounts payable	\$ 6,764
Amounts held in escrow	<u>477,471</u>
Total Liabilities	<u>\$ 484,235</u>

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities Enterprise Funds		Governmental Activities
	Stillwater Utilities Authority	Non Major Enterprise Funds	Internal Service Funds
	Totals	Totals	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 37,200,841	\$ 4,183,573	\$ 7,987
Payments to suppliers	(20,617,729)	(2,112,931)	-
Payments to employees	(6,643,748)	(2,531,021)	-
Inter activity-payments to other funds	(944,815)	(148,344)	21,665
Other receipts (payments)	308,010	206,522	(3,544)
Net cash provided by (used for) operating activities	<u>9,302,559</u>	<u>(402,201)</u>	<u>26,108</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(9,714,832)	-	-
Transfers from other funds	5,704,390	1,292,944	-
Net cash provided by (used for) noncapital financing activities	<u>(4,010,442)</u>	<u>1,292,944</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from debt	4,118,281	-	-
Payments to redeem debt	-	-	-
Payments for expenses and premiums on debt	-	-	-
Capital contributions	(8,583,978)	1,056,280	-
Purchases of assets	(3,143,819)	(1,699,725)	-
Sale of asset	(1,070,937)	131,579	-
Principal paid on capital debt	1,437,462	(150,709)	-
Interest paid on debt	(7,242,991)	(128,005)	-
Other receipts (payments)	-	-	-
Net cash provided by (used for) capital activities	<u>(790,580)</u>	<u>(790,580)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	158,939	(284,077)	2,368
Interest	158,939	7,508	2,368
Net cash provided by (used for) investing activities	<u>(27,138)</u>	<u>(276,569)</u>	<u>4,736</u>
Net increase (decrease) in cash and cash equivalents	26,346,222	(176,406)	28,476
CASH AND CASH EQUIVALENTS, beginning of year	<u>\$ 24,554,287</u>	<u>\$ 380,237</u>	<u>\$ 150,936</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,732,459</u>	<u>\$ 203,831</u>	<u>\$ 179,412</u>
Reconciliation of operating income (loss) to net cash provided (used by) operating activities:			
Operation income (loss)	\$ 6,732,459	\$ (1,078,918)	\$ 10
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,092,846	857,329	-
Changes in assets and liabilities:			
Receivables, net	(608,211)	(21,155)	29,643
Inventories	43,975	(17,566)	-
Accounts and other payables	(902,680)	(109,834)	(3,545)
Change in deferred revenue	(55,830)	(6,984)	-
Accrued expenses	9,302,559	(25,073)	-
Net cash provided by (used in) operating activities	<u>\$ 9,302,559</u>	<u>\$ (402,201)</u>	<u>\$ 26,108</u>

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 99,118
Pooled investments	373,766
Interest receivable	261
Assessment Receivables	11,090
Total assets	<u>\$ 484,235</u>
LIABILITIES	
Accounts payable	\$ 6,764
Amounts held in escrow	<u>477,471</u>
Total Liabilities	<u>\$ 484,235</u>

CITY OF STILLWATER, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The general purpose financial statements of the funds and account groups of the City of Stillwater, Oklahoma (the "City"), include those of separately administered organizations that are controlled by or dependent on the legislative or executive branches, the City Commission and the City Manager, respectively. In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the City has presented the entities which comprise the primary government along with its discretely presented Component Units in the general purpose financial statements. As required by generally accepted accounting principles, the general purpose 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 Commission 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 and electrical 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 SUA's operations are reported in the accompanying general purpose financial statements in the Enterprise Funds.

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 Commission 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 general purpose financial statements in the Internal Service Funds.

Stillwater Industrial and Redevelopment Authority

The Stillwater Industrial and Redevelopment Authority was established by resolution of the City Commission 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 Stillwater Industrial and Redevelopment Authority is a public trust with the City of Stillwater as beneficiary and the City Commissioners 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 general purpose financial statements in the Enterprise funds.

Stillwater Public Golf Authority

The Stillwater Golf Authority (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 Commission 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 general purpose financial statements in the Enterprise Funds.

DISCRETELY PRESENTED COMPONENT UNITS

Stillwater Medical Center Authority

The Stillwater Medical Center Authority (the "Medical Center") 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 Commissioner, and six other individuals appointed by the City Commission. The City cannot, under the trust indenture, control or direct the actions of the Trustees, however the City may remove the Trustees at will. The Board of Trustees designates management, oversees operations and fixes and collects charges. The Hospital's operating and capital expenditures, including debt service, are financed entirely by operating income. Approval from the City is required for debt issues in excess of 5% of the then outstanding debt. All indebtedness of the Hospital is the obligation of the Trustees, payable solely from the Hospital's assets. 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 City has no right to the Hospital's assets or its income, nor can the City legally transact any business for the Trustees. 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 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 administrated by an eleven member board which is appointed by the city commission. 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 statements 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 government and business-type activities. Government 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 charges to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major 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 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental fund and enterprise funds combined.

The funds of the financial reporting entity 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. The account entity included the following special revenue funds:

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

The Debt Service Fund

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

Capital Project Fund

The Capital Project 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
- Sanitation
- Stillwater Public Golf Authority
- Stillwater Industrial Redevelopment Authority
- Community Center

Fiduciary Fund

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

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

COMPONENT UNITS

Discretely presented component units are separate legal entities whose governing body (in majority) is appointed by the Mayor or City Commission, but whose governing body is not substantially the same as the City Commission 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 and Non-major Funds

<u>Fund</u>	<u>Description</u>
Major:	
General	See previous description
Enterprise Funds	

Stillwater Utility Authority (SUA)

Accounts for the operations of the electric, water, and sewer 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:

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.
Transportation Improvement Fund	Accounts for the expenditures for street projects as approved by voters in 2001. Financing is provided by the ½ cent sales tax also approved by the voters.
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 from 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
Sanitation	Accounts for the operation of the sanitation collection system
Stillwater Industrial Redevelopment Authority	Accounts for expenditures for industrial redevelopment. Financing is provided from federal grants, federal loans, city contributions and citizen participation.
Community Center	Accounts for rental of the Community Center
Internal Service	
Stillwater Public Works Authority	Accounts for acquisition and financing of physical facilities. Debt service requirements are provided for through 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 account refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 2 below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All government fund types and similar component units utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. Proprietary fund types and similar component units utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) financial position and cash flows. All assets and liabilities (whether current or non current, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. 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.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this 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 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 which are recorded when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ASSETS, LIABILITIES AND EQUITY

Cash & Cash Equivalents - Cash in bank, cash on hand, and certificates of deposit with original maturities of ninety days or less are reported as cash and cash equivalents.

Pooled Investments - The resources of the individual funds are general 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 general purpose financial statements as pooled investments.

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).

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 - 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 transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. 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 Authority provides an allowance 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 for 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 Cost - 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 over 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.

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.

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 of depreciation. The range of estimated useful lives by type of asset are as follows:

Class of Asset	Estimated Useful Life
Buildings	20-70 Years
Other Improvements	20-100 Years
Equipment and vehicles	3-25 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 of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Intangible Assets - Intangible assets of proprietary funds expected to benefit future years are capitalized and reported in the proprietary fund balance sheet. Amortization for proprietary fund intangible assets is computed using the straight-line method over the estimated useful life of the asset.

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 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 twenty years service receive a bonus credit ranging from 12.5% to 20%.

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 25 days of vacation. Police officers can carry over to subsequent years up to 33 days of vacation. Firefighters can carry over to subsequent years up to 46 days 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 absence liability payable from expendable available financial resources while the proprietary funds report the liability as it incurred.

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 self insurance, inventories, debt service, police activities, and capital improvements. 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:

2 cents retained by the General Fund for operation

1 cent transferred to the Stillwater Utilities Authority as required by revenue bond indenture. The proceeds are first used to pay the bond indebtedness requirements and the remainder is used for operations.

½ cent transferred to the Transportation Fund to be used for the projects approved by the voters in September 2001.

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 bonded and court-assessed judgments.

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

- 1993 Kaw Water Pipeline
- 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 Federal Emergency Management Agency, US. 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 and commercial vehicle revenues
Human services	Ambulance fees, permits, grants from the Oklahoma Department of Commerce and the Oklahoma Department of Forestry.

All other government 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 unit 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 fund financial statements, expenditures/expenses are classified as follows:

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

Proprietary Funds-By Operating and Non-operating

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/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
The effect of interfund services between funds is not eliminated in the statement of 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.

(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
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 and investment 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 above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2004, 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	Bases 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, 2004, 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, 2004, 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, 2004, 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 requirement. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2004.

Requirement

Level of Compliance

- a. Flow of funds:
Sales Tax Account
Bond Account
 - b. Reserve Account Requirement:
 - c. Revenue Bond Coverage:
- All required account have been established and are used per Bond Indenture requirements.
- The Bonds are secured by a Surety Policy issued by Ambac Assurance Corporation in lieu of capitalizing a Bond Fund Reserve.
- For the year ended June 30, 2004, net revenues plus sales tax, and ad valorem tax transfer, was \$44,724,592; bond requirement is 125% of next years principal and interest or \$2,316,409. Actual coverage was \$14,576,448 or 307%.

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, 2004, 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, 2004, the property owners owed the bondholders \$54,000 for the outstanding bonds.

DETAIL NOTES-TRANSACTION CLASSES/ACCOUNTS

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

Cash

The City's policies regarding deposits of cash are discussed in Note 1. The City's deposits are categorized to give an indication of the level of custody credit risk assumed by the City at June 30, 2004. The categories of credit risk are defined as follows:

Category 1- Insured or collateralized by FDIC with securities held by the City or by its agent in the City's name.

Category 2- Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3- Uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement.

Information concerning the custodial risk for the Stillwater Medical Center Authority's component unit was not included in the Stillwater Medical Center financial report.

Description	Category			Bank Balance	Carrying Amount
	1	2	3		
Primary Government:					
<u>Pooled Cash</u>					
Cash	\$ 3,146,891	-	-	\$ 3,146,891	\$ 2,229,571
<u>Unpooled Cash</u>					
Cash	22,490,071	-	-	22,490,071	22,547,823
Total unpooled cash	22,490,071	-	-	22,490,071	22,547,823
Total Primary Government	25,636,962	-	-	25,636,962	24,777,394
Component Unit	5,012,006	-	-	5,012,006	4,175,426
Total Reporting Unit	\$ 30,648,968	-	-	\$ 30,648,968	\$ 28,952,820

Investments

The City's investments are U.S. Treasury obligations and Oklahoma Industrial Finance bonds held by the City's dealer banks in the City's name. U.S. Treasuries are backed by the full faith and credit of the U.S. government and therefore their investment risk is considered to be negligible. Unrestricted investments are shown as current assets while a portion of the investments are restricted in their use and are included in the restricted assets section of the balance sheet. The City's investments are categorized to give an indication of the level of custody credit risk assumed by the City at June 30, 2004.

The Stillwater Medical Center Authority has categorized its investment according to the level of custodial credit risk assumed by the Authority. The Authority's investments in mutual funds and accrued investment income are not classified by custodial credit risk category as they are not evidenced by securities that exist in physical or book entry form. Information concerning the investments of the Stillwater Medical Center Foundation was not included in their financial report.

The categories are defined as follows:

Category 1- Insured or registered, or securities held by the City or its agent in the City's name.

Category 2- Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3- Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the City's name.

Description	Category			Carrying Amount	Fair Value
	1	2	3		
<u>Primary Government</u>					
<u>Pooled Investments</u>					
U.S. Treasury repurchase agreements	-	-	\$11,312,239	\$11,312,239	\$11,312,239
<u>Unpooled Investments</u>					
<u>Primary Government:</u>					
Money market mutual fund	-	-	-	2,275,899	2,275,899
Total unpooled investments	-	-	-	2,275,899	2,275,899
Total Primary Government	-	-	11,312,239	13,588,138	13,588,138
<u>Component Unit</u>					
U.S. government securities	\$500,000	-	303,843	803,843	803,843
Repurchase agreements	-	-	8,418,364	8,418,364	8,418,364
Guaranteed investment contracts	-	\$1,500,000	-	1,500,000	1,500,000
Corporate bonds	-	-	427,064	427,064	427,064
Corporate stocks	-	-	3,981,993	3,981,993	3,981,993
Investments of SMC Foundation	-	-	1,609,180	1,609,180	1,609,180
Mutual funds	-	-	-	8,530,792	8,530,792
Accrued investment income	-	-	-	28,894	28,894
Total Component Unit	\$500,000	1,500,000	14,740,444	25,300,130	25,300,130
Total reporting entity	500,000	\$1,500,000	\$26,052,683	\$38,888,268	\$38,888,268

Deposits	\$ 28,952,820
Investments	38,888,268
	<u>\$ 67,841,088</u>

Included in the following balance sheets captions

Cash and cash equivalents	\$ 31,705,922
Investments	5,031,172
Pooled investments	10,921,104
Restricted cash and cash equivalents	7,025,832
Restricted investments	12,684,174
Fiduciary funds	472,884
Total Government Wide	<u>\$ 67,841,088</u>

ACCOUNTS RECEIVABLE

The accounts receivable of the governmental activities consist of franchise taxes, police fines, E-911, ambulance fees and hotel/motel tax receivables. The ambulance fees are 38 percent of the total, police fines are 33 percent of the total. The remaining receivables are intergovernmental and various customers receivable. 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

Payable balances in each fund are 75 percent payables to vendors and 25 percent accrued salaries and benefits.

RESTRICTED ASSETS

Certain assets of the Authority are restricted in their use by bond and note indentures. Cash and cash equivalents in the amount of \$2,275,899 at June 30, 2004 has been restricted in use to the service of debt.

Certain cash and cash equivalents of the Authority 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, 2004 cash and cash equivalents of \$54,756 was restricted for this purpose.

Customer deposits received for water or electric service are restricted in their use toward the customer's final bill. Cash and cash equivalents in the amount of \$1,042,405 at June 30, 2004 has been restricted for customer deposits.

In anticipation of future potential operating cost increases and/or future substantial capital expenditure requirements, the Authority deemed it prudent to reserve a portion of its assets. As of June 30, 2004 cash and cash equivalents of \$2,407,066 was restricted for these purposes.

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at July 1, 2003	Additions	Disposals	Balance at June 30, 2004
PRIMARY GOVERNMENT:				
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,813,647	\$ -	\$ -	\$ 4,813,647
Construction-in-progress	828,427	2,450,544	443,882	2,835,089
Total capital assets not being depreciated	<u>5,642,073</u>	<u>2,450,544</u>	<u>443,882</u>	<u>7,648,736</u>
Other capital assets:				
Buildings	23,073,981	234,112		23,308,093
Other improvements	108,472,630	395,424		108,868,054
Machinery and equipment	15,970,711	446,743	223,947	16,193,507
Total other capital assets at historical cost	<u>147,517,322</u>	<u>1,076,279</u>	<u>223,947</u>	<u>148,369,654</u>
Total Governmental Activity Assets	<u>153,159,395</u>	<u>3,526,823</u>	<u>667,829</u>	<u>156,018,390</u>
Less accumulated depreciation for:				
Buildings	3,301,019	493,690	-	3,794,709
Other improvements	51,886,844	3,722,400	3,000	55,606,244
Machinery and equipment	11,970,753	848,014	180,729	12,638,038
Total accumulated depreciation	<u>67,158,616</u>	<u>5,064,104</u>	<u>183,729</u>	<u>72,038,991</u>
Other capital assets, net	<u>80,358,706</u>	<u>(3,987,825)</u>	<u>40,218</u>	<u>76,330,663</u>
Governmental activities capital assets, net	<u>\$ 86,000,779</u>	<u>\$ (1,537,281)</u>	<u>\$ 484,100</u>	<u>\$ 83,979,399</u>
 <i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,608,181	-	-	\$ 1,608,181
Construction-in-progress	22,351,553	\$ 9,510,217	\$ 1,206,530	30,655,240
Total capital assets not being depreciated	<u>23,959,734</u>	<u>9,510,217</u>	<u>1,206,530</u>	<u>32,263,421</u>
Other capital assets:				
Buildings	6,192,128	-	-	6,192,128
Other improvements	13,401,592	4,735	-	13,406,327
Machinery and equipment	15,594,603	1,156,477	374,823	16,376,257
Intangible assets	74,054	-	-	74,054
Utility plant in service	126,222,118	2,127,118	28,075	128,321,161
Total other capital assets at historical cost	<u>161,484,495</u>	<u>3,288,330</u>	<u>402,898</u>	<u>164,369,927</u>
Total Business-Type Activity Assets	<u>185,444,229</u>	<u>12,798,547</u>	<u>1,609,428</u>	<u>196,633,348</u>
Less accumulated depreciation for:				
Buildings	2,280,516	229,089	-	2,509,604
Other improvements	9,089,620	563,452	-	9,653,072
Machinery and equipment	11,303,880	876,666	235,609	11,944,937
Utility plant in service	57,850,512	3,316,746	-	61,167,258
Less amortization:	59,348	3,400	-	62,748
Total accumulated depreciation/amortization	<u>80,583,876</u>	<u>4,989,353</u>	<u>235,609</u>	<u>85,337,620</u>
Other capital assets, net	<u>80,900,619</u>	<u>(1,701,023)</u>	<u>167,289</u>	<u>79,032,307</u>
Business-type activities capital assets, net	<u>\$ 104,860,353</u>	<u>\$ 7,809,194</u>	<u>\$ 1,373,819</u>	<u>\$ 111,295,728</u>

Reconciliation to Statement of Net Assets: Proprietary Funds:

Capital Assets, Non depreciable	\$32,263,420
Capital Assets, Depreciable	79,021,002
Intangible Assets	<u>11,306</u>
Capital Assets, net	<u>\$111,295,728</u>

COMPONENT UNITS:

Stillwater Medical Center Authority:

Capital assets not being depreciated

Land and land improvements	\$ 2,232,521	\$ 395,707	\$ -	\$ 2,628,228
Construction-in-progress	939,380	2,968,110	2,080,861	1,826,629
Total capital assts not being depreciated	<u>3,171,901</u>	<u>3,363,817</u>	<u>2,080,861</u>	<u>4,454,857</u>

Other capital assets:

Building, improvements and fixed equipment	30,911,231	1,995,132	165,112	32,741,251
Major moveable equipment	22,906,969	2,713,483	432,563	25,187,889
Totals other at historical cost	<u>53,818,200</u>	<u>4,708,615</u>	<u>597,675</u>	<u>57,929,140</u>

Less accumulated depreciation:

Land improvements	587,053	93,749	-	680,802
Building, improvements and fixed equipment	12,458,874	1,388,847	164,812	13,682,909
Major moveable equipment	<u>16,164,204</u>	<u>2,296,208</u>	<u>203,973</u>	<u>18,256,439</u>
Other capital assets, net	<u>24,608,069</u>	<u>929,811</u>	<u>228,890</u>	<u>25,308,990</u>

Stillwater Medical Center Authority: capital assets, net	<u>\$ 27,779,970</u>	<u>\$ 4,293,628</u>	<u>\$ 2,309,751</u>	<u>\$ 29,763,847</u>
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Property, plant and equipment	\$ 48,346	\$ -
Less accumulated depreciation	<u>37,253</u>	<u>-</u>
Capital assets, net	<u>\$ 11,093</u>	<u>\$ -</u>

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

Primary Government:

Governmental Activities:

General Government

Public Safety	\$ 394,405
Recreation and Culture	544,561
General Government	414,098
Financial Administration	77,217
Street	3,499,322
Operations	19,954
Human Services	63,468
Total depreciation expense for governmental activities	<u>\$ 5,013,025</u>

Business-Type Activities:

Sanitation	\$ 62,897
Airport - including amortization	583,629
Community Center	39,390
Stillwater Public Golf Authority	121,617
Stillwater Industrial Redevelopment Authority	49,797
Customer Service	12,362
Pretreatment	69,259
Electric	2,276,403
Water	1,289,620
Wastewater	445,202
Total depreciation expense for business-type activities	<u>\$ 4,950,176</u>

Component Units:

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2004, were as follows:

Fund	Due From Other Funds	Due To Other Funds	Fund
Major Funds:			
General		\$26,505	Community Development Block Grant
		8,159	Airport
		2,883	Transportation Improvement
		1,922	Community Center
		32,743	Sanitation
		221,179	Stillwater Public Golf Authority
		149,441	Stillwater Utilities Authority
		8,758	Stillwater Public Works Authority
	\$451,590	451,590	
Stillwater Utilities Authority	8,732	8,732	General Fund
Non Major Governmental Funds:			
Storm Water Management	1,342	1,342	Stillwater Utilities Authority
Non Major Proprietary Funds:			
Sanitation	15,736	15,736	Stillwater Utilities Authority
Stillwater Public Golf Authority	216,374	216,374	Stillwater Utilities Authority
Internal Service Funds			
Stillwater Public Works Authority	529,304	529,304	Stillwater Industrial Redevelopment Authority
Total	<u>\$1,223,078</u>	<u>\$1,223,078</u>	

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

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. Interfund transfers reported in the fund financial statements for the year ended June 30, 2004, consisted of the following:

Name of Fund	Transfers In	Transfers Out
Major Funds:		
General Fund		
Stillwater Utilities Authority	\$ 8,900,000	-
Community Development Block Grant	-	\$ 115,884
Storm Water Mangement	-	90,000
Transportation Improvement Fund	-	2,562,194
Stillwater Utilities Authority	-	5,172,197
Airport	-	83,000
Stillwater Community Center	15,898	850,954
Stillwater Industrial Redevelopment Authority	-	25,000
Total General Fund	8,915,898	8,899,229
Stillwater Utilities Authority		
General Fund	5,172,197	8,900,000
Debt Service	532,192	-
Stillwater Public Golf Authority	-	384,860
Stillwater Industrial Redevelopment Authority	-	4,735
Total Stillwater Utilities Authority	5,704,389	9,289,595
Non Major Funds		
Community Development Block Grant		
General Fund	115,884	-
Transportation Improvement Fund	-	-
General Fund	2,562,194	-
Debt Service		
Stillwater Utilities Authority	-	532,192
Storm Water Mangement		
General Fund	90,000	-
Stillwater Public Golf Authority		
Stillwater Utilities Authority	384,860	-
Airport		
General Fund	83,000	-
Stillwater Community Center		
General Fund	850,954	15,898
Stillwater Industrial Redevelopment Authority	-	-
General fund	25,000	-
Stillwater Utilities Authority	4,735	-
TOTAL	18,736,914	\$ 18,736,914

NETASSETS/FUND EQUITY

Prior Period Adjustment

Net assets-beginning balance was changed to properly reflect the accruals for the workers compensation.

Beginning net assets (as previously reported)	\$85,201,662
Revised net assets	85,099,388

LONG-TERM OBLIGATIONS

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, 2004, 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 of 4.00%-8.00%.	7,200,000
\$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 of 4.00% to 8.00%	<u>5,790,000</u>
Total General Obligation Bonds	<u>\$12,990,000</u>
Current portion	\$790,000
Non-current portion	<u>12,200,000</u>
Total General Obligation Bonds	<u>\$12,990,000</u>

Accrued Compensated Absences-Governmental Activities:

Current portion	\$155,506
Non-current portion	<u>1,182,890</u>
Total Accrued Compensated Absences	<u>\$1,338,395</u>

Stillwater Public Works Authority

Refundable Grant Obligation,

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.	\$164,304
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.	<u>365,000</u>

Total Refundable Grant Obligations	<u>\$529,304</u>
Current portion	\$41,671
Non current	<u>487,633</u>
Total Refundable Grant Obligation	<u>\$529,304</u>

Business-Type Activities:

As of June 30, 2004, the long-term debt payable from business-type activities resources consisted of the following:

Stillwater Utilities Authority:

Notes Payable:

2001 OWRB SRF Note Payable dated September 28, 2001, original amount of \$12,170,000 with an annual interest rate of 4.25% plus administrative fee of 0.5%, semiannual payments of interest commencing March 15, 2002; semiannual payments of principal of \$304,250 commencing September 15, 2004; final installment March 15, 2006. Total draw-downs through June 30, 2004 \$11,326,583. Amount converted to permanent financing on December 19, 2002 \$7,314,125. \$4,012,458

2001 OWRB Bonded Note Payable dated September 28, 2001, original amount of \$8,110,000 with an annual interest rate of 4.25% plus administrative fee of 0.5%, semiannual payments of interest commencing March 15, 2002, semiannual payments of principal of \$202,750 commencing September 15, 2004; final installment March 15, 2006. Total draw-downs through June 30, 2004 \$7,551,065. Amount converted to permanent financing on December 19, 2002 \$4,876,086. 2,674,979

2002 OWRB Bonded Note Payable dated February 28, 2002, original amount of \$2,500,000 with a variable interest rate set every February and August by the OWRB; originally 3.122%, 1.82% at June 30, 2004; 2.15% as of October 1, 2004; semiannual installments of principal and interest commencing August 15, 2002 through August 15, 2021. 2,382,600

2002 OWRB Bonded Note Payable dated February 28, 2002, original amount of \$3,140,000 with a variable interest rate set every March and September by the OWRB; originally 3.202%, 1.78% at June 30, 2004; 2.38% as of October 1, 2004;

semiannual installments of principal and interest commencing September 15, 2002 through September 15, 2021. 2,948,600

2002 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. 2,986,798

2002 OWRB Bonded Note Payable dated December 19, 2002, original amount of \$8,045,000 with a variable interest rate set every March and September by the OWRB; originally 2.122%, 1.78% at June 30, 2004; 2.38% as of October 1, 2004; semiannual installments of principal and interest commencing March 15, 2003 through September 15, 2022. 7,744,200

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. 4,510,380

Total Notes Payable \$27,260,015

Current portion \$1,847,978

Non-current portion 25,412,037

Total Notes Payable \$27,260,015

Revenue Bonds:

2002 Refunding Series bonds dated September 16, 2002, original issue amount of \$11,825,000, secured by utility revenues, interest rates 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. \$9,900,000

Current portion \$1,615,000

Non-current portion 8,285,000

Total Revenue Bonds Payable \$9,900,000

Unamortized loss on defeasance

Current portion \$(79,236)

Non-current portion (350,820)

Total unamortized loss on defeasance \$(430,056)

General Obligation Bonds:

\$5,980,000 Kaw Water Pipeline Bonds of 1993, due in annual installments of varying amounts, final payment due August 1, 2005 with interest rates of 3.5% to 9.5%	<u>\$1,010,000</u>
Current portion	\$505,000
Non-current portion	<u>505,000</u>
Total General Obligation Bonds	<u>\$1,010,000</u>

Capital Lease Obligations:

\$622,000 capital lease with Banc of America for equipment, fixed interest rate of 4.16%, semiannual installments commencing June 15, 2002 through December 15, 2006. \$326,992

\$711,000 capital lease with Banc of America for equipment, fixed interest rate of 3.244%, semiannual installments commencing April 4, 2003 through October 4, 2007. 552,580

\$400,880 capital lease with Banc of America for equipment, fixed interest rate of 2.804% semiannual installments commencing September 8, 2004 through March 8, 2009 400,880

 Total Capital Leases \$1,280,452

Current portion \$354,129

Non-current portion 926,323

 Total Capital Leases \$1,280,452

Accrued Compensated Absences-Business type activities:

Current portion \$38,740

Non-current portion 444,009

 Total Accrued Compensated Absences \$ 482,749

Stillwater Public Golf Authority

At June 30, 2004, the long-term debt payable of the Stillwater Public Golf Authority consisted of the following:

Notes Payable of the Stillwater Public Golf Authority consists of a note issued November 1997 in the original amount of \$2,239,558 with an annual interest of 5.65%, with varying annual principal payments and semiannual interest payments with the final payment due

November 2012. \$1,993,369

Capital Lease obligation:

\$176,224 capital lease with Textron Financial Corporation for the purchase of golf carts, payable in monthly installments of \$3,531.04, final payment due March 2006 with interest at 7.763%

	<u>69,289</u>
Total Long term debt	<u>\$2,062,658</u>
Current portion(\$160,000 Note Payable; \$38,480 capital lease payable)	198,480
Non-current portion	<u>1,864,178</u>
Total long term debt	<u>\$2,062,658</u>

Component Unit

Stillwater Medical Center Authority

Revenue Bonds

1997 Series A Revenue Bonds, original issue amount of \$4,075,000, dated May, 1997, secured by gross revenues and trustee held assets, interest rates from 5.555 to 6.10%, principal payable annually and interest payable semiannually, due May 15, 2009. \$2,730,000

1997 Series B Revenue bonds, original issue amount of \$8,375,000, dated May 1007, secured by gross revenues and trustee held assets, interest rates from 6.35% to 6.50%, principal payable annually and interest payable semiannually, due May 2019. 8,260,000

1997 Series C Taxable Revenue Bonds, original issue amount of \$4,075,000, dated May, 1997, secured by gross revenues and trustee held assets, interest rates from 7.65% to 9.00%, principal payable annually and interest payable semiannually, due May, 2017. 2,255,000

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, due May 2023. 7,000,000

Notes payable of the Medical Authority 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. \$2,812,795

Total long term debt	<u>\$23,057,795</u>
Current portion	\$1,277,668
Non-current portion	<u>22,521,243</u>

Total revenue bonds \$23,798,911

Notes

Capital lease obligations

Capital lease issued for equipment, interest rates at varying rates from 2.17% to 8.46%, due 2007.

	<u>\$741,116</u>
Current portion	\$195,476
Non-current portion	<u>545,640</u>
Total capital lease	<u>\$741,116</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

Type of Debt	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004	Amounts Due Within One Year
Primary Government					
Governmental Activities					
General Obligation Bonds	\$ 13,780,000	-	\$ 790,000	\$ 12,990,000	\$ 790,000
Refundable Government Obligations	585,971	-	56,670	529,301	41,671
Accrued Compensated Absences	<u>1,315,861</u>	<u>\$ 178,040</u>	<u>155,506</u>	<u>1,338,395</u>	<u>155,506</u>
Total Governmental Activities	<u>\$ 15,681,832</u>	<u>\$ 178,040</u>	<u>\$ 1,002,176</u>	<u>\$ 14,857,696</u>	<u>\$ 987,177</u>
Business-Type Activities					
Capital lease Payable	\$ 1,253,012	\$ 400,880	\$ 304,151	\$ 1,349,741	\$ 392,609
General Obligation Bonds	1,485,000	-	475,000	1,010,000	505,000
Notes Payable	26,060,487	4,118,291	925,378	29,253,400	2,007,978
Revenue Bonds Payable	11,490,000	-	1,590,068	9,899,932	1,615,000
Unamortized Loss on Defeasance	(509,292)	-	(79,304)	(429,988)	(79,236)
Accrued Compensated Absences	<u>465,846</u>	<u>55,643</u>	<u>38,740</u>	<u>482,749</u>	<u>38,740</u>
Total Business-Type Activities	<u>\$ 40,245,053</u>	<u>\$ 4,574,814</u>	<u>\$ 3,254,033</u>	<u>\$ 41,565,834</u>	<u>\$ 4,480,091</u>
Component Unit Debt					
Stillwater Medical Center Authority					
	Balance December 31 2002	Additions	Reductions	Balance December 31 2003	Amounts Due Within One Year
Revenue Bonds Payable	\$ 13,725,000	7,000,000	\$ 480,000	\$ 20,245,000	\$ 510,000
Notes Payable	-	3,000,000	\$ 187,205	\$ 2,812,795	\$ 572,192
Capital Lease Obligations	<u>1,306,365</u>	-	565,249	<u>741,116</u>	<u>195,476</u>
	<u>\$ 15,031,365</u>	<u>10,000,000</u>	<u>\$ 1,232,454</u>	<u>\$ 23,798,911</u>	<u>\$ 1,277,668</u>

Annual Debt Service Requirements-Primary Government

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2004 are as follows:

Year Ending June 30,	Governmental Activities				Business-Type Activities	
	General Obligation		Refundable Government Obligations		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	790,000	684,665	41,664	-	1,615,000	238,128
2006	790,000	631,665	41,664	-	1,645,000	203,090
2007	790,000	582,064	41,664	-	1,875,000	163,317
2008	790,000	532,124	41,664	-	1,930,000	114,280
2009	790,000	481,845	41,664	-	1,985,000	57,471
2010-2014	3,950,000	1,725,820	177,611	-	850,000	13,600
2015-2019	3,950,000	787,194	100,020	-	-	-
2020-2023	1,140,000	70,000	100,020	-	-	-
Total	\$ 12,990,000	\$ 5,495,377	\$ 585,971	-	\$ 9,900,000	\$ 789,886

2006	8,114,868	752,669	397,363	28,264	505,000	11,615
2007	1,085,778	405,061	309,891	14,420	-	-
2008	1,144,078	379,532	165,177	5,454	-	-
2009	1,224,078	350,879	84,702	1,785	-	-
2010-2014	6,182,962	1,307,294	-	-	-	-
2015-2019	6,323,392	731,521	-	-	-	-
2020-2023	4,572,601	156,273	-	-	-	-
Remaining funds to be drawn	(1,402,335)					
Total	\$29,253,400	\$ 4,831,011	\$ 1,349,742	\$ 93,532	\$ 1,010,000	\$ 46,208

Year Ending June 30,	Component Unit					
	Revenue Bonds		Capital Leases		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 510,000	\$ 1,079,623	\$ 195,373	\$ 43,253	\$ 572,192	\$ 71,350
2005	540,000	1,240,198	211,463	30,682	588,568	54,974
2006	580,000	1,203,704	171,365	18,272	605,190	38,352
2007	615,000	1,164,581	162,915	9,218	622,281	21,261
2008	655,000	1,122,848			424,564	4,463
2009-2013	4,000,000	4,866,990	-	-	-	-
2014-2018	5,505,000	3,230,295	-	-	-	-
2019-2023	7,840,000	1,421,531	-	-	-	-
Total	\$ 20,245,000	\$ 15,329,770	\$ 741,116	\$ 101,425	\$ 2,812,795	\$ 190,400

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 14% of their salary. The City's contribution is determined by the City Commission 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 fully vested, the employer's contributions that are forfeited may be used to reduce the City's current-period contributions requirement.

Compensation is deferred and 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 for the year ended June 30, 2004, was \$1,669,263 which consisted of \$835,492 from the City and \$833,771 from employees.

The Stillwater Medical Center also participates in the Oklahoma Municipal Retirement Defined Contribution Plan. All full-time employees of the Medical Center are covered. The Medical Center contributes 6% of eligible employee salaries into the plan and employees contribute 3% of eligible salaries into the plan. Contributions made by the Medical Center, net of forfeitures, were approximately \$803,000 from the Stillwater Medical Center and \$451,000 from employees for the current year. Forfeitures of approximately \$115,000 were applied to the Authority's required 6 percent contribution.

OKLAHOMA POLICE AND FIREFIGHTER'S PENSION AND RETIREMENT SYSTEM

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.

A. Eligibility Factors, Contribution Methods, and Benefit Provision

	<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 rd 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
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8%	8%
City's 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 /2% 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	20 years credited service 2 /2% 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	service with reduced benefits 10 years
Deferred retirement option	Yes. 20 years credited service with additional option to participate in 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

Trend Information:

Contributions required by State statute:

Fiscal Year	Oklahoma Police Pension and <u>Retirement System</u>		Oklahoma Firefighter's Pensions and Retirement <u>Retirement System</u>	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2002	358,036	100%	378,536	100%
2003	375,020	100%	403,539	100%
2004	417,570	100%	453,473	100%

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

C. Related Party Investments

As of June 30, 2004, the Systems held no related-party investments of the City or of its related entities.

RISK MANAGEMENT

As of June 30, 2004, claims outstanding against the City and its public authorities were \$776,377. 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 liability for major medical to \$10,000 per individual. 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. Changes in the balances of claims liabilities during fiscal year 2003-2004 were as follows:

	<u>Beginning-of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2003-2004	\$ 653,037	\$ 5,256,892	\$ 5,133,552	\$ 776,377
2002-2003	\$ 733,693	\$ 4,448,058	\$ 4,528,714	\$ 653,037

The Medical Center 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 Medical Center partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for specific claims in excess of \$50,000. 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 period ended December 31, 2003 were as follows:

	<u>Liability</u>	<u>Estimates</u>	<u>Payments</u>	<u>Year-End</u>
2002-2003	\$ 475,000	\$ 3,466,731	# \$ 2,841,731	\$ 1,100,000
2001-2002	\$ 275,000	\$ 2,952,467	\$ 2,752,467	\$ 475,000

CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City. In the opinion of management some of these may result in monetary judgements against the City. The claims result from a sewer backup, police activities and perceived encroachment. The amount of judgments could range from \$25,000 to in excess of \$100,000.

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 general purpose financial statements.

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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, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES:				
Sales tax	\$ 17,585,000	\$ 18,385,000	\$ 18,449,041	\$ 64,041
Other taxes	1,353,600	1,572,763	1,529,659	(43,104)
Intergovernmental	1,738,296	233,301	180,531	(52,770)
Charges for Services	112,700	261,502	283,557	22,055
Fines and forfeits	796,600	823,050	863,177	40,127
Fees and rentals	509,200	536,201	463,921	(72,280)
Investment income	100,000	100,000	45,727	(54,273)
Licenses and permits	102,670	102,670	113,460	10,790
Other miscellaneous revenue:				
Ambulance services	905,000	905,000	1,081,948	176,948
E-911	130,000	130,000	111,962	(18,038)
Other	266,305	296,021	342,719	46,698
Total revenues	<u>23,599,371</u>	<u>23,345,508</u>	<u>23,465,702</u>	<u>120,194</u>
EXPENDITURES:				
Current operating:				
Public Safety				
Police:				
Personal services	6,468,333	6,493,890	6,349,404	144,486
Materials and supplies	278,387	361,416	370,078	(8,662)
Contract services	329,447	405,653	285,530	120,123
Fire:				
Personal services	4,797,686	5,110,434	4,964,434	146,000
Materials and supplies	197,305	197,155	165,933	31,222
Contract services	166,285	142,349	102,870	39,479
Total public safety	<u>12,237,443</u>	<u>12,710,897</u>	<u>12,238,249</u>	<u>472,648</u>
Recreation and culture:				
Parks and recreation:				
Personal services	2,336,263	2,262,918	2,177,631	85,287
Materials and supplies	311,850	308,287	295,138	13,149
Contract services	212,638	257,933	213,816	44,117
Library:				
Personal services	808,018	821,745	797,938	23,807
Materials and supplies	195,695	201,435	190,172	11,263
Contract services	154,951	123,206	102,459	20,747
Total recreation and culture	<u>4,019,415</u>	<u>3,975,524</u>	<u>3,777,154</u>	<u>198,370</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, 2004

(continued)

	Original Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
Current operating:				
General Government				
Personal services	1,290,652	1,006,480	959,203	47,277
Materials and supplies	54,110	67,505	66,340	1,165
Contract services	1,257,468	989,111	697,817	291,294
Total General government	2,602,230	2,063,096	1,723,360	339,736
Financial administration:				
Personal services	657,614	673,444	466,978	206,466
Materials and supplies	67,725	43,432	41	43,391
Contract services	176,099	164,100	21,901	142,199
Total financial administration	901,438	880,976	488,920	392,056
Public works administration:				
Personal services	821,587	788,526	768,380	20,146
Materials and supplies	25,275	20,275	19,964	311
Contract services	32,650	26,877	19,098	7,779
Total public works administration...	879,512	835,678	807,442	28,236
Street and sewers				
Personal services	1,265,030	1,272,531	1,222,244	50,287
Materials and supplies	533,680	511,459	388,574	122,885
Contract services	125,793	138,793	109,401	29,392
Total street and sewers	1,924,503	1,922,783	1,720,219	202,564
Human services:				
Health:				
Materials and supplies	92,550	88,145	87,258	887
Contract services	52,585	55,971	54,505	1,466
Community Development:				
Personal services	798,564	803,161	779,369	23,792
Materials and supplies	26,220	31,562	25,046	6,516
Contract services	106,887	144,259	95,788	48,471
Total human services	1,076,806	1,123,098	1,041,966	81,132

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, 2004
(continued)

	Original Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
Economic development				
Contract services	595,100	591,000	509,066	81,934
Capital Outlay				
Police	60,000	261,675	177,628	84,047
Fire	450,000	57,664	54,597	3,067
Recreation and culture:	487,453	652,415	237,168	415,247
Public works operation	4,600	4,600	4,599	1
Human Services	115,000	5,000	5,000	-
Street and sewers	1,315,000	1,892,418	1,824,196	68,222
	<u>2,432,053</u>	<u>2,873,772</u>	<u>2,303,188</u>	<u>570,584</u>
Total expenditures	<u>26,668,500</u>	<u>26,976,824</u>	<u>24,609,564</u>	<u>2,367,260</u>
Excess (deficiency) of revenues over expenditures	(3,069,129)	(3,631,316)	(1,143,862)	2,487,454
OTHER FINANCING SOURCES(USES):				
Transfers in	10,687,747	10,761,571	8,948,905	(1,812,666)
Transfers out	(11,238,612)	(12,981,091)	(9,179,714)	3,801,377
Net other financing sources (uses)	<u>(550,865)</u>	<u>(2,219,520)</u>	<u>(230,809)</u>	<u>1,988,711</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,619,994)	(5,850,836)	(1,374,671)	4,476,165
FUND BALANCES, beginning	<u>9,221,028</u>	<u>9,221,028</u>	<u>9,221,028</u>	-
FUND BALANCES, ending	<u><u>5,601,034</u></u>	<u><u>3,370,192</u></u>	<u><u>\$ 7,846,357</u></u>	<u><u>\$ 4,476,165</u></u>

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

JUNE 30, 2004

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, 2004, 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 operating revenues for the year from the budget basis to the GAAP basis of reporting:

	General Fund
Revenues on budget basis	\$ 23,465,702
Revenues received during fiscal year measurable and available at June 30, 2003	(3,765,975)
Revenues received during fiscal year measurable and available at June 30, 2004	<u>3,701,867</u>
Revenues on GAAP basis	<u><u>\$ 23,401,594</u></u>

CITY OF STILLWATER, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds			
	Community Development Block Grant	Transportation Improvement	Library Materials Enhancement	Storm Water Management
ASSETS:				
Cash and cash equivalents	-	\$ 881,404	\$ 35,991	\$ 54,651
Pooled investments	-	4,503,101	183,878	279,210
Due from other governments	\$ 30,319	-	-	-
Accounts receivable	-	-	-	35,011
Due from other funds	-	-	-	1,342
Inventories	-	-	-	-
Total assets	\$ 30,319	\$ 5,384,505	\$ 219,869	\$ 370,214
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable	\$ 3,233	\$ 191,126	-	\$ 6,005
Accrued liabilities	-	357	-	917
Due to other funds	26,505	2,883	-	-
Deferred revenue	-	-	-	-
Total liabilities	29,738	194,366	-	6,922
FUND EQUITY:				
Fund balances (deficits):				
Reserved for inventories	-	-	-	-
Unreserved reported in:				
Special Revenues	581	5,190,139	219,869	363,292
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Total fund equity	581	5,190,139	219,869	363,292
Total liabilities and fund equity	\$ 30,319	\$ 5,384,505	\$ 219,869	\$ 370,214

continued

CITY OF STILLWATER, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

ASSETS	Debt Service	Capital Projects Fund	Total Nonmajor Governmental Funds
	Sinking Fund	Police/Municipal Building	
ASSETS:			
Cash and cash equivalents	\$ 113,551	\$ 51,856	\$ 1,137,453
Pooled investments	580,134	264,932	5,811,255
Due from other governments	125,830	-	156,149
Accounts receivable	-	-	35,011
Due from other funds	-	-	1,342
Inventories	-	-	-
Total assets	\$ 819,515	316,788	\$ 7,141,210
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	-	\$ 4,961	\$ 205,325
Accrued liabilities	-	-	1,274
Due to other funds	-	-	29,388
Deferred revenue	\$ 57,930	-	57,930
Total liabilities	57,930	4,961	293,917
FUND EQUITY:			
Fund balances (deficits):			
Reserved for inventories	-	-	-
Unreserved reported in:			
Special Revenues	-	-	5,773,881
Debt Service	761,585	-	761,585
Capital Projects	-	311,827	311,827
Total fund equity	761,585	311,827	6,847,293
Total liabilities and fund equity	\$ 819,515	\$ 316,788	\$ 7,141,210

CITY OF STILLWATER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds			
	Community Development Block Grant	Transportation Improvement	Library Materials Enhancement	Storm Water Management
REVENUES:				
Taxes	-	-		-
Intergovernmental	\$ 101,986	-		\$ 15,668
Charges for services	-	-		255,304
Miscellaneous	5,936			
Investment income	-	\$ 23,529	\$ 1,226	785
Total revenues	107,922	23,529	1,226	271,757
EXPENDITURES:				
Current operating:				
Recreation and culture	-	-	2,017	-
Streets and sewers	-	99,301	-	60,274
Human services	149,465	-	-	-
Capital outlay	74,735	215,928	-	40,526
Debt service				
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	224,200	315,229	2,017	100,800
Excess (deficiency) of revenues over expenditures	(116,278)	(291,700)	(791)	170,957
OTHER FINANCING SOURCES (USES):				
Transfers in	115,884	2,562,194	-	90,000
Transfers out	-	-	-	-
Net operating transfers	115,884	2,562,194	-	90,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	(394)	2,270,494	(791)	260,957
FUND BALANCES, beginning	975	2,919,645	220,660	102,335
FUND BALANCES, ending	\$ 581	\$ 5,190,139	\$ 219,869	\$ 363,292

continued

CITY OF STILLWATER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

(continued)

	Debt Service	Capital Projects Fund	Total Nonmajor Governmental Funds
	Sinking Fund	Police/Municipal Building	
REVENUES:			
Taxes	\$ 2,215,593	-	\$ 2,215,593
Intergovernmental	-	-	117,654
Charges for services	-	-	255,304
Miscellaneous	-	-	5,936
Investment income	-	\$ 2,147	27,687
Total revenues	<u>2,215,593</u>	<u>2,147</u>	<u>2,622,174</u>
EXPENDITURES:			
Current operating:			
Recreation and culture	-	-	2,017
Streets and sewers	-	-	159,575
Human services	-	-	149,465
Capital outlay	-	244,214	575,403
Debt service			
Principal retirements	790,000	-	790,000
Interest and fiscal charges	745,265	-	745,265
Total expenditures	<u>1,535,265</u>	<u>244,214</u>	<u>2,421,725</u>
Excess (deficiency) of revenues over expenditures	<u>680,328</u>	<u>(242,067)</u>	<u>200,449</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	2,768,078
Transfers out	(532,192)	-	(532,192)
Net operating transfers	<u>(532,192)</u>	<u>-</u>	<u>2,235,886</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>148,136</u>	<u>(242,067)</u>	<u>2,436,335</u>
FUND BALANCES, beginning	<u>613,449</u>	<u>553,894</u>	<u>4,410,958</u>
FUND BALANCES, ending	<u>\$ 761,585</u>	<u>\$ 311,827</u>	<u>\$ 6,847,293</u>

CITY OF STILLWATER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE									
	COMMUNITY DEVELOPMENT BLOCK GRANT					TRANSPORTATION IMPROVEMENT				
	Budgeted Amount Original	Final	Actual	Variance From Final Budget Favorable (Unfavorable)		Budgeted Amount Original	Final	Actual	Variance From Final Budget Favorable (Unfavorable)	
REVENUES:										
Taxes	-	-	-	-	-	-	-	-	-	-
Intergovernmental	346,486	259,018	82,177	\$ (176,841)	-	-	-	-	-	-
Miscellaneous	-	-	5,936	5,936	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	\$ 23,529	\$ 23,529	\$ 23,529	23,529
Total revenues	346,486	259,018	88,113	(170,905)	-	-	-	-	-	-
EXPENDITURES:										
Current operating:										
Recreation and culture	-	-	-	-	-	-	-	-	-	-
Streets and sewers	-	-	-	-	111,570	112,607	99,301	13,306	-	-
Human services	345,882	290,640	149,465	141,175	-	-	-	-	-	-
Capital outlay	-	182,216	74,735	107,481	3,251,368	443,862	215,928	227,934	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirements	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	345,882	472,856	224,200	248,656	3,362,938	556,469	315,229	241,240	-	-
Excess (deficiency) of revenues over expenditures	604	(213,838)	(136,087)	77,751	(3,362,938)	(556,469)	(291,700)	(217,711)	-	-
OTHER FINANCING SOURCES (USES):										
Transfers in	153,341	274,548	115,884	158,664	1,885,555	2,088,730	2,562,194	473,464	-	-
Transfers out	-	274,548	115,884	158,664	-	-	2,562,194	473,464	-	-
Net operating transfers and other sources over expenditures and other uses	153,341	60,710	(20,203)	(80,913)	1,885,555	2,088,730	2,562,194	473,464	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	153,945	60,710	(20,203)	(80,913)	(1,477,383)	1,532,261	2,270,494	738,233	-	-
FUND BALANCES, beginning	975	975	975	-	2,919,645	2,919,645	2,919,645	-	-	-
FUND BALANCES, ending	\$ 154,920	\$ 61,685	\$ (19,228)	\$ (80,913)	\$ 1,442,262	\$ 4,451,906	\$ 5,190,139	\$ 738,233	-	-
Reconciliation of budget to GAAP:										
Revenues on budget basis			\$ 88,113				\$ 23,529			
Revenues received during fiscal year measurable and available at June 30, 2003			(10,510)				-			
Revenues received during fiscal year measurable and available at June 30, 2004			30,319				-			
Revenues on GAAP basis			\$ 107,922				\$ 23,529			

continued

CITY OF STILLWATER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004
 (continued)

	SPECIAL REVENUE					
	LIBRARY MATERIALS ENHANCEMENT			STORM WATER MANAGEMENT		
	Budgeted Amounts Original	Final	Actual	Budgeted Amounts Original	Final	Actual
						Variance From Final Budget Favorable (Unfavorable)
REVENUES:						
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment income	8,750	8,750	\$ 1,226	\$ 250,000	250,000	\$ 28,206
Total revenues	8,750	8,750	1,226	250,000	250,000	3,453
EXPENDITURES:						
Current operating:						
Recreation and culture	8,750	8,750	2,017	-	-	-
Streets and sewers	-	-	-	149,204	149,204	60,274
Human services	-	-	-	-	-	-
Capital outlay	-	-	-	250,869	99,529	40,526
Debt service	-	-	-	-	-	-
Principal retirements	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	8,750	8,750	2,017	400,073.00	248,733	147,933
Excess (deficiency) of revenues over expenditures	-	-	(791)	(150,073)	1,267	179,592
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	90,000	90,000	-
Transfers out	-	-	-	90,000	90,000	-
Net operating transfers and other sources over expenditures and other uses	-	-	(791)	(60,073)	91,267	179,592
FUND BALANCES, beginning	220,660	220,660	220,660	102,335	102,335	-
FUND BALANCES, ending	\$ 220,660	\$ 220,660	\$ 219,869	\$ 42,262	\$ 193,602	\$ 179,592
			\$ 1,226			
			-			
			-			
			\$ 1,226			

continued

Reconciliation of budget to GAAP:
 Revenues on budget basis
 Revenues received during fiscal year measurable and available at June 30, 2003
 Revenues received during fiscal year measurable and available at June 30, 2004
 Revenues on GAAP basis

CITY OF STILLWATER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003
 (continued)

	DEBT SERVICE				CAPITAL PROJECTS FUND			
	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance From Final Budget Favorable (Unfavorable)	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance From Final Budget Favorable (Unfavorable)
REVENUES:								
Taxes	\$ 2,068,508	\$ 2,068,508	\$ 2,247,377	\$ 178,869	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Total revenues	2,068,508	2,068,508	2,247,377	178,869	-	-	2,146	2,146
EXPENDITURES:								
Current operating:								
Recreation and culture	-	-	-	-	-	-	-	-
Streets and sewers	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	244,214	244,214	244,214	-
Principal retirements	790,000	790,000	790,000	-	-	-	-	-
Interest and fiscal charges	746,316	746,316	745,265	1,051	-	-	-	-
Total expenditures	1,536,316	1,536,316	1,535,265	1,051	-	244,214	244,214	-
Excess (deficiency) of revenues over expenditures	532,192	532,192	712,112	179,920	-	(244,214)	(242,068)	2,146
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(532,192)	(532,192)	(532,192)	-	-	-	-	-
Net operating transfers	(532,192)	(532,192)	(532,192)	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	179,920	179,920	-	(244,214)	(242,068)	2,146
FUND BALANCES, beginning	613,284	613,284	613,284	-	553,894	556,894	553,894	-
FUND BALANCES, ending	\$ 613,284	\$ 613,284	\$ 793,204	\$ 179,920	\$ 553,894	\$ 312,680	\$ 311,826	\$ 2,146
Reconciliation of budget to GAAP:								
Revenue as on budget basis			\$ 2,247,377				2,146	
Revenue as received during fiscal year measurable and available at June 30, 2003			(157,614)				-	
Revenue as received during fiscal year measurable and available at June 30, 2004			125,830				-	
Revenue as on GAAP basis			\$ 2,215,593				\$ 2,146	

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF NET ASSETS-NONMAJOR PROPRIETARY FUNDS
June 30, 2004

ASSETS	Airport	Sanitation	Stillwater Public Golf Authority	Stillwater Industrial Redevelopment Authority	Community Center	Total
CURRENT ASSETS:						
Cash and cash equivalents	-	\$ 116,387	\$ 85,259	\$ 2,133	\$ 52	\$ 203,831
Pooled investments	-	594,622	-	10,898	264	605,784
Accounts receivable, net of allowance	\$ 6,513	382,749	3,730	-	10,354	403,346
Due from other funds	-	15,737	216,374	-	-	232,111
Inventories	22,416	-	52,503	-	-	74,919
Leasehold receivable	-	-	-	529,304	-	529,304
Total current assets	28,929	1,109,495	357,867	542,335	10,670	2,049,296
NONCURRENT ASSETS						
Restricted assets:						
Cash and equivalents	5,452	-	-	-	-	5,452
Pooled investments	27,857	-	-	-	-	27,857
Due from other governments	575,274	-	-	-	-	575,274
Capital assets, nondepreciable	6,157,262	190,260	16,000	-	702,743	7,066,265
Capital assets, depreciable, net	2,263,526	185,568	2,075,166	2,083,076	350,653	6,957,989
Unamortized note issuance cost	-	-	9,819	-	-	9,819
Total non current assets	9,029,371	375,828	2,100,985	2,083,076	1,053,396	14,642,656
Total assets	\$ 9,058,300	\$ 1,485,323	\$ 2,458,852	\$ 2,625,411	\$ 1,064,066	\$ 16,691,952
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 632,195	\$ 54,246	\$ 30,014	-	\$ 7,460	\$ 723,915
Accrued liabilities	4,408	23,003	11,197	-	2,828	41,436
Accrued Compensated absences	5,107	8,511	(1,900)	-	3,026	14,744
Accrued interest payable	-	-	18,771	-	-	18,771
Current portion of customer deposits	-	-	-	-	1,404	1,404
Current portion of city long-term debt	-	-	198,481	-	-	198,481
Due to other funds	8,159	32,743	221,180	\$ 529,304	1,922	793,308
Deferred revenue	62,490	-	93,782	-	-	156,272
Total current liabilities	712,359	118,503	571,524	529,304	16,640	1,948,330
Noncurrent Liabilities:						
Customer deposits	-	-	-	-	7,375	7,375
Compensated absences	21,773	23,010	22,065	-	3,027	69,875
Long-term obligations	-	-	1,864,178	-	-	1,864,178
Total noncurrent liabilities	21,773	23,010	1,886,243	-	10,402	1,941,428
Total liabilities	734,132	141,513	2,457,768	529,304	27,042	3,889,759
NET ASSETS						
Invested in capital assets, net of related debt	8,421,148	375,828	28,507	2,083,076	1,053,395	11,961,954
Restricted for debt service	-	-	-	-	-	-
Unrestricted	(96,980)	967,982	(27,423)	13,031	(16,371)	840,239
Total net assets	\$ 8,324,168	\$ 1,343,810	\$ 1,084	\$ 2,096,107	\$ 1,037,024	\$ 12,802,193

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS -NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Airport	Sanitation	Stillwater Public Golf Authority	Stillwater Industrial Redevelopment Authority	Community Center	Total
OPERATING REVENUES:						
Charges for services	\$ 449,272	\$ 2,948,440	\$ 613,466	-	\$ 66,376	\$ 4,077,554
Other	136,992	-	183,202	\$ 1,181	22,138	343,514
Total operating revenues	<u>586,264</u>	<u>2,948,440</u>	<u>796,669</u>	<u>1,181</u>	<u>88,514</u>	<u>4,421,068</u>
OPERATING EXPENSES:						
Operating and maintenance	791,157	2,633,240	941,413	-	287,047	4,652,857
Depreciation	580,229	62,897	121,617	49,797	39,390	853,930
Amortization	3,400	-	-	-	-	3,400
Total operating expenses	<u>1,374,786</u>	<u>2,696,137</u>	<u>1,063,030</u>	<u>49,797</u>	<u>326,437</u>	<u>5,510,187</u>
Operating income (loss)	<u>(788,522)</u>	<u>252,303</u>	<u>(266,361)</u>	<u>(48,616)</u>	<u>(237,923)</u>	<u>(1,089,119)</u>
NONOPERATING REVENUES (EXPENSES):						
Investment income	1,983	5,501	24	-	-	7,508
Interest expense	-	-	(117,889)	-	-	(117,889)
Gain/(loss) on disposal of assets	4,278	-	-	-	-	4,278
Net nonoperating revenues	<u>6,261</u>	<u>5,501</u>	<u>(117,865)</u>	<u>-</u>	<u>-</u>	<u>(106,103)</u>
Income (loss) before capital contributions and transfers	<u>(782,261)</u>	<u>257,804</u>	<u>(384,226)</u>	<u>(48,616)</u>	<u>(237,923)</u>	<u>(1,195,222)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS:						
Contributed assets	1,247,580	-	-	-	-	1,247,580
Transfers out	-	-	-	-	(15,898)	(15,898)
Transfers in	83,000	-	384,860	29,735	911,920	1,409,515
Net capital contributions and transfers	<u>1,330,580</u>	<u>-</u>	<u>384,860</u>	<u>29,735</u>	<u>896,022</u>	<u>2,641,197</u>
Net income (loss)	548,319	257,804	634	(18,881)	658,099	1,445,975
NET ASSETS, beginning	<u>7,775,849</u>	<u>1,086,006</u>	<u>450</u>	<u>2,114,987</u>	<u>378,925</u>	<u>11,356,218</u>
NET ASSETS, ending	<u>\$ 8,324,168</u>	<u>\$ 1,343,810</u>	<u>\$ 1,084</u>	<u>\$ 2,096,107</u>	<u>\$ 1,037,024</u>	<u>\$ 12,802,193</u>

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CASH FLOWS--NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Airport	Sanitation	Stillwater Public Golf Authority	Stillwater Industrial Redevelopment Authority	Community Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 598,955	\$ 2,914,504	\$ 607,342	-	\$ 62,772	\$ 4,183,573
Payments to suppliers	(462,651)	(1,123,032)	(360,700)	-	(166,548)	(2,112,931)
Payments to employees	(229,721)	(1,551,509)	(622,168)	-	(127,623)	(2,531,021)
Inter activity-payments to other funds	(101,130)	(10,995)	-	\$ (35,573)	(646)	(148,344)
Other receipts (payments)	-	-	183,202	1,182	22,138	206,522
Net cash provided by (used for) operating activities	<u>(194,547)</u>	<u>228,968</u>	<u>(192,324)</u>	<u>(34,391)</u>	<u>(209,907)</u>	<u>(402,201)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfers from (to) other funds	83,000	-	288,922	25,000	896,022	1,292,944
Net cash provided by (used for) noncapital financing activities	<u>83,000</u>	<u>-</u>	<u>288,922</u>	<u>25,000</u>	<u>896,022</u>	<u>1,292,944</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital contributions	1,056,280	-	-	-	-	1,056,280
Purchases of assets	(927,194)	(69,141)	-	-	(703,390)	(1,699,725)
Sale of assets	-	-	131,579	-	-	131,579
Principal paid on capital debt	-	-	(150,709)	-	-	(150,709)
Interest paid on debt	-	-	(128,005)	-	-	(128,005)
Net cash provided by (used for) capital activities	<u>129,086</u>	<u>(69,141)</u>	<u>(147,135)</u>	<u>-</u>	<u>(703,390)</u>	<u>(790,580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Purchase) sale of investments	(22,952)	(273,509)	-	2,296	10,088	(284,077)
Interest	1,983	5,501	24	-	-	7,508
Net cash provided by (used for) investing activities	<u>(20,969)</u>	<u>(268,008)</u>	<u>24</u>	<u>2,296</u>	<u>10,088</u>	<u>(276,569)</u>
Net increase (decrease) in cash and cash equivalents.	(3,430)	(108,181)	(50,512)	(7,095)	(7,187)	(176,405)
CASH AND CASH EQUIVALENTS, beginning of year	3,430	224,568	135,772	9,228	7,239	380,237
CASH AND CASH EQUIVALENTS, end of year	<u>\$ -</u>	<u>\$ 116,387</u>	<u>\$ 85,260</u>	<u>\$ 2,133</u>	<u>\$ 52</u>	<u>\$ 203,832</u>
Reconciliation of operating income (loss) to net cash provided (used by) operating activities:						
Operation income (loss)	\$ (788,522)	\$ 252,403	\$ (256,161)	\$ (48,615)	\$ (237,923)	\$ (1,078,918)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	583,629	62,897	121,617	49,797	39,390	857,330
Changes in assets and liabilities:						
Receivables, net	12,873	(31,288)	860	-	(3,600)	(21,155)
Inventories	(14,564)	-	(3,002)	-	-	(17,566)
Accounts and other payables	10,392	(28,155)	(48,653)	(35,573)	(7,845)	(109,834)
Change in deferred revenues	-	-	(6,984)	-	-	(6,984)
Accrued expenses	1,645	(26,789)	-	-	71	(25,073)
Net cash provided by operating activities	<u>\$ (194,547)</u>	<u>\$ 228,968</u>	<u>\$ (192,324)</u>	<u>\$ (34,391)</u>	<u>\$ (209,907)</u>	<u>\$ (402,201)</u>
Non-cash activities						
Non-cash change in capital assets due to transfer from SUA						\$ 4,735

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES --FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
ASSETS:				
Cash and cash equivalents	\$ 187,683	\$ 25,338	\$ 113,903	\$ 99,118
Pooled investments	257,754	116,012	-	373,766
Interest receivable	233	261	233	261
Assessment receivable	12,286	-	1,196	11,090
Total assets	\$ 457,956	\$ 141,611	\$ 115,332	\$ 484,235
LIABILITIES:				
Accounts payable	\$ 78	\$ 6,764	\$ 78	\$ 6,764
Amounts held in escrow	457,878	44,931	25,338	\$ 477,471
Total liabilities	\$ 457,956	\$ 51,695	\$ 25,416	\$ 484,235

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CITY OF STILLWATER, OKLAHOMA
Net Assets by Component
Last Two Fiscal Years

	Fiscal Year	
	<u>2003</u>	<u>2004</u>
Governmental activities		
Invested in capital assets, net of related debt	\$ 72,220,782	\$ 70,989,399
Restricted for capital projects	553,894	311,827
Restricted for debt service	613,449	761,585
Unrestricted	11,813,537	12,374,202
Total governmental activities net assets	\$ 85,201,662	\$ 84,437,013
Business-type activities		
Invested in capital assets, net of related debt	\$ 65,423,858	\$ 70,512,395
Restricted for debt service	2,266,493	2,275,899
Unrestricted	25,627,707	25,425,194
Total business-type activities net assets	\$ 93,318,058	\$ 98,213,488
Primary government		
Invested in capital assets, net of related debt	\$ 137,644,640	\$ 141,501,794
Restricted for capital projects	553,894	311,827
Restricted for debt service	2,879,942	3,037,484
Unrestricted	37,441,244	37,799,396
Total primary government net assets	\$ 178,519,720	\$ 182,650,501

CITY OF STILLWATER, OKLAHOMA
Changes in Net Assets
Last Two Fiscal Years

	Fiscal Year	
	<u>2003</u>	<u>2004</u>
Expenses		
Governmental activities:		
Public Safety	\$ 12,030,274	\$ 12,681,613
Recreation and culture	4,478,202	4,325,929
General government	2,109,441	2,274,740
Financial administration	616,804	569,047
Street and sewers	5,161,605	5,401,003
Engineering and public works administration	1,141,343	832,998
Tourism	269,786	280,485
Economic development	386,524	509,066
Health and welfare	1,339,060	1,227,161
Interest on long-term debt	803,198	740,282
Total governmental activities expenses	28,336,237	28,842,324
Business-type activities:		
Electric, water and wastewater operations	31,757,788	32,366,006
Sanitation operations	2,413,892	2,696,137
Community Center operations	288,758	326,437
Stillwater Public Golf Authority	1,173,163	1,180,919
Stillwater Industrial Redevelopment Authority	71,315	49,797
Airport operations	1,283,965	1,374,786
Total business-type activities expenses	36,988,881	37,994,082
Total primary government expenses	\$ 65,325,118	\$ 66,836,406
Program Revenues		
Governmental activities		
Charges for services:		
Public safety	\$ 211,099	\$ 112,999
Recreation and culture	484,882	518,308
General government	12,820	15,219
Financial administration	785,127	768,888
Streets and sewers	256,111	413,023
Health and welfare	903,458	888,583
Operating grants and contributions	467,172	321,587
Capital grants and contributions	176,310	214,198
Total governmental activities program revenues	3,296,979	3,252,805

continued

CITY OF STILLWATER, OKLAHOMA
Changes in Net Assets
Last Two Fiscal Years
(continued)

	Fiscal Year	
	2003	2004
Business-type activities:		
Charges for services:		
Electric, water and wastewater operations	36,506,310	38,117,447
Sanitation operations	2,515,044	2,948,440
Community Center operations	71,512	66,376
Stillwater Public Golf Authority	811,516	796,669
Stillwater Industrial Redevelopment Authority	1,571	1,181
Airport operations	486,935	586,264
Operating grants and contributions	17,050	22,138
Capital grants and contributions	2,194,428	1,619,051
Total business-type activities program revenues	<u>42,604,366</u>	<u>44,157,566</u>
Total primary government program revenues	<u>\$ 45,901,345</u>	<u>\$ 47,410,371</u>
Net (Expense)/Revenue		
Governmental activities	\$ (25,039,258)	\$ (25,589,519)
Business-type activities	5,615,485	6,163,484
Total primary government net expense	<u>\$ (19,423,773)</u>	<u>\$ (19,426,035)</u>
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes:		
Sales and use taxes	\$ 17,443,260	\$ 18,598,176
Property taxes	2,224,535	2,130,193
Franchise and public service taxes	1,249,009	1,322,018
E911 taxes	113,610	117,167
Hotel/motel taxes	277,307	294,015
Investment income	93,243	75,000
Miscellaneous	277,565	212,258
Transfers-internal activity	6,982,099	2,178,317
Total governmental activities	<u>28,660,628</u>	<u>24,927,144</u>
Business-type activities:		
Investment income	330,530	166,447
Miscellaneous	608,826	743,816
Transfers-internal activity	(6,982,100)	(2,178,317)
Total business-type activities	<u>(6,042,744)</u>	<u>(1,268,054)</u>
Total primary government	<u>\$ 22,617,884</u>	<u>\$ 23,659,090</u>
Change in Net Assets		
Governmental activities	\$ 3,621,370	\$ (662,375)
Business-type activities	(427,259)	4,895,430
Total primary government	<u>\$ 3,194,111</u>	<u>\$ 4,233,055</u>

CITY OF STILLWATER, OKLAHOMA
Fund Balances, Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year	
	<u>2003</u>	<u>2004</u>
General fund		
Reserved for inventories	\$ 144,293	\$ 179,414
Reserved for police activities	110,863	109,045
Reserved for fire activities	167,177	207,097
Reserved for sales tax transfer	1,188,233	1,235,969
Reserved for street and alley	-	9,372
Reserved for hotel/motel	-	43,034
Unreserved:		
Designated for self insurance	951,031	855,704
Designated for recreation and culture	528,444	165,246
Undesignated	6,130,987	4,944,360
Total general fund	<u>\$ 9,221,028</u>	<u>\$ 7,749,241</u>
All other Governmental Funds		
Reserved for debt service	\$ 613,449	\$ 761,585
Reserved for capital improvements	553,894	311,827
Unreserved, reported in:		
Special revenue funds	3,243,615	5,773,881
Total all other governmental funds	<u>\$ 4,410,958</u>	<u>\$ 6,847,293</u>

CITY OF STILLWATER, OKLAHOMA
Changes in Fund Balances, Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year	
	<u>2003</u>	<u>2004</u>
Revenues		
Taxes	\$ 21,057,097	\$ 22,445,024
Intergovernmental	495,483	292,990
Charges for service	449,299	1,373,709
Fines and forfeits	756,362	845,093
Fees and rentals	429,325	498,198
Investment income	90,865	73,414
Licenses and permits	88,583	113,460
Other miscellaneous revenues	1,346,061	381,880
Total revenues	<u>24,713,075</u>	<u>26,023,768</u>
Expenditures		
Current operating:		
Public safety	11,212,713	12,238,250
Recreation and culture	3,725,646	3,779,171
General government	1,549,115	1,723,360
Financial administration	523,328	488,920
Streets and sewers	1,826,022	1,879,794
Operations	731,566	807,442
Economic development	386,524	509,066
Human services	1,236,491	1,191,431
Debt service:		
Principal retirements	790,000	790,000
Interest and fiscal charges	808,465	745,265
Capital outlay	5,617,633	2,878,591
Total expenditures	<u>28,407,503</u>	<u>27,031,290</u>
Excess of revenues over (under) expenditures	(3,694,428)	(1,007,522)
Other Financing Sources (Uses)		
Transfers in	15,654,554	11,683,976
Transfers out	(8,672,455)	(9,431,421)
Transfer out to component unit	(269,786)	(280,485)
Total other financing sources (uses)	<u>6,712,313</u>	<u>1,972,070</u>
Net change in fund balances	<u>\$ 3,017,885</u>	<u>\$ 964,548</u>
Debt service as a percentage of noncapital expenditures	7.01%	6.36%

CITY OF STILLWATER, OKLAHOMA
 Tax Revenues by Source, Governmental Funds (A)
 Last Two Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Sales & Use Taxes	Property Taxes	Franchise and public service taxes	E911 taxes	Hotel/Motel taxes	Other taxes	Total taxes	Sales tax as percentage of total taxes
1995	\$ 10,171,500	\$ 1,136,405				\$ 1,195,309	\$ 12,503,214	81.35%
1996	10,858,159	1,164,388				1,231,602	13,254,149	81.92%
1997	13,131,898	1,243,680				1,241,131	15,616,709	84.09%
1998	12,073,013	802,371				1,275,087	14,150,471	85.32%
1999	11,336,863	1,194,087				1,274,403	13,805,353	82.12%
2000	14,328,401	1,235,635		\$ 124,030	\$ 243,418	993,507	16,924,991	84.66%
2001	14,916,853	1,239,927		135,327	232,799	1,264,432	17,789,338	83.85%
2002	16,654,826	1,795,054		127,647	236,755	1,024,380	19,838,662	83.95%
2003	17,058,712	2,087,520	\$ 1,519,948	113,610	277,307		21,057,097	81.01%
2004	18,598,176	2,130,193	1,322,018	117,167	294,015		22,461,569	82.80%

(A) For fiscal years 1995 thru 2002 (pre-GASB 34) includes all taxes of General, Special Revenue, and Debt Service Funds.

Note: For fiscal years 1995 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		
1995	\$ 83,358	\$ 23,704	\$ 4,537	\$ 111,599	\$ 4,704	\$ 106,895	\$ 10.50	\$ 978,939	11.40%										
1996	87,665	23,808	5,215	116,687	4,789	111,897	10.50	1,023,570	11.40%										
1997	90,087	23,379	5,059	118,526	4,828	113,698	10.50	1,039,702	11.40%										
1998	93,100	23,796	5,198	122,094	5,011	117,083	6.91	1,071,000	11.40%										
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%										

Source: Payne County Assessor

The assessed value of the taxable property as certified by the Payne County Assessor to be used for the 2004-2005 fiscal year is as follows:

Total		Total		Total		Total	
Real Property	Personal Property	Public Service Property	Total Valuation	Homestead Exemption	Net Total Valuation	Total Direct Tax Rate	Estimated Actual Value
\$ 147,535	\$ 30,862	\$ 10,956	\$ 189,353	\$ 5,096	\$ 184,257	\$ 10.76	\$ 1,660,991

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 District No. 16		Meridian Technology Center		Payne County		Total
	Debt Service Fund		District No. 16		Center		Payne County		
1995	\$ 10.50	\$	57.00	\$	10.00	\$	16.00	\$	93.50
1996	10.50		49.04		10.00		16.00		85.54
1997	10.50		56.78		15.00		16.00		98.28
1998	6.91		55.26		15.00		16.00		93.17
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

Source: Payne County Assessor

The direct and overlapping tax rates for FY 2004-2005 are as follows:

Fiscal Year	City of Stillwater		Independent School District No. 16		Meridian Technology Center		Payne County		Total
	Debt Service Fund		District No. 16		Center		Payne County		
2005	\$ 10.76	\$	62.96	\$	15.00	\$	16.00	\$	104.72

CITY OF STILLWATER, OKLAHOMA
Principal Property Tax Payers
Current year and Nine Years Ago

Taxpayer	Type of Business	***** 2004 *****			***** 1995 *****		
		Percentage of		Rank	Percentage of		Rank
		2004	Total		1995	Total	
Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	
Armstrong World Industries, Inc.	Manufacturer of floor coverings	5,294,770	2.87%	1	3,465,269	3.10%	2
Brunswick Corporation	Manufacturer of stern-drive boat motors	5,262,483	2.86%	2	4,321,441	3.86%	1
Southwestern Bell	Telephone utility	4,528,231	2.46%	3	3,016,796	2.70%	4
Quebecor World Inc.	Printer of magazines and advertising inserts	2,964,264	1.61%	4	3,270,735	2.92%	3
Chickasaw Telecom Services, Inc.	Telephone utility	1,893,870	1.03%	5	873,575	7.80%	8
Wal-Mart Stores, Inc. #137	Discount supercenter	1,752,099	0.95%	7	1,813,551	1.62%	5
National Standard Co.	Manufacturer of steel cord for radial tires	1,430,841	0.78%	6	1,276,466	1.14%	7
Oklahoma Natural Gas	Gas Utility	1,315,122	0.71%	9			
Lowes Home Center, Inc.	Home improvement store	1,207,768	0.66%	8			
Jefferson Commons-Stillwater	Apartment complex	1,074,886	0.58%	10			
Moore Business Forms, Inc.	Business forms printer				1,607,673	1.44%	6
Frank C. & Ludmila Robson, Co-trustees	Real estate developer				849,247	0.76%	9
Mart Limited Partnership IV	Commercial real estate (associated with Wal-Mart)				725,672	0.65%	10
		<u>\$26,724,334</u>	<u>14.50%</u>		<u>\$21,220,425</u>	<u>25.99%</u>	

Source: Payne County Assessor

CITY OF STILLWATER, OKLAHOMA
 Property Tax Levies and Collections
 Last Ten Fiscal Years
(in thousands of dollars)

Collected within the Fiscal Year of the Levy				
Fiscal Year	Taxes Levied for the		Amount	Percentage of Levy
	year			
1995	\$	1,122	\$ 1,132	101%
1996		1,175	1,135	97%
1997		1,194	1,191	100%
1998		809	814	101%
1999		1,254	1,238	99%
2000		1,241	1,233	99%
2001		1,237	1,243	100%
2002		1,786	1,727	97%
2003		2,214	2,087	94%
2004		2,149	2,130	99%

CITY OF STILLWATER, OKLAHOMA
 Taxable Sales by Category
 Last Two Fiscal Years
(in thousands of dollars)

	<u>2003</u>	<u>2004</u>
General Merchandise Stores	\$ 4,180,085	\$ 4,327,164
Eating and Drinking Places	2,029,286	2,128,846
Food Stores	1,727,799	1,726,855
Miscellaneous Retail	1,614,501	1,748,907
Building material, hardware, garden supply	1,198,674	1,455,739
Electric, Gas, and Sanitary Services	1,050,272	1,061,396
Apparel & Accessory Stores	907,325	916,008
Communications	842,352	861,228
Furniture, Home furnishings & equipment	644,199	691,229
Wholesale trade - Durable goods	622,446	717,886
Automotive Dealers & gasoline service	459,173	472,798
Business Services	349,487	330,573
Education Services	309,137	440,364
All other outlets	1,309,907	1,376,467
Total	\$ 17,244,643	\$ 18,255,460
City general sales tax rate	2.0%	2.0%
Transferable to SUA	1.0%	1.0%
Dedicated sales tax (transportation projects) *	0.5%	0.5%
Total tax rate	3.5%	3.5%

* Dedicated sales tax of 0.5% was effective October 1, 2001. This additional tax will expire September 30, 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
 (in thousands of dollars)

Fiscal Year	City of Stillwater	State of Oklahoma	Payne County
1995	2.00%	4.50%	0.50%
1996	2.00%	4.50%	0.50%
1997	2.00%	4.50%	0.50%
1998	2.00%	4.50%	0.50%
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%

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 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, 2006.

CITY OF STILLWATER, OKLAHOMA
 Legal Debt Margin Information
 Last Ten Fiscal Years
(in thousands)

Legal Debt Margin Calculation for Fiscal Year 2004:

Net assessed valuation	<u>\$ 184,257</u>
Allowable debt of nonpublic utility bonds, limited by State Constitution, Article 10, Section 26, to 10% of net assessed valuation	\$ 18,426
Less- Debt applicable to debt limit: Municipal/police building general obligation bonds	(12,990)
Legal debt margin	<u>\$ 5,436</u>

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debt limit	\$ 11,190	\$ 11,370	\$ 11,708	\$ 12,437	\$ 13,368	\$ 14,479	\$ 15,480.00	\$ 16,159	\$ 17,490	18,426
Less - Total net debt applicable to limit	(3,330)	(2,200)	(1,650)	(1,100)	(550)	(8,500)	(14,970.00)	(14,570)	(13,780)	(12,990)
Legal debt margin	\$ 7,860	\$ 9,170	\$ 10,058	\$ 11,337	\$ 12,818	\$ 5,979	\$ 510	\$ 1,589	\$ 3,710	\$ 5,436

Total net debt applicable to the limit as a percentage of debt limit	29.8%	19.3%	14.1%	8.8%	4.1%	58.7%	96.7%	90.2%	78.8%	70.5%
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CITY OF STILLWATER, OKLAHOMA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2004
(in thousands of dollars)

	Bonds Outstanding	Debt Service Cash Available	Net Bonds Outstanding	Percentage applicable to City of Stillwater	
				property owners / patrons	Estimated Share of Overlapping Debt
Governmental Unit:					
Debt repaid with property taxes					
Stillwater Independent School District #16	\$ 20,840	\$ 4,491	16,349	85.11%	\$ 13,915
Debt repaid with sales taxes					
Payne County Facilities Authority	\$ 3,500	\$ 549	2,951	76.88%	2,269
Subtotal - overlapping debt					
City of Stillwater direct debt	\$ 12,990	\$ 694	12,296	100.00%	12,296
Total direct and overlapping debt					\$ 28,480

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

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.

CITY OF STILLWATER, OKLAHOMA
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 (dollars in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Personal Income (in thousands of dollars)	Percentage of Personal Income	Population	Total Debt Per Capita
	General Obligation Bonds	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases	Capital Leases	Notes Payable	Capital Leases					
1995	\$ 3,330,000	\$ 20,795,000	\$ 5,490,000	\$ -	-	-	-	\$ 29,615,000	\$ 1,060,033	2.8%	37,640	\$ 786.80	
1996	2,200,000	19,990,000	4,970,000	-	-	-	-	27,160,000	1,118,621	2.4%	37,827	718.01	
1997	1,650,000	19,115,000	4,445,000	-	-	-	-	25,210,000	1,193,276	2.1%	38,750	650.58	
1998	1,100,000	18,170,000	3,905,000	1,830,139	-	-	-	25,005,139	1,229,949	2.0%	38,770	644.96	
1999	550,000	17,145,000	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	2,213,369	-	-	-	29,683,369	1,434,174	2.1%	41,000	723.98	
2001	14,970,000	14,830,000	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	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	30,178,762	1,253,010	-	-	58,186,773	**	**	40,735	1,428.42	
2004	12,990,000	9,900,000	1,010,000	29,253,384	1,349,741	-	-	54,503,125	**	**	41,320	1,319.05	

** Data not available at time of publication

CITY OF STILLWATER, OKLAHOMA
Pledged Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)

Revenue Bonds and Notes Payable

Fiscal Year	Less: Operating				Interest	Coverage	Sales Tax Transfer	Coverage with sales tax transfer
	Operating Revenues	Expenses	Principal					
1995	\$ 27,491	\$ 20,371	\$ 750	\$ 1,159	3.73 times	\$ 3,372	5.50 times	
1996	29,575	21,164	805	1,228	4.14	3,572	5.89	
1997	28,625	20,689	875	1,093	4.03	3,777	5.95	
1998	30,187	21,989	945	2,119	2.68	3,950	3.96	
1999	31,689	23,405	1,025	1,124	3.85	4,234	5.83	
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	

Note: A one-cent sales tax is collected which is available for debt coverage and operational needs. This sales tax is available to meet revenue bond and notes payable debt service requirements.

CITY OF STILLWATER, OKLAHOMA
Full-time Equivalent City Government Employees by Function/Program
Last Two Fiscal Years *

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>
Governmental activities:		
Public safety	178	182
Recreation and culture	92.5	93.5
General government	23	28
Financial administration	12.5	12.5
Street and sewers	28	25
Engineering and public works administration	21	22
Health and welfare	19	19.5
 Business-type activities:		
Electric, water and wastewater operations	127	132
Sanitation operations	35.5	36
Community Center operations	4.5	4.5
Stillwater Public Golf Authority	21	25
Airport Operations	4.5	5
 Total	 566.5	 585

*data for years prior to 2003 not readily available

CITY OF STILLWATER, OKLAHOMA
 Capital Asset Statistics by Function/Program
 Last Five Fiscal Years *

<u>Function/Program</u>	2000	2001	2002	2003	2004
Governmental activities:					
Public safety					
Police stations	1	1	1	1	1
Fire stations	4	4	4	4	4
Recreation and culture					
Ball diamonds	21	21	21	21	21
Tennis Courts	14	14	14	14	14
Neighborhood/community parks	22	22	22	22	22
Street and sewers					
Streets (miles)	246	295	255	255	295
Traffic signals	48	48	50	50	50
Business-type activities:					
Electric, water, wastewater					
Power plants	1	1	1	1	1
Substations	8	8	8	8	8
Miles of 69KV line	19.5	19.5	19.5	19.5	19.5
Water					
Water Plant	1	1	1	1	1
Water storage towers (away from plant)	4	4	4	4	4
Wastewater					
Wastewater Plant	1	1	1	1	1
Lift Stations	7	8	8	9	11
Stillwater Public Golf Authority					
Acreage	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 Five Fiscal Years *

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental activities:					
Public safety					
Traffic citations	5,879	6,409	5,999	5,769	6,000
Parking tickets	9,952	9,744	6,914	10,161	10,000
Police calls for service	41,407	43,978	42,104	39,691	41,924
Animals handled by Animal Control	3,008	3,288	2,959	2,607	2,951
Fire calls for service	1,307	1,438	1,704	1,497	1,569
Ambulance calls for service	3,105	3,264	3,470	3,380	3,548
Recreation and culture					
Acres mowed	935	935	935	950	950
Program participants	7,034	5,797	6,073	5,734	5,638
Senior Center daily average attendance	64	62	68	57	62
Multi Arts participants	832	663	694	886	1,000
Swimming pool admissions	17,350	17,850	22,018	20,071	22,000
Mini bus rides	14,125	13,808	20,923	20,123	20,500
Volumes in library	100,947	97,341	95,840	95,179	95,286
General government					
Supported micro-computers by IT	342	365	396	415	403
Helpdesk/trouble calls by IT	**	868	2,016	2,323	2,067
Ordinances drafted	34	32	29	37	**
Financial administration					
Computer generated accounts payable checks	11,464	13,753	10,801	10,198	9,800
Budget revisions/amendments processed	458	462	437	448	450
Requisitions reviewed	7,830	9,590	10,801	9,207	9,900
Municipal court cases	2,796	9,541	10,113	10,213	10,313
Street and sewers					
Blocks of striping	185	165	238	70	150
Signs made	**	**	**	458	450
Crack sealant (blocks)***	6,735	2,024	8,723	227	356
Slurry sealant (blocks)	139	155	138	200	150
Pavement replacement (sq. yds.)	**	**	**	3,310	7,384
Engineering and public works administration					
Developments reviewed	52	106	121	127	166
Permits issued	**	**	742	699	912
Vehicles maintained	274	274	278	280	283
Fleet job orders completed	3,463	3,592	3,406	3,070	3,532
Health and welfare					
Code enforcement inspections	3,667	4,721	4,736	5,045	3,636
High grass and weed cases	335	525	602	600	604
Trees and shrubs planted	157	269	203	217	255
Business-type activities:					
Electric, water and wastewater operations					
Electric connections	17,084	17,429	17,592	18,480	18,754
Water connections	12,641	12,712	12,943	13,337	13,709
Water line repairs	83	103	138	189	139
Water treated (million gallons)	3,111	2,585	2,263	2,950	3,500
Sewage treated (million gallons)	2,135	2,186	2,337	2,173	2,200
Sanitation operations					
Landfill usage (tons)	21,021	20,326	19,131	17,775	17,580
Yard waste hauled (tons)	N/A	N/A	N/A	1,329	1,116
Community Center operations					
Admissions	60,000	92,800	102,789	90,386	78,232
Stillwater Public Golf Authority					
Rounds of golf	34,867	33,236	33,665	31,201	35,000
Airport Operations					
Operations (per month)	**	**	4,500	5,125	**

*data for years prior to 2000 is not readily available

**unavailable

***measured in lbs. through 2002

CITY OF STILLWATER, OKLAHOMA
Principal Employers
Current Year

Employer	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Oklahoma State University	7,500	1	21%
Mercury MerCruiser	1,100	2	3%
Wal-Mart	700 *	3	2%
Stillwater Medical Center	640	4	2%
Stillwater Public Schools	594	5	2%
City of Stillwater	513	6	1%
Quebecor World	340	7	1%
OK State Dept. of Career Tech	300	8	1%
National Standard	260	9	1%
Creative Labs	240	10	1%

* Estimate

CITY OF STILLWATER, OKLAHOMA
Demographic and Economic Statistics
Last Ten Fiscal Years

Education Level in Years of Schooling (3)

Fiscal Year	Population (1)	Personal Income (in thousands of dollars) (2)	Per Capita Personal Income	Median Age (3)	Percentage high-school graduate or higher	Percentage bachelor's degree or higher	K-12 School Enrollment (4)	Post-secondary Enrollment (4)	Unemployment Rate (5)
1995	37,640	\$ 1,060,033	\$ 16,358				5,540	19,907	2.5%
1996	37,827	1,118,621	17,167				5,539	19,963	1.9%
1997	38,750	1,193,276	17,933				5,545	20,129	1.6%
1998	38,770	1,229,949	18,402				5,341	20,344	1.9%
1999	38,880	1,309,326	19,244				5,613	20,584	1.0%
2000	41,000	1,434,174	21,012	23.9	91.6%	48.0%	5,292	20,694	1.0%
2001	39,065	1,483,556	21,264				5,414	21,042	1.2%
2002	40,409	1,516,716	21,627				5,513	21,963	1.8%
2003	40,735	**	**				5,356	22,292	2.6%
2004	41,320	**	**				5,440	22,376	2.3%

** Data not available at time of publication

(1) Population estimates provided by the City of Stillwater Department of Community Development and the US Census Bureau. www.census.gov/popest/cities/tables

(2) Personal income estimates provided by Oklahoma Department of Commerce. "Total Personal Income for Counties and MSA - 1993-2002"

(3) Median Age and educational attainment provided by US Census Bureau
Education attainment refers to those persons 25 years or older

(4) Enrollment figures are for the Fall Semester immediately following the fiscal year indicated
Post-secondary enrollment includes enrollment at Oklahoma State University-Stillwater, and Full/half-time students at Meridian Technology Center

(5) Unemployment rate provided by Oklahoma Employment Commission and is for Payne County

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