

City of Stillwater, Oklahoma

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012*

CITY OF
stillwater

CITY OF STILLWATER, OKLAHOMA

Comprehensive Annual Financial Report

And Accompanying

Independent Auditor's Report

For the Fiscal Year Ended June 30, 2012

Prepared by:

Department of Finance

Marcy Alexander

Director of Finance

**CITY OF STILLWATER, OKLAHOMA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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*Introductory
Section*



December 12, 2012

To the Honorable Mayor John Bartley, members of the City Council and the Citizens of the City of Stillwater, Oklahoma:

The comprehensive annual financial report of the City of Stillwater, for the fiscal year ended June 30, 2012, is submitted herewith. This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City in accordance with accounting principles generally accepted in the United States of America; and, accordingly, all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Management's Discussion and Analysis.

OVERVIEW

Report Format

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

For fiscal year 2012, the independent auditor's report on the internal control and compliance with applicable laws, is presented in a separate document which is available upon request.

Governmental Structure, Local Economic Conditions and Outlook

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

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

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

companies cover a large share of the local economic base. The health care sector has been a contributor to local job growth in the past decade. Stillwater has experienced significant retail growth since 2008 with the addition of several national retailers. The retail additions have helped to broaden the city's regional trade influence. Going forward into the recovery it is expected to have a positive effect on Stillwater's economy by helping to retain local dollars and contributing to the sales tax collections.

Stillwater's cost of living remains well below the state and U.S. average. Unemployment for Stillwater is consistently among the lowest in the U.S. and the surrounding county. The unemployment rate for Stillwater decreased from 5.9% to 5.1% in the current year.

The Reporting Entity and Its Services

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

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

FINANCIAL INFORMATION

Internal Controls

The responsibility for establishing and maintaining the internal control structure rests with the City. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the evaluation of costs and benefits requiring estimates and judgments by management.

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

Budgetary Control

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

Accounting System

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

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

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

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

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

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

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

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

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

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

General Fund Operations

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

Enterprise Fund Operations & Similar Component Units

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

Risk Management

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

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

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

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

Cash Management

The Chief Finance Officer 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.

Reserve Policy

The City has implemented a policy designed to add to the emergency reserves. This policy is an informal budgetary policy utilized at the direction of the City Manager with council agreement. The policy allows for the reserve to increase by the area's CPI index or 3% or whichever is greater on an annual basis as funds are available.

American Recovery and Reinvestment Act of 2009

The city actively pursued funds available from the American Recovery and Reinvestment Act of 2009 (ARRA). The city was able to complete a \$5.8 million runway expansion at the airport in fiscal year 2009 and secured funds for \$13.5 million in water and wastewater projects which began in fiscal year 2009-10 and continued in 2010-11. The last phase of the automated meter project should be completed in fiscal year 2012-13.

Independent Audit

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

The City's Audit Committee is a five-member advisory committee provided for under City Ordinance #1929. Under the provisions of the ordinance, the City Council appoints the committee. The purpose of the Audit Committee is to maintain independence between the outside auditors and city management. The primary responsibilities of the Audit Committee are to review and evaluate the year-end financial statements and independent auditor's report, review and report deficiencies in internal control, oversee the audit function and to report to the City Council 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.

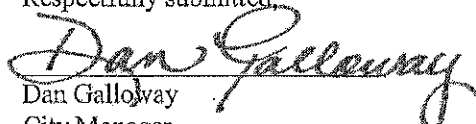
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stillwater for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

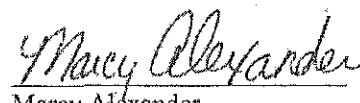
A Certificate of Achievement is valid for a period of one year only. The City of Stillwater has received a Certificate of Achievement for the last thirty consecutive years. We believe that our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it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

Acknowledgments. The preparation of this report could not be accomplished without the dedicated services of the entire Department of Finance staff, with special thanks to Tammy Brown, Christy Cluck and Kelli Couch and the professional assistance of the City's independent auditors, Berberich Trahan & Company, P.A. In addition, thanks are extended to the members of the Audit Committee for their review and oversight of the audit process and to the members of the City Council for their interest and support in strengthening and improving the fiscal policies of the City of Stillwater.

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

Respectfully submitted,


Dan Galloway
City Manager


Marcy Alexander
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Stillwater
Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Davison

President

Jeffrey R. Egan

Executive Director

CITY OF STILLWATER, OKLAHOMA
CITY OFFICIALS AND AUDIT COMMITTEE

JUNE 30, 2012

Mayor and City Council

| | |
|-----------------|------------|
| John Bartley | Mayor |
| Charles Hopkins | Vice Mayor |
| Cody Scott | Councilor |
| Joe Weaver | Councilor |
| Philip Pina | Councilor |

Audit Committee

| | |
|---------------|---------------------------|
| Rex Horning | Member |
| Kelly Cox | Member |
| Kathy Elliott | Member |
| Rod Goodner | Member |
| John Killam | Member |
| Joe Weaver | Ex-officio council member |

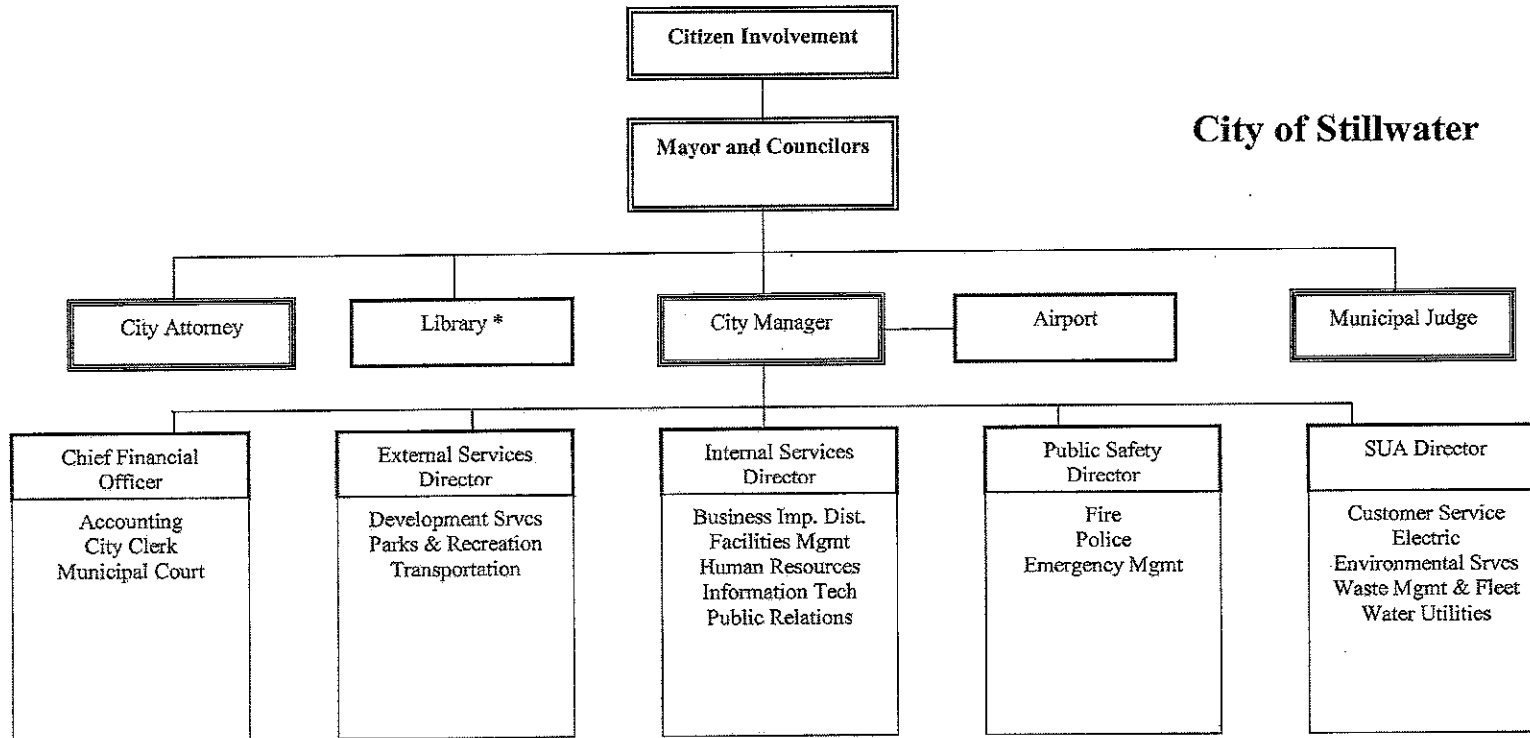
Administration

| | |
|-----------------|--|
| Dan Galloway | City Manager |
| Dan Blankenship | Director of Stillwater Utilities Authority |
| Marcy Alexander | Chief Financial Officer |
| John McClenny | Director of External Services |
| Robert Barker | Director of Internal Services |
| Norman McNickle | Director of Public Safety |
| Lynda Reynolds | Director of Library |
| Brad Stewart | Director of Information Services |
| Paula Dennison | Director of Development Services |
| David Higgins | Director of Waste Management & Fleet |
| Anthony Daniel | Director of Water/Wastewater Utility |
| Gary Johnson | Director of Airport |
| John Dorman | City Attorney |
| Ryan McCaughren | Police Chief |
| J. Tom Bradley | Fire Chief |

Department Of Finance-Accounting Division

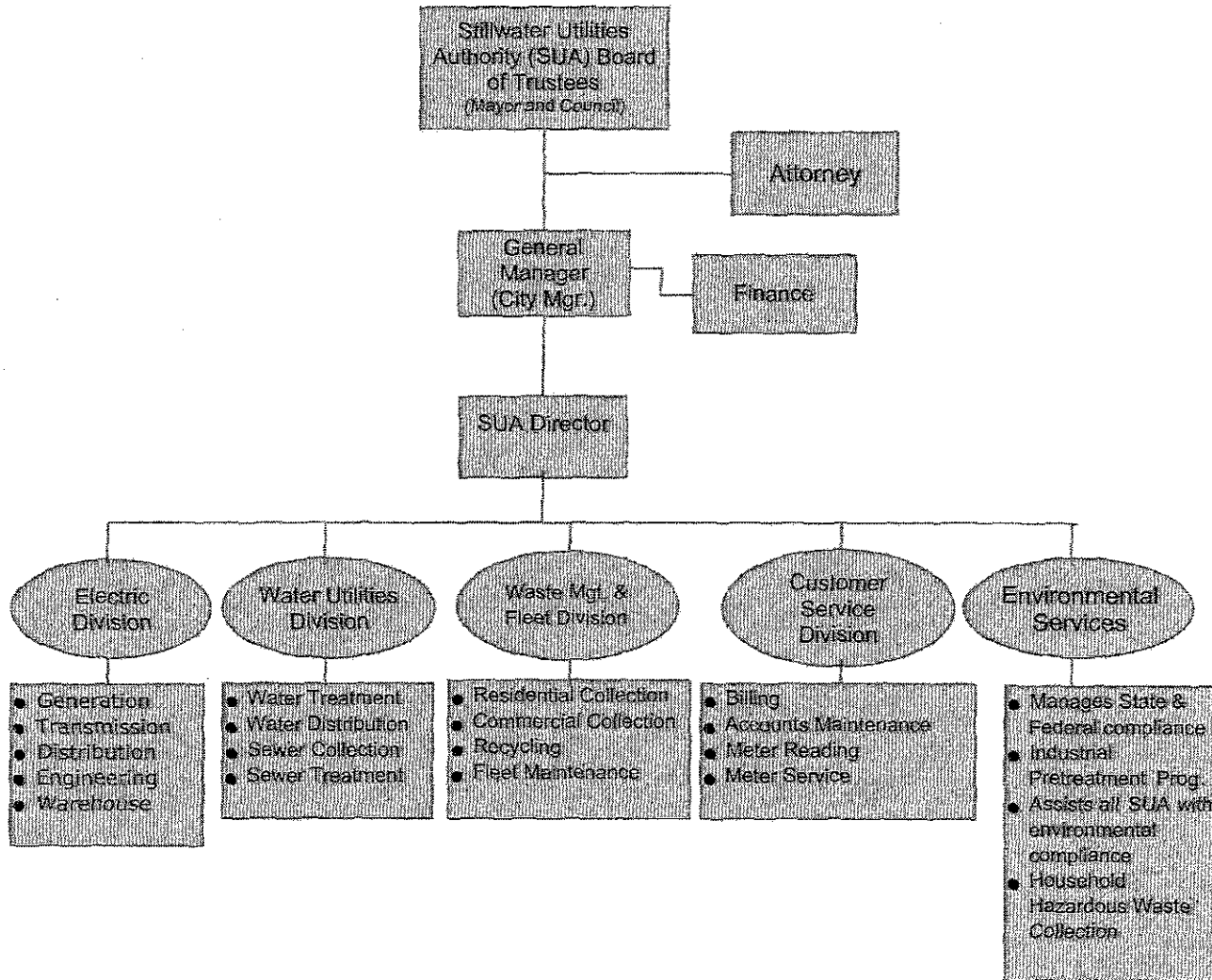
| | |
|---------------|-----------------------|
| Tamara Brown | Accounting Supervisor |
| Christy Cluck | Authority Accountant |
| Cindy Pollard | Deputy City Clerk |

City Phone Number: (405) 372-0025



*As provided in Section 3-6 of the Stillwater City Charter, the Library Board has supervision and control of the public library including appointment of the Library Director and setting policies for the administration of the Library.

Stillwater Utilities Authority



*Financial
Section*



BERBERICH TRANAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stillwater Medical Center Authority, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon had been furnished to us, and our opinion, insofar as it relates to the amounts included for the Stillwater Medical Center Authority, is based 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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11 to the financial statements, the 2011 financial statements and, therefore the July 1, 2011 net asset balances, have been restated to reflect the changes as described in Note 11 to the financial statements.

BERBERICH TRANAN & CO., P.A.
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McGLADREY ALLIANCE



McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14 through 22, the Schedules of Funding Progress on pages 77 through 78 and the Schedule of Revenues, Expenditures and Changes to Fund Balances - Budget and Actual (Budget Basis) - General Fund on pages 72 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Berberich Trahan & Co., P.A.

December 12, 2012

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Using the Financial Statement in this Annual Report

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

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. These statements include all assets of the City, including infrastructure, as well as all liabilities, including long-term debt. 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.

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

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

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

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

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

Discretely-presented component units – The City’s report has one discretely presented component unit, the Stillwater Medical Authority. Although a legally separate entity, this “component unit” is 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.

Reporting the City’s Most Significant Funds – Fund Financial Statements

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

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

The General Fund’s fund balance increased by \$2,386,808 due to increased sales and use tax.

The Transportation Fund receives a transfer from the general fund of a ½ percent sales tax dedicated for transportation improvements. The Transportation Fund balance increased by \$39,167 due to additional sales tax revenue over the prior year.

Proprietary fund – When the City charges customers for the services it provides- whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City’s enterprise funds, along with certain capital project funds, are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. Net assets of the Stillwater Utilities Authority (SUA) have increased by \$7 million or 6.14%. Rate increases were implemented for electric, water, wastewater, solid waste collection and street sweeping. Operating revenues increased by \$4.3 million or 7.08%. Operating Expenditures increased by \$3.67 million or 7.59%. Transfers to the city’s general fund increased \$173,561 over the prior year.

The City as Trustee

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

The City as a Whole

For the year ended June 30, 2012, 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 | \$ 96,872 | \$ 129,591 | \$ 226,463 |
| Increase/(Decrease) | 2,325 | 7,318 | 9,643 |
| Ending net assets | <u>\$ 99,197</u> | <u>\$ 136,909</u> | <u>\$ 236,106</u> |

The above numbers reflect an increase of 2.40% in net assets for governmental activities and an increase of 7.17% in net assets for business-type activities. Overall, the net assets for both governmental and business type activities increased 4.26% 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 | |
|----------------------------|-------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Assets: | | | | | | |
| Current and other assets | \$ 23,028 | \$ 19,794 | \$ 57,357 | \$ 52,946 | \$ 80,385 | \$ 72,740 |
| Capital assets | 92,682 | 92,647 | 118,750 | 117,230 | 211,432 | 209,877 |
| Total assets | 115,710 | 112,441 | 176,107 | 170,176 | 291,817 | 282,617 |
| Liabilities: | | | | | | |
| Long-term liabilities | 11,484 | 11,991 | 33,832 | 28,632 | 45,316 | 40,623 |
| Other liabilities | 5,029 | 3,701 | 5,366 | 12,487 | 10,395 | 16,188 |
| Total liabilities | 16,513 | 15,692 | 39,198 | 41,119 | 55,711 | 56,811 |
| Net assets: | | | | | | |
| Invested in capital assets | 85,208 | 84,399 | 95,439 | 92,794 | 180,647 | 177,193 |
| Restricted | 8,131 | 14,005 | 2,111 | 7,630 | 10,242 | 21,635 |
| Unrestricted | 5,858 | (1,655) | 39,359 | 28,633 | 45,217 | 26,978 |
| Total net assets | \$ 99,197 | \$ 96,749 | \$ 136,909 | \$ 129,057 | \$ 236,106 | \$ 225,806 |

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

The largest portion of the City's net assets, 76.51 percent, reflects its investment in capital assets, less any related debt used to acquire those assets to provide services to citizens. Capital assets are items such as land, buildings, machinery and equipment, and infrastructure. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, 6.88 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities increased the City of Stillwater's net assets by \$2,325,285 which contributed to a 1.02% increase of the net assets of the City of Stillwater. The following provides details of the increase:

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|-----------------|-----------------|-----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,957 | \$ 4,124 | \$67,194 | \$62,644 | \$71,151 | \$66,768 |
| Operating Grants & contributions | 311 | 178 | - | - | 311 | 178 |
| Capital grants & contributions | 806 | 785 | 3,407 | 2,507 | 4,213 | 3,292 |
| General revenues: | | | | | | |
| Sales and Use taxes | 25,787 | 24,389 | - | - | 25,787 | 24,389 |
| Other taxes | 3,568 | 3,624 | - | - | 3,568 | 3,624 |
| Other general revenues | 78 | 105 | 626 | 278 | 704 | 383 |
| Total Revenues | 34,507 | 33,205 | 71,227 | 65,429 | 105,734 | 98,634 |
| Program Expenses: | | | | | | |
| General Government | 4,067 | 3,750 | | | 4,067 | 3,750 |
| Financial Administration | 619 | 628 | | | 619 | 628 |
| Public Safety | 18,236 | 16,701 | | | 18,236 | 16,701 |
| Streets & Sewers | 8,445 | 7,485 | | | 8,445 | 7,485 |
| Engineering and Public Works Administration | 480 | 569 | | | 480 | 569 |
| Recreation and Culture | 5,850 | 6,134 | | | 5,850 | 6,134 |
| Economic Development | 578 | 423 | | | 578 | 423 |
| Health and Welfare | 1,885 | 1,535 | | | 1,885 | 1,535 |
| Interest on Long-term Debt | 239 | 271 | | | 239 | 271 |
| Stillwater Utilities Authority | | | 52,824 | 49,122 | 52,824 | 49,122 |
| Stillwater Public Golf Authority | | | - | - | - | - |
| Business Area Development | | | 173 | 240 | 173 | 240 |
| Airport Operations | | | 2,695 | 2,132 | 2,695 | 2,132 |
| Total Expenses | 40,399 | 37,496 | 55,692 | 51,494 | 96,091 | 88,990 |
| Increase/(Decrease) in Net Assets Before Transfers | (5,892) | (4,291) | 15,535 | 13,935 | 9,643 | 9,644 |
| Net Transfers | 8,217 | 4,672 | (8,217) | (4,672) | - | - |
| Increase/(Decrease) in Net Assets | \$ 2,325 | \$ 381 | \$ 7,318 | \$ 9,263 | \$ 9,643 | \$ 9,644 |

Sales and use tax received in fiscal year 2012 resulted in an increase from the prior year of \$1,397,959. Transfers from the SUA to the general fund increased by \$173,561.

Property taxes decreased by \$104,785. Investment income increased by \$134,790. Net assets for governmental activities increased by 2.40%.

Business-type Activities

Business-type activities increased the City of Stillwater's net assets by \$7,317,827 which contributed a 3.23% increase in the net assets of the City of Stillwater. Details are presented in the preceding chart. Rate increases enacted for all utility services contributed to a \$4,549,934 increase in charges for services in the business-type activities.

General Fund Budgetary Highlights

Budget preparation has been a challenge for the past three fiscal years as national economic conditions made their impact locally. Significant cost reductions have been made but at the same time it did not become necessary to use emergency reserves to fund the shortfalls. Careful examination of resources and service levels has poised the City to be more efficient as the recovery continues. Although fiscal year 2010-11 revenues did not present any significant revenue growth and were still behind the level of fiscal 2008-09, it appeared that revenues had stabilized.

The 2011-12 budget was prepared to focus on the delivery of core service operations. Staffing levels were still not budgeted to pre-FY 2009 levels, however no lay-offs or furloughs were included. For FY 2012, the freeze on step increases was removed. The capital budget included the replacement of several police patrol vehicles, a rescue unit for the fire department, and street maintenance equipment.

Capital Asset & Debt Administration

The following is a summary of changes in capital assets and debt administration for FY2012. More detailed information on capital asset activity and long-term debt activity is contained in the accompanying notes to the financial statements on pages 51 and 52 and pages 54 to 61, respectively.

Capital Assets

At the end of June 30, 2012, the City had \$211 million invested in capital assets including police and fire equipment, buildings, park facilities, water and sewer lines, electric systems and roads.

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$ 7,435 | \$ 7,312 | \$ 1,715 | \$ 1,715 | \$ 9,150 | \$ 9,027 |
| Buildings | 24,152 | 24,152 | 10,677 | 9,987 | 34,829 | 34,139 |
| Other Improvements | - | - | 25,282 | 25,249 | 25,282 | 25,249 |
| Equipment | 19,436 | 20,614 | 21,659 | 2,659 | 41,095 | 23,273 |
| Infrastructure | 151,630 | 150,858 | 182,730 | 176,094 | 334,360 | 326,952 |
| Intangible Assets | - | - | 1,604 | 74 | 1,604 | 74 |
| Construction-in-progress | 7,342 | 1,720 | 6,992 | 7,692 | 14,334 | 9,412 |
| | 209,995 | 204,656 | 250,659 | 223,470 | 460,654 | 428,126 |
| Less Depreciation | 117,427 | 112,009 | 132,168 | 124,773 | 249,595 | 236,782 |
| Totals | \$ 92,568 | \$ 92,647 | \$ 118,491 | \$ 98,697 | \$ 211,059 | 191,344 |

Debt Administration

At year-end, the City had \$38.7 million in long term debt. These debts are further detailed below as follows:

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

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| General Obligation Bonds | \$ 7,359 | \$ 8,248 | \$ - | \$ - | \$ 7,359 | \$ 8,248 |
| Capital Lease Obligations | - | - | 2,347 | 2,128 | 2,347 | 2,128 |
| Notes Payable | - | - | 27,160 | 26,067 | 27,160 | 26,067 |
| Revenue Bonds | - | - | 1,606 | 4,878 | 1,606 | 4,878 |
| Refundable Grant Obligations | 205 | 239 | 24 | 15 | 229 | 254 |
| Totals | \$ 7,564 | \$ 8,487 | \$31,137 | \$ 33,088 | \$ 38,701 | \$ 41,575 |

Economic Factors and Next Year's Budget

During FY 2012, the city was fortunate to see signs of recovery with slight increases in most revenues. It appears that revenues have stabilized and are demonstrating renewed economic activity. For FY 2013, the city has projected an approximate 2% growth in revenues. Although revenue is showing renewed growth, costs in all categories have continued to rise and so a conservative approach to the budget is still necessary. The City has provided a wide array of services to the citizens for many years and is still committed to continue to do so. Through a complete administrative reorganization over the past eighteen months, a greater collaboration between service departments has provided new efficiencies and shared resources. In addition, efforts in cooperation with the community

have led to the development of public/private partnerships to increase efficiency. Community organizations have partnered in the operation and management of several public recreation and quality of life services. The budget for 2013 includes a cost of living increase of 3%. Capital expenditures are concentrated in the areas of public safety, infrastructure improvements, neighborhood street projects and key area of children's playground upgrades. The city is also developing a long term capital plan for the next five years to address major capital needs. Total expenditures budgeted reflect a 12.1% decrease from the original 2012 budget. This decrease is mostly due to the completion of transportation projects funded in 2012. The budget maintains 2012 staffing levels and the associated employee benefits. The budget also includes a reserve for emergencies and capital projects in the water and wastewater utilities.

The Mercruiser plant closed in November 2011 and moved operations to Fond du Lac, Wisconsin. After initial layoffs of over a hundred casting and machining positions, the company announced an additional 200 assembly jobs to be transferred in late 2010 and 2011. The plant employed approximately 400 people prior to the announcement. The company placed the facility for sale and the property was subsequently purchased by ASCO in July of 2012. ASCO Industries, a Belgium aerospace manufacturer, announced plans to bring up to 600 jobs to Stillwater. ASCO designs and makes high strength aircraft components and assemblies for Airbus, Boeing, Bombardier and Embraer commercial jets. *This will be the second U.S. facility for the company. The company also has facilities in Germany, Brazil and Canada.* Company officials indicated that one of the main factors in locating in Stillwater is Meridian Technology Center's ability to train industrial workers.

In August 2012, Total Energy purchased the former Quad/Graphics facility and announced plans to bring 200 jobs to Stillwater. The company makes storage tanks, towers and custom pressure vessels and they plan to open a fabricating facility in Stillwater. The plant should be operational by April 1, of 2013.

The City's first Business Improvement District has welcomed more than 25 new businesses to Stillwater's downtown since its creation in December 2007. Several established businesses have improved their facades and some have relocated to the district. Several incentives have been created to encourage business growth within the district. The goals of the district are to: 1) Increase business activity within the district, which will result in economic growth for the area. 2) Become a destination place for Stillwater residents and visitors. 3) Establish Downtown Stillwater as the premier business, cultural and entertainment destination in Oklahoma.

Oklahoma State University has planned expansion projects representing over \$800 million dollars as part of the university's Master Plan 2025 generating a \$1.2 billion economic impact on the Stillwater area. Extensive renovations on the Student Union were completed in 2012.

OSU continues to excel in the academic arena making the university attractive to students and faculty. Fall enrollment for 2011 is 23,459. The freshman class enrollment of 4,298

was the largest in school history. In February of 2010, Oklahoma State President V. Burns Hargis announced the launch of "Branding Success: The Campaign for Oklahoma State University". The campaign goal is to raise \$1 billion to fund scholarships, faculty positions, research programs and facilities. The program currently has reached \$900 million committed to the campaign. Oklahoma State Alumnus and Philanthropist T. Boone Pickens announced he would provide a \$100 million testamentary challenge gift to fund a major endowment for scholarships. The target date for the campaign is December 31, 2014.

Commercial and single family home building permits have increased slightly. There were 119 commercial permits issued in calendar year 2011 and 98 had been issued in the current year at the time of this report. There were 53 single family residential permits issued in calendar year 2011 and 71 so far in 2012. Residential properties have kept their value in the local market.

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, 2012

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|--|
| | Governmental Activities | Business-type Activities | Total | Stillwater Medical Center Authority |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 17,056,642 | \$ 28,019,111 | \$ 45,075,753 | \$ 17,361,359 |
| Investments | - | 10,268,357 | 10,268,357 | 26,928,253 |
| Accounts receivable, net | 418,745 | 10,270,917 | 10,689,662 | 11,536,078 |
| Internal balances | 314,290 | (314,290) | - | - |
| Interest receivable | - | 19,506 | 19,506 | - |
| Installment loans receivable | 57,500 | 135,461 | 192,961 | - |
| Leasehold receivable | - | 205,000 | 205,000 | - |
| Inventories | 178,437 | 5,164,713 | 5,343,150 | 1,876,017 |
| Due from other governments | 5,002,874 | 219,206 | 5,222,080 | - |
| Other assets | - | - | - | 1,735,044 |
| Restricted cash and cash equivalents | - | 3,368,996 | 3,368,996 | 967,748 |
| Restricted investments | - | - | - | 1,650,074 |
| Capital assets: | | | | |
| Land and construction in progress | 14,777,010 | 10,237,401 | 25,014,411 | 2,870,370 |
| Other capital assets, net of accumulated depreciation | 77,790,727 | 108,254,157 | 186,044,884 | 38,084,865 |
| Investments in joint ventures | - | - | - | 1,850,970 |
| Goodwill, net | - | - | - | 5,046,576 |
| Other assets | - | - | - | 94,619 |
| Deferred charges | 114,697 | 258,703 | 373,400 | 315,719 |
| Total assets | <u>115,710,922</u> | <u>176,107,238</u> | <u>291,818,160</u> | <u>110,317,692</u> |
| LIABILITIES | | | | |
| Accounts payable | 2,178,740 | 4,730,541 | 6,909,281 | 2,260,199 |
| Accrued liabilities | 2,827,598 | 432,072 | 3,259,670 | 6,240,561 |
| Accrued interest payable | 22,633 | 203,481 | 226,114 | - |
| Long-term liabilities: | | | | |
| Due within one year | 958,467 | 5,962,868 | 6,921,335 | 1,135,439 |
| Due in more than one year | 8,704,975 | 27,139,435 | 35,844,410 | 13,992,379 |
| Other post employment benefits obligations | 1,821,013 | 729,565 | 2,550,578 | - |
| Total liabilities | <u>16,513,426</u> | <u>39,197,962</u> | <u>55,711,388</u> | <u>23,628,578</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 85,208,395 | 95,439,173 | 180,647,568 | 25,605,624 |
| Restricted for: | | | | |
| Capital projects | 578,769 | 741,699 | 1,320,468 | - |
| Debt service | 320,160 | 1,366,601 | 1,686,761 | 2,550,074 |
| Street improvements | 6,003,859 | - | 6,003,859 | - |
| Specific operating activities | 1,228,415 | 2,712 | 1,231,127 | 748,902 |
| Nonexpendable operating activities | - | - | - | 1,397,505 |
| Unrestricted | 5,857,898 | 39,359,091 | 45,216,989 | 56,387,009 |
| Total net assets | <u>\$ 99,197,496</u> | <u>\$ 136,909,276</u> | <u>\$ 236,106,772</u> | <u>\$ 86,689,114</u> |

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-type Activities | Total | Stillwater Medical Center Authority |
| Primary Government | | | | | | | | |
| Government activities | | | | | | | | |
| Public safety | \$ 18,235,770 | \$ 261,900 | \$ 45,981 | \$ 126,765 | \$ (17,801,124) | \$ - | \$ (17,801,124) | \$ - |
| Recreation and culture | 5,850,043 | 1,397,513 | 200,380 | - | (4,252,150) | - | (4,252,150) | - |
| General government | 4,067,084 | 387,053 | - | - | (3,680,031) | - | (3,680,031) | - |
| Financial administration | 619,486 | 1,182,234 | - | - | 562,748 | - | 562,748 | - |
| Street and sewers | 8,444,721 | 698,777 | - | 530,548 | (7,215,396) | - | (7,215,396) | - |
| Engineering and public works administration | 479,849 | - | - | - | (479,849) | - | (479,849) | - |
| Economic development | 577,816 | - | - | - | (577,816) | - | (577,816) | - |
| Health and welfare | 1,885,038 | 29,551 | 64,332 | 148,443 | (1,642,712) | - | (1,642,712) | - |
| Interest on long-term debt | 238,855 | - | - | - | (238,855) | - | (238,855) | - |
| Total governmental activities | <u>40,398,662</u> | <u>3,957,028</u> | <u>310,693</u> | <u>805,756</u> | <u>(35,325,185)</u> | <u>-</u> | <u>(35,325,185)</u> | <u>-</u> |
| Business-type activities | | | | | | | | |
| Electric, water, wastewater and sanitation operations | 52,823,732 | 65,532,650 | - | 1,704,460 | - | 14,413,378 | 14,413,378 | - |
| Business area development | 173,476 | 23,328 | - | 139,204 | - | (10,944) | (10,944) | - |
| Airport operations | 2,695,168 | 1,637,831 | - | 1,563,535 | - | 506,198 | 506,198 | - |
| Total business-type activities | <u>55,692,376</u> | <u>67,193,809</u> | <u>-</u> | <u>3,407,199</u> | <u>-</u> | <u>14,908,632</u> | <u>14,908,632</u> | <u>-</u> |
| Total primary government | <u>\$ 96,091,038</u> | <u>\$ 71,150,837</u> | <u>\$ 310,693</u> | <u>\$ 4,212,955</u> | <u>(35,325,185)</u> | <u>14,908,632</u> | <u>(20,416,553)</u> | <u>-</u> |
| Component Unit | | | | | | | | |
| Medical Center | <u>\$ 88,283,554</u> | <u>\$ 99,346,252</u> | <u>\$ 323</u> | <u>\$ 75,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,138,021</u> |
| General revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales and use taxes | | | | | 25,787,401 | - | 25,787,401 | - |
| Property taxes | | | | | 1,343,480 | - | 1,343,480 | - |
| Franchise and public service taxes | | | | | 1,544,506 | - | 1,544,506 | - |
| E911 taxes | | | | | 63,870 | - | 63,870 | - |
| Hotel/motel taxes | | | | | 615,997 | - | 615,997 | - |
| Investment income | | | | | 78,162 | 275,937 | 354,099 | 1,180,887 |
| Miscellaneous | | | | | - | 350,312 | 350,312 | - |
| Transfers-internal activity | | | | | 8,217,054 | (8,217,054) | - | - |
| Total general revenues and transfers | | | | | <u>37,650,470</u> | <u>(7,590,805)</u> | <u>30,059,665</u> | <u>1,180,887</u> |
| Change in net assets | | | | | <u>2,325,285</u> | <u>7,317,827</u> | <u>9,643,112</u> | <u>12,318,908</u> |
| Net assets -beginning, as originally stated | | | | | <u>96,749,211</u> | <u>129,056,771</u> | <u>225,805,982</u> | <u>74,370,206</u> |
| Prior period adjustment | | | | | <u>123,000</u> | <u>534,678</u> | <u>-</u> | <u>-</u> |
| Net assets -beginning, as restated | | | | | <u>96,872,211</u> | <u>129,591,449</u> | <u>226,463,660</u> | <u>74,370,206</u> |
| Net assets-ending | | | | | <u>\$ 99,197,496</u> | <u>\$ 136,909,276</u> | <u>\$ 236,106,772</u> | <u>\$ 86,689,114</u> |

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | General | Transportation Improvement | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|-------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 8,683,256 | \$ 7,293,144 | \$ 892,193 | \$ 16,868,593 |
| Due from other governments | 4,867,354 | - | 135,520 | 5,002,874 |
| Accounts receivable, net | 413,211 | 4,951 | 583 | 418,745 |
| Due from other funds | 501,279 | - | - | 501,279 |
| Inventories | 178,437 | - | - | 178,437 |
| Total assets | <u>\$ 14,643,537</u> | <u>\$ 7,298,095</u> | <u>\$ 1,028,296</u> | <u>22,969,928</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 713,500 | \$ 1,284,674 | \$ 155,566 | \$ 2,153,740 |
| Accrued liabilities | 1,596,771 | 6,591 | - | 1,603,362 |
| Due to other funds | 378,090 | 2,971 | 10,928 | 391,989 |
| Deferred revenue | 106,246 | - | 20,398 | 126,644 |
| Total liabilities | <u>2,794,607</u> | <u>1,294,236</u> | <u>186,892</u> | <u>4,275,735</u> |
| FUND BALANCES | | | | |
| Non-spendable: inventories | 178,437 | - | - | 178,437 |
| Restricted for: | | | | |
| Debt service | - | - | 320,160 | 320,160 |
| Public safety | 107,914 | - | - | 107,914 |
| Capital improvements | - | 6,003,859 | 578,769 | 6,582,628 |
| Sales tax transfer | 1,654,153 | - | - | 1,654,153 |
| Committed to: | | | | |
| Public safety | 555,967 | - | - | 555,967 |
| Economic development | 386,097 | - | - | 386,097 |
| Assigned to: | | | | |
| Self insurance | 280,841 | - | - | 280,841 |
| Recreation and culture | 167,036 | - | - | 167,036 |
| Unassigned | 8,518,485 | - | (57,525) | 8,460,960 |
| Total fund balances | <u>11,848,930</u> | <u>6,003,859</u> | <u>841,404</u> | <u>18,694,193</u> |
| Total liabilities and fund balances | <u>\$ 14,643,537</u> | <u>\$ 7,298,095</u> | <u>\$ 1,028,296</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 \$117,426,524 92,122,237

Certain long-term receivables are not available to pay for current fund liabilities and, therefore, are deferred in the funds 126,644
continued

| | |
|---|---------|
| Installment note receivable received for sale of asset is not reported in the fund statements | 57,500 |
| Unamortized debt issuance costs are part of net proceeds reported in fund statements | 114,697 |
| Internal Service fund assets and liabilities are reported in the proprietary fund in the fund financial statements but are included in government activities in the Statement of Net Assets | 608,549 |

Certain long-term liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:

| | |
|--------------------------------------|-------------|
| Accrued workers' compensation claims | (1,224,236) |
| Accrued interest payable | (22,633) |
| General obligation bonds payable | (7,359,342) |
| Accrued compensated absences | (2,099,100) |
| Accrued post employment obligations | (1,821,013) |

| | |
|---------------------------------------|----------------------|
| Net assets of governmental activities | <u>\$ 99,197,496</u> |
|---------------------------------------|----------------------|

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | General | Transportation Improvement | Other Governmental Funds | Totals Governmental Funds |
|--|----------------------|-------------------------------|--------------------------------|---------------------------------|
| REVENUES | | | | |
| Taxes | \$ 28,011,774 | \$ - | \$ 1,360,080 | \$ 29,371,854 |
| Intergovernmental | 320,609 | - | 212,775 | 533,384 |
| Charges for services | 650,145 | - | - | 650,145 |
| Fines and forfeits | 776,389 | - | - | 776,389 |
| Fees and rentals | 1,438,373 | - | - | 1,438,373 |
| Investment income | 44,548 | 29,796 | 3,510 | 77,854 |
| Licenses and permits | 268,209 | - | - | 268,209 |
| Other miscellaneous revenues | 868,048 | - | 12,777 | 880,825 |
| Total revenues | 32,378,095 | 29,796 | 1,589,142 | 33,997,033 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 17,649,898 | - | - | 17,649,898 |
| Recreation and culture | 5,062,437 | - | - | 5,062,437 |
| General government | 3,330,545 | - | - | 3,330,545 |
| Financial administration | 591,712 | - | - | 591,712 |
| Streets and sewers | 2,477,837 | 192,266 | - | 2,670,103 |
| Operations | 478,606 | - | - | 478,606 |
| Economic development | 527,896 | - | - | 527,896 |
| Human services | 1,380,359 | - | 74,762 | 1,455,121 |
| Debt service: | | | | |
| Principal retirements | - | - | 825,000 | 825,000 |
| Interest and fiscal charges | - | - | 305,000 | 305,000 |
| Capital outlay | 626,451 | 6,180,294 | 403,647 | 7,210,392 |
| Total expenditures | 32,125,741 | 6,372,560 | 1,608,409 | 40,106,710 |
| Excess (deficiency) of revenues over (under) expenditures | 252,354 | (6,342,764) | (19,267) | (6,109,677) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 12,702,136 | 8,108,210 | - | 20,810,346 |
| Transfers out | (10,567,682) | (1,726,279) | (294,329) | (12,588,290) |
| Total other financing sources (uses) | 2,134,454 | 6,381,931 | (294,329) | 8,222,056 |
| Net change in fund balances | 2,386,808 | 39,167 | (313,596) | 2,112,379 |
| FUND BALANCES, beginning | 9,462,122 | 5,964,692 | 1,155,000 | 16,581,814 |
| FUND BALANCES, ending | \$ 11,848,930 | \$ 6,003,859 | \$ 841,404 | \$ 18,694,193 |

| | |
|--|---------------------|
| Reconciliation to Statement of Activities: | |
| Net change in fund balances | \$ 2,112,379 |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. | |
| Capital asset purchases | 6,078,525 |
| Depreciation | (6,652,673) |
| Net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) | 371,786 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | |
| Deferred revenue | (72,523) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets | 825,000 |
| Internal Service Fund revenue | (24,682) |
| 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 | |
| Amortization of gain on refunding | (12,771) |
| Accrued interest payable | 66,145 |
| Accrued compensated absences | (118,467) |
| Accrued workers' compensation claims | 50,285 |
| Accrued post employment benefits | (297,719) |
| Change in net assets-governmental activities | <u>\$ 2,325,285</u> |

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF NET ASSETS- PROPRIETARY FUNDS
JUNE 30, 2012

| | Business-type Activities | | | Governmental Activities- Internal Service Funds |
|--|--------------------------------------|----------------------------------|-----------------------|--|
| | Enterprise Funds | | | |
| | Stillwater Utilities Authority | Non Major Enterprise Funds | Totals | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 27,842,292 | \$ 176,819 | \$ 28,019,111 | \$ 188,049 |
| Investments | 10,268,357 | - | 10,268,357 | - |
| Restricted cash and cash equivalents | 2,351,358 | - | 2,351,358 | - |
| Accounts receivable, net of allowance for uncollectible accounts of \$258,413 | 10,270,271 | 646 | 10,270,917 | - |
| Due from other funds | 80,774 | - | 80,774 | - |
| Advances to other funds | - | - | - | 20,000 |
| Interest receivable | 19,506 | - | 19,506 | - |
| Installment loans receivable | - | 135,461 | 135,461 | - |
| Leasehold receivable | - | 20,000 | 20,000 | - |
| Inventories | 5,128,720 | 35,993 | 5,164,713 | - |
| Total current assets | 55,961,278 | 368,919 | 56,330,197 | 208,049 |
| NONCURRENT ASSETS | | | | |
| Advances to other funds | - | - | - | 185,000 |
| Leasehold receivable | - | 185,000 | 185,000 | - |
| Restricted cash and equivalents | 1,017,638 | - | 1,017,638 | - |
| Due from other governments | - | 219,206 | 219,206 | - |
| Capital assets, non depreciable | 7,106,488 | 3,130,913 | 10,237,401 | 445,500 |
| Capital assets, net of accumulated depreciation | 97,068,304 | 11,185,853 | 108,254,157 | - |
| Deferred charges | 258,703 | - | 258,703 | - |
| Total noncurrent assets | 105,451,133 | 14,720,972 | 120,172,105 | 630,500 |
| Total assets | 161,412,411 | 15,089,891 | 176,502,302 | 838,549 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 4,708,128 | 22,413 | 4,730,541 | 25,000 |
| Accrued liabilities | 417,775 | 14,297 | 432,072 | - |
| Current portion of compensated absences | 58,025 | 1,984 | 60,009 | - |
| Accrued interest payable | 203,481 | - | 203,481 | - |
| Current portion of customer deposits payable | 675,034 | - | 675,034 | - |
| Current portion of long-term debt obligations, net | 5,203,911 | - | 5,203,911 | 20,000 |
| Due to other funds | - | 190,064 | 190,064 | - |
| Current portion of advances from other funds | - | 20,000 | 20,000 | - |
| Current portion of refundable grant obligations | - | 23,914 | 23,914 | - |
| Total current liabilities | 11,266,354 | 272,672 | 11,539,026 | 45,000 |
| NONCURRENT LIABILITIES | | | | |
| Noncurrent portion of customer deposits payable | 511,732 | 11,680 | 523,412 | - |
| Noncurrent portion of compensated absences | 677,845 | 29,704 | 707,549 | - |
| Noncurrent portion of refundable grant obligations | - | - | - | 185,000 |
| Noncurrent portion of advances from other funds | - | 185,000 | 185,000 | - |
| Noncurrent portion of long-term debt obligations, net | 25,908,474 | - | 25,908,474 | - |
| Other postemployment benefits | 729,565 | - | 729,565 | - |
| Total noncurrent liabilities | 27,827,616 | 226,384 | 28,054,000 | 185,000 |
| Total liabilities | 39,093,970 | 499,056 | 39,593,026 | 230,000 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 81,122,407 | 14,316,766 | 95,439,173 | - |
| Restricted for debt service | 1,366,601 | - | 1,366,601 | - |
| Restricted donation | - | 2,712 | 2,712 | - |
| Restricted for capital projects | 741,699 | - | 741,699 | - |
| <i>Unrestricted</i> | 39,087,734 | 271,357 | 39,359,091 | 608,549 |
| Total net assets | \$ 122,318,441 | \$ 14,590,835 | \$ 136,909,276 | \$ 608,549 |

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | Business-type Activities | | | Governmental Activities Internal Service Fund |
|---|--------------------------------------|----------------------------------|-----------------------|--|
| | Enterprise Funds | | | |
| | Stillwater Utilities Authority | Non Major Enterprise Funds | Totals | |
| OPERATING REVENUES | | | | |
| Charges for services, net of bad debt expense | \$ 62,827,992 | \$ 1,341,491 | \$ 64,169,483 | \$ 10 |
| Other | 2,704,658 | 319,668 | 3,024,326 | - |
| Total operating revenues | <u>65,532,650</u> | <u>1,661,159</u> | <u>67,193,809</u> | <u>10</u> |
| OPERATING EXPENSES | | | | |
| Operations and maintenance | 45,583,965 | 2,051,054 | 47,635,019 | 25,000 |
| Depreciation | 6,442,108 | 817,590 | 7,259,698 | - |
| Total operating expenses | <u>52,026,073</u> | <u>2,868,644</u> | <u>54,894,717</u> | <u>25,000</u> |
| Operating income (loss) | <u>13,506,577</u> | <u>(1,207,485)</u> | <u>12,299,092</u> | <u>(24,990)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 274,241 | 1,696 | 275,937 | 308 |
| Interest expense and fiscal charges | (725,108) | - | (725,108) | - |
| Debt issuance costs | (72,551) | - | (72,551) | - |
| Loss on disposal of asset | - | (12,339) | (12,339) | - |
| Intergovernmental revenue | - | 1,555,886 | 1,555,886 | - |
| Miscellaneous | 350,312 | - | 350,312 | - |
| Net nonoperating revenues (expenses) | <u>(173,106)</u> | <u>1,545,243</u> | <u>1,372,137</u> | <u>308</u> |
| Income (loss) before capital contributions and transfers | <u>13,333,471</u> | <u>337,758</u> | <u>13,671,229</u> | <u>(24,682)</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | |
| Capital contributions | 1,721,801 | 146,853 | 1,868,654 | - |
| Transfers in | 8,561,426 | 293,971 | 8,855,397 | - |
| Transfers out | (17,077,453) | - | (17,077,453) | - |
| Net capital contributions and transfers | <u>(6,794,226)</u> | <u>440,824</u> | <u>(6,353,402)</u> | <u>-</u> |
| Change in net assets | 6,539,245 | 778,582 | 7,317,827 | (24,682) |
| NET ASSETS, beginning of year, as previously stated | 115,244,518 | 13,812,253 | 129,056,771 | 187,731 |
| PRIOR PERIOD adjustment | 534,678 | - | 534,678 | 445,500 |
| NET ASSETS, beginning as restated | <u>115,779,196</u> | <u>13,812,253</u> | <u>129,591,449</u> | <u>633,231</u> |
| NET ASSETS, end of year | <u>\$ 122,318,441</u> | <u>\$ 14,590,835</u> | <u>\$ 136,909,276</u> | <u>\$ 608,549</u> |

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | Business-type Activities | | | Governmental Activities Internal Service Funds |
|---|--------------------------------------|----------------------------------|----------------------|---|
| | Enterprise Funds | | Totals | |
| | Stillwater Utilities Authority | Non Major Enterprise Funds | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers, including deposits | \$ 62,094,076 | \$ 1,341,479 | \$ 63,435,555 | \$ - |
| Payments to suppliers | (32,773,424) | (1,559,458) | (34,332,882) | - |
| Payments to employees | (11,575,256) | (378,387) | (11,953,643) | - |
| Business development incentive loans issued | - | (140,000) | (140,000) | - |
| Collections of business development incentive loan principal | - | 8,576 | 8,576 | - |
| Inter fund activity-payments to other funds | (1,304,690) | 161,969 | (1,142,721) | - |
| Other receipts | 2,704,658 | 319,668 | 3,024,326 | 10 |
| Net cash provided by (used for) operating activities | <u>19,145,364</u> | <u>(246,133)</u> | <u>18,899,231</u> | <u>10</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to other funds | (16,411,752) | 293,971 | (16,117,781) | - |
| Transfers in from other funds | 6,849,141 | - | 6,849,141 | - |
| Principal paid on noncapital debt | (120,118) | - | (120,118) | - |
| Interest paid on noncapital debt | (1,501) | - | (1,501) | - |
| Net cash provided by (used for) noncapital financing activities | <u>(9,684,230)</u> | <u>293,971</u> | <u>(9,390,259)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital contributions | - | 146,853 | 146,853 | - |
| Capital grants | - | 1,407,322 | 1,407,322 | - |
| Purchases of capital assets | (3,894,862) | (1,804,472) | (5,699,334) | - |
| Proceeds from sale of capital assets | 28,904 | - | 28,904 | - |
| Proceeds from capital debt | 2,685,611 | - | 2,685,611 | - |
| Transfers in related to capital financing | 1,712,285 | - | 1,712,285 | - |
| Principal (paid) received on capital debt | (6,349,767) | 34,442 | (6,315,325) | - |
| Interest paid on capital debt | (964,771) | - | (964,771) | - |
| Net cash used in capital and related financing activities | <u>(6,782,600)</u> | <u>(215,855)</u> | <u>(6,998,455)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchases of investments | (10,254,161) | - | (10,254,161) | - |
| Proceeds from maturity of investments | 13,284,669 | - | 13,284,669 | - |
| Interest received | 204,909 | 1,876 | 206,785 | 308 |
| Net cash provided by investing activities | <u>3,235,417</u> | <u>1,876</u> | <u>3,237,293</u> | <u>308</u> |
| Net increase (decrease) in cash and cash equivalents | 7,913,951 | (166,141) | 7,747,810 | 318 |
| CASH AND CASH EQUIVALENTS, beginning of year | 23,297,337 | 342,960 | 23,640,297 | 187,731 |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 31,211,288</u> | <u>\$ 176,819</u> | <u>\$ 31,388,107</u> | <u>\$ 188,049</u> |
| Reconciliation of operating income (loss) to net cash provided (used for) operating activities | | | | |
| Operating income (loss) | \$ 13,506,577 | \$ (1,207,485) | \$ 12,299,092 | \$ (24,990) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 6,442,108 | 817,590 | 7,259,698 | - |
| Changes in assets and liabilities | | | | |
| Receivables, net | (786,255) | (131,436) | (917,691) | - |
| Inventories | (374,495) | 107,646 | (266,849) | - |
| Accounts and other payables | 173,317 | 162,993 | 336,310 | 25,000 |
| Accrued expenses | 56,517 | 4,559 | 61,076 | - |
| Other postemployment benefits | 127,595 | - | 127,595 | - |
| Net cash provided by (used for) operating activities | <u>\$ 19,145,364</u> | <u>\$ (246,133)</u> | <u>\$ 18,899,231</u> | <u>\$ 10</u> |
| Non cash activities | | | | |
| Capital assets contributed | \$ 1,721,801 | \$ - | \$ 1,721,801 | \$ - |
| Capital assets transferred | - | 12,339 | 12,339 | - |
| Borrowings under capital lease | 910,891 | - | 910,891 | - |
| Loss on decessance and premium amortization | (81,982) | - | (81,982) | - |
| Change in fair value of investments | 79,330 | - | 79,330 | - |

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

| | Retiree Only Defined Benefit Plan Pension Trust Fund | Agency Fund |
|------------------------------------|--|----------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 108,850 | \$ 338,061 |
| Certificates of deposit | - | 260,529 |
| Common stock | 822,052 | - |
| Partnerships | 525,235 | - |
| Common stock mutual funds | 2,049,038 | - |
| Fixed income mutual funds | 1,650,499 | - |
| Foreign stocks | 38,339 | - |
| Foreign stocks mutual funds | 335,705 | - |
| Real estate | 263,275 | - |
| Assessment receivables | - | 805 |
| Total assets | \$ 5,792,993 | \$ 599,395 |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 297 |
| Amounts held in escrow | - | 599,098 |
| Total Liabilities | - | \$ 599,395 |
| NET ASSETS | | |
| Held in trust for pension benefits | \$ 5,792,993 | |

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

| | Retiree Only Defined Benefit Plan Pension Trust Fund |
|---|--|
| | |
| ADDITIONS: | |
| Investment Income | \$ 105,845 |
| | 105,845 |
| DEDUCTIONS: | |
| Benefits | 11,710 |
| Administrative expense | 16,871 |
| | 28,581 |
| Net increase | 77,264 |
| Net assets held in trust for pension benefits | |
| Beginning of year | 5,715,729 |
| End of year | \$ 5,792,993 |

The accompanying notes are an integral part of this statement.

City of Stillwater, Oklahoma
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

Blended Component Units

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

Stillwater Utilities Authority

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

The Stillwater Public Works Authority

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

Stillwater Industrial and Redevelopment Authority

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

Discretely Presented Component Units

Stillwater Medical Center Authority

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

BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

The funds of the City are described below:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes or otherwise segregated for accounting purposes. The Community Development Block Grant Fund is the only special revenue fund active during the fiscal year ending June 30, 2012.

Debt Service Fund

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

Capital Projects Fund

The capital projects funds are used to account for the resources restricted for the acquisition or construction of specific capital projects or items and include the following:

- Police/Municipal Building
- Transportation Improvement Fund

Enterprise Funds

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

The reporting entity includes the following enterprise funds:

- Stillwater Utilities Authority
- Airport
- Stillwater Industrial Redevelopment Authority

Internal Service Fund

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

Fiduciary Fund

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

- Defined Benefit Retiree Account (Pension Trust Fund)
- Property Rehabilitation Escrow
- Business Improvement District Assessments
- Sidewalk Escrow
- Right Of Way Escrow
- Street Assessments
- Sanitary Sewer Assessments
- Public Library Donations
- Bond Escheatment Escrow
- Airport Grant Escrow
- Performance Guarantee Escrow

Discretely Presented Component Units

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

Stillwater Medical Center Authority

Major Governmental Funds:

Description

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

Major Enterprise Fund:

Description

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

Non-Major Funds:

Governmental Funds:

Special Revenue Fund:

- 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.
- Debt Service Fund See previous description
- Capital Project Fund:
 - Police/Municipal Building See previous description

Enterprise Funds:

Airport

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

Stillwater Industrial Redevelopment Authority

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

Internal Service Fund:

Stillwater Public Works Authority

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

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

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

Assets Internally Designated - Assets internally designated consist of cash and cash equivalents set aside by the Stillwater Utilities Authority Board of Trustees in anticipation of future potential operating cost increases and/or future substantial capital expenditure requirements (rate stabilization assets) and at the Board's discretion may subsequently be used for other purposes. As of June 30, 2012, cash and cash equivalents in the amount of \$19,279,729 have been internally designated by the SUA trustees for this purpose.

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

Accounts Receivable/Due from Other Governments - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable of \$883,772 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, and court fines.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Non-exchange revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Proprietary fund receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable of \$258,413 are based upon historical trends and the periodic aging of accounts receivable.

Receivables of the Stillwater Medical Center Authority consists of patient accounts receivable for service rendered. The Hospital provides an allowance of \$4,890,000 for uncollectible accounts receivable based upon historical trends and the existing economic conditions.

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

Inventories - Inventories, consisting primarily of materials and supplies, are stated at weighted average cost. The consumption method of accounting is used by the governmental funds; therefore, inventory purchases are recorded in these funds as expenditures as they are used. Inventories are adjusted to annual physical count. Inventories of proprietary funds consist primarily of materials, supplies and fuel oil and are reported at the lower of average cost or market.

Bond Premiums/Discounts and Issuance Costs - Debt discount, premium, and issue costs are amortized using the straight-line method, which approximates the effective interest method, over the life of the applicable debt. Amortized debt discount and premium are reported as a component of interest expense, while amortized debt issue costs are reported separately as non-operating expense.

Capital Assets - The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations and similar discretely presented component unit operations or proprietary fund operations and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by business-type activities was \$886,077. Of this amount, \$160,969 was capitalized on construction in progress during 2012.

The City acquired water storage space in 1981 for \$1,530,403 which is reported in the SUA fund and business-type activities column in the government-wide financial statements as a capital asset. The water storage space acquired is considered to have an indefinite life. As a result, no amortization will be taken on the space rights.

Unamortized Loss Due to Bond Refunding - A non-cash gain or loss resulting from the refunding of bonds is amortized using the straight-line method over the original life of the defeased bonds. Loss on defeasance is reported as a component of interest expense.

Government-Wide Statements

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

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

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

The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

Long-term Debt

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

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

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

Compensated Absences

Sick Pay - Employees may accrue a maximum of 1,000 hours of sick leave. An employee with five or more years of service who retires or resigns shall receive a bonus credit of 10% of the accumulated unused

sick leave to be computed at the rate of pay being received by the employee at retirement or resignation date. Employees with ten to thirty-five years of service receive a bonus credit ranging from 12.5% to 35%.

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

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

Deferred Revenue

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

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:

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for governmental funds are made up of the following:

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to remain intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may

effectively be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can only be used for specific purposes determined by a formal action (resolution) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned fund balance – comprised of amounts intended to be used by the City for specific purposes that are neither restricted or committed. Intent is expressed by (1) the City's Council or (2) a body or official to which the City's Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. Non-spendable fund balance includes inventory items that are not expected to be converted to cash. Restricted fund balances include resources with externally imposed constraints such as debt covenants, certain donation agreements, and enabling legislation that is legally enforceable. Committed fund balance includes resources that are constrained in their use by resolution of the council. Council may modify or rescind a fund balance commitment by resolution. Assigned fund balance includes resources that are constrained by management at the direction of the council. Unassigned fund balances are those residual resources that are spendable and are not restricted, committed, or assigned. Proprietary fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Additionally, the City considers committed, then assigned, then unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

REVENUES, EXPENDITURES AND EXPENSES

Sales tax

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

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

Property tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonds and court-assessed judgments. Property

taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent.

Property tax levied during the fiscal year ended June 30, 2012 was used to fund the annual debt service requirements of the 2010 General Obligation Refunding bonds.

Program Revenues

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

| | |
|--------------------------|--|
| Public safety | Fire and police fines assessed for training, fire run fees, operating and capital grants from the Department of Homeland Security, U.S. Department of Justice, Oklahoma Highway Safety Grants and the Department of Juvenile Affairs and donations from outside contributors |
| Recreation and culture | Park and recreation fees; capital and operating grants from the Oklahoma Department of Transportation, Department of Wildlife, and donations |
| General government | Property rentals and donations |
| Financial administration | Licenses and municipal court fines collected |
| Streets and sewers | Capital grants, motor fuel tax and commercial vehicle tax revenues |
| Health and welfare | Ambulance fees, permits, grants from the Oklahoma Department of Commerce and the Oklahoma Department of Forestry |
| Economic Development | Donations |

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

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

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

INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

Fund Financial Statements:

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

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

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

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities.

USE OF ESTIMATES

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

(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 Industrial Redevelopment Authority | Trust Indenture |
| Stillwater Public Works Authority | Trust Indenture |

DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

Public trusts created under O.S. Title 60, are not subject to the statutory investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2012, the City and its public trusts complied, in all material respects, with these investment restrictions.

REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2012, 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, 2012, 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, 2012, no such debt was incurred by the City.

Revenue Bond Debt

The bond indenture relating to the revenue bond issue of the SUA contains a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, required reserve account balances, and revenue bond debt service coverage requirements. The following schedule presents a brief summary of the most significant requirements and the SUA's level of compliance thereon as of June 30, 2012.

| <u>Requirement</u> | <u>Level of Compliance</u> |
|---|---|
| a. Flow of funds: Sales Tax Account Bond Account | All required accounts have been established and are used per Bond Indenture requirements. |
| b. Reserve Account Requirement: | The Bonds are secured by a Surety Policy issued by Ambac Assurance Corporation in lieu of capitalizing a Bond Fund Reserve. |
| c. Revenue Bond and Oklahoma Water Resources Board Note Requirement | For the year ended June 30, 2012, available revenues plus sales tax transfer, was \$73,006,344; bond requirement is operating and maintenance excluding depreciation of \$45,583,965 plus 125% of next years principal and interest or \$4,052,388. Excess coverage was \$23,369,991 or 577% of required principal and interest coverage. |

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, 2012, the City incurred a fund balance deficit in the Community Development Block Grant fund.

(3) DETAILED NOTES-TRANSACTION CLASSES/ACCOUNTS

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

DEPOSITS AND INVESTMENTS

Deposits

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

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

At June 30, 2012 the City's bank balance of \$39,514,536 was not exposed to custodial credit risk. At December 31, 2011, \$16,611,000 of the Hospital's bank balance of \$21,162,000 was uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City's investment policy does not address interest rate risk. The Hospital's investment policy generally limits its investment portfolio to maturities of three to five years.

Investments

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

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

At June 30, 2012 the City had the following investments and maturities:

| Type | Rating | Fair Value | Less than 1 | 1-5 | 6-10 | More than 10 |
|-------------------------------------|--------|-------------------|----------------------|-------------|-------------|---------------------|
| Certificates of deposit | ** | \$ 6,757,258 | \$ 6,757,258 | \$ - | \$ - | \$ - |
| Mutual Fund (govt/treasury) | AAA | 79,495 | 79,495 | - | - | - |
| FHLMC | AA (1) | 6,980,900 | - | - | - | 6,980,900 |
| | | <u>13,817,653</u> | <u>\$ 6,836,753</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,980,900</u> |
| Fixed income mutual funds | *** | Not avail. | 1,650,499 | | | |
| Domestic and international equities | | | 3,770,369 | | | |
| Real estate | | | 263,275 | | | |
| | | | <u>\$ 19,501,796</u> | | | |

** Not subject to rating

*** Fixed income investments are administered by the Oklahoma Municipal Retirement Fund. Maturity information is not readily available.

(1) In August 2011 Standard and Poor's (S&P) downgraded the U.S. government's debt rating to AA. Additionally, S&P downgraded debt securities issued by the Federal Home Loan Mortgage Corporation (FHLMC) to AA because of its implicit reliance on the U.S. government. Concurrent with this downgrade, the other rating agencies, Moody's and Fitch, both reaffirmed their highest credit ratings of these securities.

At December 31, 2011, the Hospital's investments had the following investments and maturities:

| Type | Fair Value | Maturities in Years | | | |
|---------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Guaranteed investment contracts | \$ 1,245,000 | \$ - | \$ - | \$ 1,245,000 | \$ - |
| U.S. treasury obligations | 308,852 | - | 153,869 | 53,836 | 101,147 |
| U.S. agencies obligations | 3,550,122 | - | 856,719 | 264,955 | 2,428,448 |
| Corporate bonds | 3,540,340 | 1,400 | 751,810 | 2,078,020 | 709,110 |
| Money market mutual funds | 3,645,839 | 3,645,839 | - | - | - |
| Municipal bonds | 10,887 | - | - | 10,887 | - |
| Mutual funds | 5,924,218 | 5,924,218 | - | - | - |
| | <u>18,225,258</u> | <u>\$ 9,571,457</u> | <u>\$ 1,762,398</u> | <u>\$ 3,652,698</u> | <u>\$ 3,238,705</u> |
| Corporate stocks | 6,971,945 | | | | |
| Accrued investment income | 81,658 | | | | |
| | <u>\$ 25,278,861</u> | | | | |

Investment Credit Risk – Investment credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

The City's investment policy does not address credit risk. The City's defined benefit plan invests in domestic common stocks with ratings ranging from C to A+ as well as some that do not have a rating available and some that are not rated. The City's defined benefit government/treasury market mutual fund is rated AAA by Standard and Poor's. Certain investments of the City's defined benefit plan, which include partnerships and open end mutual funds, and fixed income mutual funds, were not rated by S & P. Foreign stocks of the City's defined benefit plan have ratings from B to B+ with some that do not have a rating available and some that are not rated. The real estate investments of the City's defined benefits plan has ratings ranging from B- to A+ with some that do not have a rating.

The Hospital's policy is to limit its investments to a credit rating of no less than investment grade and an overall weighted-average rating of A by Standard and Poor's (S & P) or an equivalent rating by another reputable institution. The corporate bonds of the Hospital have ratings ranging from BBB to AA+ by Standard and Poor's. The money market mutual funds of the Hospital are rated AAAm by Standard and Poor's. Certain Hospital investments, which include guaranteed investment contracts, U.S. agencies obligations, municipal bonds and mutual funds were not rated by S & P.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. The Hospital's investment policy limits equity investments in any one issuer, other than the U.S. government or its agencies, to 10% of the market value of the fixed income portfolio and to 5% of the market value of the equity portfolio. At December 31, 2011, no investments exceeded 5% of the total value of all Hospital investments.

Custodial Risk - Custodial risk is the risk that, in the event of the failure of the counterparty, the Government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial risk. However, the City's investments are in the City's name, thus the City has no custodial risk at June 30, 2012. The Hospital's investment policy does not address how these securities are to be held.

Summary of Carrying Values

Schedule of Deposits and Investments:

| Carrying Amounts | Primary | Component | Total |
|------------------|----------------------|----------------------|-----------------------|
| | Government | Units | |
| Deposits | \$ 45,602,893 | \$ 21,628,573 | \$ 67,231,466 |
| Investments | 19,501,796 | 25,278,861 | 44,780,657 |
| | <u>\$ 65,104,689</u> | <u>\$ 46,907,434</u> | <u>\$ 112,012,123</u> |

Reconciliation to Government-wide Statement of Net Assets

Included in the following captions:

| | | | |
|--------------------------------------|----------------------|----------------------|-----------------------|
| Cash and cash equivalents | \$ 45,075,753 | \$ 17,361,359 | \$ 62,437,112 |
| Investments | 10,268,357 | 26,928,253 | 37,196,610 |
| Restricted cash and cash equivalents | 3,368,996 | 967,748 | 4,336,744 |
| Restricted investments | - | 1,650,074 | 1,650,074 |
| Fiduciary funds | 6,391,583 | - | 6,391,583 |
| Total | <u>\$ 65,104,689</u> | <u>\$ 46,907,434</u> | <u>\$ 112,012,123</u> |

ACCOUNTS RECEIVABLE

The accounts receivable of the governmental activities consist of franchise taxes, police fines, E-911, rural fire charges, and stormwater fee receivables. Police fines are 29 percent of the total. Cable franchise taxes are 17 percent of the total while stormwater fee receivables are 9 percent of the total. The remaining receivables are intergovernmental and due from various customers. The accounts receivable of the business-type activities are amounts due from utility customers. All receivables are expected to be collected within one year.

ACCOUNTS PAYABLE

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

RESTRICTED ASSETS

Certain assets of the SUA are restricted in their use by bond and note indentures. Cash and cash equivalents, classified as current, in the amount of \$1,366,601 at June 30, 2012, was restricted in use to the service of debt.

Certain cash and cash equivalents of the SUA are restricted by agreement for the purpose of acquiring necessary easements related to water line upgrades for an area of service purchased from a rural water district. As of June 30, 2012, cash and cash equivalents, classified as non-current, of \$54,756 was restricted for this purpose.

Cash and cash equivalents received by the SUA from Rural Water Corporation No. 3 are restricted by agreement for the purpose of completing upgrades, improvements, and/or expansions of the water distribution system in specified areas. As of June 30, 2012 cash and cash equivalents, classified as current, in the amount of \$235,793 was restricted for this purpose.

Cash and cash equivalents received from customers as a water tie-on charge for new connections to the water distribution system are restricted by an ordinance of the City for the purpose of financing future construction of extensions and improvements to the water distribution system of

the City. Cash and cash equivalents, classified as non-current, in the amount of \$451,150 at June 30, 2012 were restricted for this purpose.

Cash and cash equivalents received from utility customers for payment of the Western Payne County Ambulance Trust Authority (WPCATA) subscription fee are restricted in their use. Per agreement, the SUA remits to the WPCATA, on a monthly basis, all money collected from said charge. As of June 30, 2012 cash and equivalents, classified as current, in the amount of \$73,930 were restricted for this purpose.

Customer deposits received for water or electric service are restricted in their use toward the customer's final bill. As of June 30, 2012, cash and cash equivalents in the amount of \$1,186,766 of which \$675,034 is classified as current and \$511,732 is classified as non-current, have been restricted for customer deposits.

CAPITAL ASSETS

Capital asset activity was as follows:

| | Balance June 30, 2011 | Increases | Decreases | Balance June 30, 2012 |
|---|--------------------------|---------------------|---------------------|--------------------------|
| PRIMARY GOVERNMENT: | | | | |
| <i>Governmental Activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 7,435,074 | \$ - | \$ - | \$ 7,435,074 |
| Construction-in-progress | 1,719,663 | 5,898,476 | 276,203 | 7,341,936 |
| Total capital assets not being depreciated | <u>9,154,737</u> | <u>5,898,476</u> | <u>276,203</u> | <u>14,777,010</u> |
| Other capital assets: | | | | |
| Buildings | 24,152,309 | - | - | 24,152,309 |
| Other improvements | 150,858,422 | 771,443 | - | 151,629,865 |
| Machinery and equipment | 20,613,777 | 279,213 | 1,457,913 | 19,435,077 |
| Total other capital assets at historical cost | <u>195,624,508</u> | <u>1,050,656</u> | <u>1,457,913</u> | <u>195,217,251</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 7,560,809 | 535,432 | - | 8,096,241 |
| Other improvements | 87,027,181 | 5,475,299 | - | 92,502,480 |
| Machinery and equipment | 17,421,156 | 641,942 | 1,235,295 | 16,827,803 |
| Total accumulated depreciation | <u>112,009,146</u> | <u>6,652,673</u> | <u>1,235,295</u> | <u>117,426,524</u> |
| Other capital assets, net | <u>83,615,362</u> | <u>(5,602,017)</u> | <u>222,618</u> | <u>77,790,727</u> |
| Governmental activities capital assets, net | <u>\$ 92,770,099</u> | <u>\$ 296,459</u> | <u>\$ 498,821</u> | <u>\$ 92,567,737</u> |
| <i>Business-type activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,714,595 | \$ - | \$ - | \$ 1,714,595 |
| Intangible assets | 1,530,403 | - | - | 1,530,403 |
| Construction-in-progress | 7,691,741 | 3,619,019 | 4,318,357 | 6,992,403 |
| Total capital assets not being depreciated | <u>10,936,739</u> | <u>3,619,019</u> | <u>4,318,357</u> | <u>10,237,401</u> |
| Other capital assets: | | | | |
| Buildings | 9,987,465 | 689,259 | - | 10,676,724 |
| Other improvements | 25,249,046 | 33,425 | - | 25,282,471 |
| Machinery and equipment | 20,658,874 | 1,289,106 | 288,628 | 21,659,352 |
| Intangible assets | 74,054 | - | - | 74,054 |
| Utility plant in service | 176,094,361 | 7,193,838 | 558,470 | 182,729,729 |
| Total other capital assets at historical cost | <u>232,063,800</u> | <u>9,205,628</u> | <u>847,098</u> | <u>240,422,330</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,395,734 | 280,924 | - | 3,676,658 |
| Other improvements | 13,596,197 | 774,078 | - | 14,370,275 |
| Machinery and equipment | 14,683,400 | 925,566 | 266,665 | 15,342,301 |
| Utility plant in service | 93,879,731 | 5,279,130 | 453,976 | 98,704,885 |
| Less amortization for intangible assets: | 74,054 | - | - | 74,054 |
| Total accumulated depreciation/amortization | <u>125,629,116</u> | <u>7,259,698</u> | <u>720,641</u> | <u>132,168,173</u> |
| Other capital assets, net | <u>106,434,684</u> | <u>1,945,930</u> | <u>126,457</u> | <u>108,254,157</u> |
| Business-type activities capital assets, net | <u>\$ 117,371,423</u> | <u>\$ 5,564,949</u> | <u>\$ 4,444,814</u> | <u>\$ 118,491,558</u> |

COMPONENT UNITS:

| | Balance <u>December 31, 2010</u> | Increases | Decreases | Balance <u>December 31, 2011</u> |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Stillwater Medical Center Authority: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,115,409 | \$ - | \$ - | \$ 2,115,409 |
| Construction-in-progress | 2,701,738 | 2,191,290 | 4,138,067 | 754,961 |
| Total capital assets not being depreciated | <u>4,817,147</u> | <u>2,191,290</u> | <u>4,138,067</u> | <u>2,870,370</u> |
| Other capital assets: | | | | |
| Land improvements | 1,462,807 | 11,737 | 156,613 | 1,317,931 |
| Building, improvements and fixed equipment | 47,212,772 | 4,368,851 | 378,069 | 51,203,554 |
| Major moveable equipment | 47,696,820 | 3,503,685 | 394,979 | 50,805,526 |
| Total other at capital assets | <u>96,372,399</u> | <u>7,884,273</u> | <u>929,661</u> | <u>103,327,011</u> |
| Less accumulated depreciation: | <u>61,333,609</u> | <u>4,790,346</u> | <u>881,809</u> | <u>65,242,146</u> |
| Other capital assets, net | <u>35,038,790</u> | <u>3,093,927</u> | <u>47,852</u> | <u>38,084,865</u> |
| Capital assets, net | <u>\$ 39,855,937</u> | <u>\$ 5,285,217</u> | <u>\$ 4,185,919</u> | <u>\$ 40,955,235</u> |

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

Primary Government:

Governmental Activities:

| | |
|--|---------------------|
| Public Safety | \$ 392,226 |
| Recreation and Culture | 641,211 |
| General Government | 395,896 |
| Streets and Sewers | 5,184,255 |
| Health and Welfare | 39,085 |
| Total depreciation expense for governmental activities | <u>\$ 6,652,673</u> |

Business-type Activities:

| | |
|---|---------------------|
| Stillwater Utilities Authority | \$ 6,442,108 |
| Airport (includes amortization of intangible assets) | 816,006 |
| Stillwater Industrial Redevelopment Authority | 1,584 |
| Total depreciation expense for business-type activities | <u>\$ 7,259,698</u> |

Component Units:

| | |
|-------------------------------------|---------------------|
| Stillwater Medical Center Authority | <u>\$ 4,790,346</u> |
|-------------------------------------|---------------------|

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

| <u>Advances from</u> | <u>Advances to</u> |
|-----------------------------------|-------------------------------|
| | Non Major Enterprise funds |
| Stillwater Public Works Authority | \$ 205,000 |

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

| <u>Due from</u> | <u>Due to</u> | | |
|---------------------------------|-------------------|--------------------------------------|-------------------|
| | | Stillwater Utilities Authority | |
| | General Fund | General Fund | Authority |
| General Fund | \$ - | \$ 378,090 | \$ 378,090 |
| Non Major Governmental funds | 10,928 | - | 10,928 |
| Transportation Improvement fund | 2,971 | - | 2,971 |
| Non Major Proprietary funds | 190,064 | - | 190,064 |
| Stillwater Utilities Authority | 297,316 | - | 297,316 |
| | <u>\$ 501,279</u> | <u>\$ 378,090</u> | <u>\$ 879,369</u> |

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

INTERFUND TRANSFERS

Interfund transfers were made to fund cash shortages in the various funds as needed. These shortages occurred due to operating expenditures exceeding fund revenues. Interfund transfers reported in the fund financial statements for the year ended June 30, 2012, consisted of the following:

| <u>Transfers In</u> | <u>Transfers Out</u> | | | | |
|--------------------------------|----------------------|--------------------------------------|------------------------------------|--------------------------------------|----------------------|
| | General Fund | Transporation Improvement Fund | Non major Governmental Funds | Stillwater Utilities Authority | Total |
| General Fund | \$ - | \$ 13,994 | \$ 294,329 | \$ 12,393,813 | \$ 12,702,136 |
| Transp. Impr. Fund | 3,424,570 | - | - | 4,683,640 | 8,108,210 |
| Stillwater Utilities Authority | 6,849,141 | 1,712,285 | - | - | 8,561,426 |
| Non Major Enterprise Funds | 293,971 | - | - | - | 293,971 |
| | <u>\$ 10,567,682</u> | <u>\$ 1,726,279</u> | <u>\$ 294,329</u> | <u>\$ 17,077,453</u> | <u>\$ 29,665,743</u> |

LONG-TERM LIABILITIES

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

Governmental Activities:

At June 30, 2012, the governmental activities long-term debt consisted of the following:

General Obligation Bonds:

| | |
|---|--------------------|
| \$8,390,000 Refunding Bonds of 2010, due in annual installments of ranging from \$795,000 to \$820,000 with a final payment of \$350,000 due June 1, 2021, interest rate of 4.00% | \$ 6,790,000 |
| Plus Unamortized premium | <u>569,342</u> |
| Total general obligation Bonds | <u>\$7,359,342</u> |
| Current portion | \$ 820,000 |
| Non-current portion | <u>6,539,342</u> |
| Total general obligation Bonds | <u>\$7,359,342</u> |

Accrued Compensated Absences-Governmental Activities:

| | |
|------------------------------------|--------------------|
| Current portion | \$ 118,467 |
| Non-current portion | <u>1,980,633</u> |
| Total accrued compensated absences | <u>\$2,099,100</u> |

Stillwater Public Works Authority

Refundable Grant Obligations,

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.

| | |
|------------------------------------|-------------------|
| Total refundable grant obligations | <u>\$ 205,000</u> |
| Current portion | \$ 20,000 |
| Non-current portion | <u>185,000</u> |
| Total refundable grant obligations | <u>\$ 205,000</u> |

Business-type Activities:

As of June 30, 2012 the long-term liabilities payable from business-type activities consisted of the following:

Stillwater Utilities Authority:

Notes Payable:

| | |
|--|---------------------|
| 2002 Oklahoma Water Resources Board (OWRB) SRF Note Payable dated February 28, 2002, original amount of \$3,413,483 with no interest plus an administrative fee of 0.5%, semiannual installments of principal commencing March 15, 2002, through September 2021. | \$1,621,405 |
| 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. | 2,559,945 |
| 2005 OWRB fixed interest rate Note Payable dated June 29, 2005, original amount of \$7,620,000 with interest at 2.6% plus an administrative fee of 0.5%, semiannual installments of principal and interest commencing September 15, 2005, through March 15, 2025. | 5,473,441 |
| 2007 Revenue Note Payable dated December 5, 2007, original amount of \$6,010,000, secured by dedicated ½ cent sales tax revenues, interest rate is 3.68%, semiannual installments of principal and interest commencing December 1, 2008, through December 1, 2016 | 3,505,000 |
| 2009 OWRB DWSRF Note Payable dated November 24, 2009, original amount of \$11,645,000, eligible for \$2,000,000 principal forgiveness from American Recovery and Reinvestment Act grant funds, secured by utility revenues, semiannual principal installments commence no later than March 15, 2013, 2.84% interest plus an administrative fee of 0.5% | 7,371,047 |
| 2009 OWRB CWSRF Note Payable dated November 24, 2009, not to exceed \$1,875,000, eligible for \$578,999.81 principal forgiveness from American Recovery and Reinvestment Act grant funds, secured by utility revenues, semiannual principal installments commence no later than March 15, 2011, 2.34% interest plus an administrative fee of 0.5% | 1,106,173 |
| 2010 Revenue Note dated September 23, 2010, original amount of \$6,075,000, secured by dedicated ½ cent sales tax revenues, interest rate is 2.33%, semiannual installments of principal and interest commencing December 1, 2010 through December 1, 2016 | 4,555,000 |
| United States Army Corp of Engineers Note dated September 26, 1980, original amount of \$1,530,403, 3.222% interest, annual interest and principal installments commencing August 27, 1984 through August 27, 2034 | <u>967,598</u> |
| Total notes payable | <u>\$27,159,609</u> |
| Current portion | \$ 2,773,281 |
| Non-current portion | <u>24,386,328</u> |
| Total notes payable | <u>\$27,159,609</u> |

Revenue Bonds:

| | |
|---|--------------------|
| 2005 Refunding series bonds dated May 11, 2005, original issue amount of \$12,965,000, secured by utility revenues, interest rates range from 3.25% to 5.0%, semiannual interest installments commencing October 1, 2005, through October 1, 2012, annual principal installments commencing October 1, 2005, through October 1, 2012. | 1,585,000 |
| Plus Unamortized premium | 24,598 |
| Less Unamortized loss on defeasance | <u>(3,990)</u> |
| Total revenue bonds | <u>\$1,605,608</u> |
| Current portion | \$1,605,608 |
| Non-current portion | <u>-</u> |
| Total revenue bonds payable | <u>\$1,605,608</u> |

Capital Lease Obligations:

| | |
|---|--------------------|
| Total machinery and equipment financed by capital lease obligations | \$3,385,360 |
| Less accumulated depreciation | <u>(846,306)</u> |
| Net assets financed by leases | <u>\$2,539,054</u> |

Borrowings have been advanced pursuant to a credit agreement with Banc of America Leasing and Capital LLC that provided, until September 30, 2012, for the purchase of equipment. In September, 2011, the agreement was amended to decrease the maximum equipment cost approved for financing from \$2.3 million to \$2 million. A fixed interest rate is determined at the time of funding. Total borrowing under this credit agreement at June 30, 2012 was \$0.4 million. Certain schedules under the Bank of America, N.A. master lease agreement were assigned to Capital One Public Financing, LLC on March 22, 2012. Those schedules are denoted with a (*) below.

| | |
|--|------------|
| \$553,307 capital lease with Capital One for equipment; fixed interest rate of 4.09%, semiannual installments commencing December 15, 2006, through June 15, 2014. * | \$ 155,553 |
| \$96,543 capital lease with Capital One for equipment, fixed interest rate of 2.4412%, monthly installments commencing April 15, 2010 through March 15, 2013 * | 24,802 |
| \$20,161 capital lease with Capital One for equipment, fixed interest rate of 3.0902%, monthly installments commencing April 15, 2010 through March 15, 2015 * | 11,472 |
| \$391,032 capital lease with Capital One for equipment, fixed interest rate of 3.1942%, monthly installments commencing April 30, 2010 through March 30, 2015 * | 222,761 |
| \$29,700 capital lease with Capital One for equipment, fixed interest rate of 2.5322%, monthly installments commencing April 30, 2010 through March 30, 2013 * | 7,637 |

| | |
|---|---------|
| \$481,057 capital lease with Capital One for equipment, fixed interest rate of 3.2397%, monthly installments commencing May 15, 2010 through April 15, 2015 * | 282,114 |
| \$201,802 capital lease with Capital One for equipment, fixed interest rate of 3.1617%, monthly installments commencing June 15, 2010 through June 15, 2015 * | 122,971 |
| \$54,783 capital lease with Capital One for equipment, fixed interest rate of 3.1487%, monthly installments commencing June 15, 2010 through May 15, 2015 * | 32,944 |
| \$12,524 capital lease with Capital One for equipment, fixed interest rate of 2.9342%, monthly installments commencing July 30, 2010 through June 30, 2015 * | 7,733 |
| \$245,932 capital lease with Capital One for equipment, fixed interest rate of 2.8172%, monthly installments commencing August 30, 2010 through July 30, 2015 * | 155,724 |
| \$223,024 capital lease with Capital One for equipment, fixed interest rate of 2.6612%, monthly installments commencing September 30, 2010 through August 30, 2015 * | 144,669 |
| \$43,166 capital lease with Capital One for equipment, fixed interest rate of 2.6677%, monthly installments commencing October 15, 2010 through September 15, 2015 * | 28,708 |
| \$313,375 capital lease with Capital One for equipment, fixed interest rate of 2.6612%, monthly installments commencing January 15, 2011 through December 15, 2015 * | 223,696 |
| \$15,000 capital lease with Capital One for equipment, fixed interest rate of 2.9082%, monthly installments commencing April 30, 2011 through March 30, 2016 * | 11,451 |
| \$19,548 capital lease with Capital One for equipment, fixed interest rate of 2.6612%, monthly installments commencing July 30, 2011 through June 30, 2016 * | 15,843 |
| \$124,760 capital lease with Capital One for equipment, fixed interest rate of 2.4337%, monthly installments commencing October 30, 2011 through September 30, 2016 * | 107,064 |
| \$141,282 capital lease with Capital One for equipment, fixed interest rate of 2.1552%, monthly installments commencing November 15, 2011 through October 15, 2014 * | 110,677 |

| | |
|---|--------------------|
| \$258,550 capital lease with Capital One for equipment, fixed interest rate of 2.5442%, monthly installments commencing January 15, 2012 through December 15, 2016 * | 234,148 |
| \$170,785 capital lease with Bank of America for equipment, fixed interest rate of 2.1422%, monthly installments commencing February 29, 2012 through January, 30, 2015 | 152,381 |
| \$123,127 capital lease with Bank of America for equipment, fixed interest rate of 2.4857%, monthly installments commencing February 29, 2012 through January, 30, 2017 | 115,418 |
| \$92,387 capital lease with Bank of America for equipment, fixed interest rate of 2.4597%, monthly installments commencing June 15, 2012 through May, 15, 2017 | 90,938 |
| Other capital lease borrowings: | |
| \$218,439 capital lease with Empire Financial Services, Inc. for equipment; fixed interest rate of 4.49%, monthly installments commencing July 7, 2008, through June 7, 2013. | 47,508 |
| \$185,760 capital lease with Capital One Public Funding, LLC for equipment; fixed interest rate of 5.06%, semiannual installments commencing December 21, 2008, through June 21, 2013 | <u>40,956</u> |
| Total capital leases | <u>\$2,347,168</u> |
| Current portion | \$825,022 |
| Non-current portion | <u>1,522,146</u> |
| Total capital leases | <u>\$2,347,168</u> |
| Accrued Compensated Absences – Business-type activities: | |
| Current portion | \$ 60,009 |
| Non-current portion | <u>707,549</u> |
| Total accrued compensated absences | <u>\$ 767,558</u> |
| <u>Component Unit:</u> | |
| <u>Stillwater Medical Center Authority</u> | |
| Revenue Bonds | |
| 2005 Series A Revenue bonds original issue amount of \$12,715,000, dated May 2005, secured by gross revenues and trustee-held assets, interest rates from 4.50% to 5.25%, principal payable annually and interest semiannually, through May 15, 2019. | \$8,135,000 |
| Less loss on bond defeasance | (430,489) |
| Plus original issue premium | <u>149,560</u> |
| Net bond issue | <u>\$7,854,071</u> |

| | |
|---|---------------------|
| 2003 series Revenue bonds original issue amount of \$7,000,000 dated May 2003 secured by gross revenues and trustee held assets, interest at 5.625%, principal paid annually and interest paid semiannually beginning May 15, 2018, through May 15, 2023. | <u>\$ 7,000,000</u> |
| Total revenue bonds | <u>\$14,854,071</u> |
| Current portion | \$ 861,692 |
| Non-current portion | <u>13,992,379</u> |
| Total revenue bonds | <u>\$14,854,071</u> |
| Capital lease obligations | |
| Total capital assets financed by capital lease obligations | \$3,099,762 |
| Less accumulated depreciation | <u>(1,691,307)</u> |
| Net assets financed by capital lease obligations | <u>\$ 1,408,455</u> |
| Capital lease issued for equipment, interest rate of 4.04% | <u>\$273,473</u> |
| Current portion | \$273,747 |
| Non-current portion | <u> -</u> |
| Total capital lease obligations | <u>\$ 273,747</u> |

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

The following is a summary of the changes in long-term liabilities:

| Type of Debt | Balance | | | Balance | Amounts |
|--|----------------------|---------------------|---------------------|----------------------|---------------------|
| | June 30, 2011 | Additions | Reductions | | |
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| General obligation Bonds | \$ 8,247,737 | \$ - | \$ 888,395 | \$ 7,359,342 | \$ 820,000 |
| Refundable grant obligations | 239,442 | - | 34,442 | 205,000 | 20,000 |
| Accrued compensated absences | 1,980,633 | 2,221,418 | 2,102,951 | 2,099,100 | 118,467 |
| Other post employment benefits obligations | 1,523,294 | 335,981 | 38,262 | 1,821,013 | - |
| Total governmental activities | \$ 11,991,106 | \$ 2,557,399 | \$ 3,064,050 | \$ 11,484,455 | \$ 958,467 |
| Business-type Activities | | | | | |
| Capital lease obligations | \$ 2,127,695 | \$ 910,891 | \$ 691,418 | \$ 2,347,168 | \$ 825,022 |
| Notes payable | 27,062,465 | 2,685,611 | 2,588,467 | 27,159,609 | 2,773,281 |
| Revenue bonds payable; net | 4,877,590 | - | 3,271,982 | 1,605,608 | 1,605,608 |
| Refundable grant obligation | 15,322 | 30,306 | 21,714 | 23,914 | 23,914 |
| Customer deposits | 1,146,107 | 748,911 | 696,572 | 1,198,446 | 675,034 |
| Accrued compensated absences | 765,519 | 776,280 | 774,241 | 767,558 | 60,009 |
| Other post employment benefits obligations | 601,970 | 143,992 | 16,397 | 729,565 | - |
| Total business-type activities | \$ 36,596,668 | \$ 5,295,991 | \$ 8,060,791 | \$ 33,831,868 | \$ 5,962,868 |
| Component Unit: | | | | | |
| Stillwater Medical Center Authority | | | | | |
| Revenue bonds payable; net | \$ 15,670,763 | \$ - | \$ 816,692 | \$ 14,854,071 | \$ 861,692 |
| Capital lease obligations | 912,273 | - | 638,526 | 273,747 | 273,747 |
| | \$ 16,583,036 | \$ - | \$ 1,455,218 | \$ 15,127,818 | \$ 1,135,439 |

For governmental activities, compensated absences and net OPEB obligations are generally liquidated by the general fund.

Annual Debt Service Requirements-Primary Government

The annual debt service requirements to maturity, including principal and interest, for long-term liabilities as of June 30, 2012 are as follows:

| Year Ending June 30, | Governmental Activities | | | |
|-------------------------|----------------------------|---------------------|---------------------------------|----------|
| | General Obligation | | Refundable Grant Obligations | |
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 820,000 | \$ 271,600 | \$ 20,000 | - |
| 2014 | 815,000 | 238,800 | 20,000 | - |
| 2015 | 810,000 | 206,200 | 20,000 | - |
| 2016 | 805,000 | 173,800 | 20,000 | - |
| 2017 | 800,000 | 141,600 | 20,000 | - |
| 2018-2022 | 2,740,000 | 247,000 | 80,000 | - |
| 2023 | - | - | 25,000 | - |
| Total | \$ 6,790,000 | \$ 1,279,000 | \$ 205,000 | - |

Business-Type Activities

| Year Ending June 30, | Revenue Bonds | | Capital leases | | Notes Payable | |
|-------------------------|---------------------|------------------|---------------------|-------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | \$ 1,585,000 | \$ 39,625 | \$ 825,022 | \$ 57,980 | \$ 2,773,281 | \$ 721,306 |
| 2014 | - | - | 718,064 | 33,880 | 3,083,104 | 644,159 |
| 2015 | - | - | 558,600 | 13,941 | 3,160,406 | 560,883 |
| 2016 | - | - | 178,548 | 3,751 | 3,247,735 | 475,640 |
| 2017 | - | - | 66,934 | 576 | 2,341,181 | 387,043 |
| 2018-2022 | - | - | - | - | 7,031,746 | 1,357,121 |
| 2023-2027 | - | - | - | - | 4,486,484 | 514,207 |
| 2028-2032 | - | - | - | - | 866,086 | 71,152 |
| 2033-2037 | - | - | - | - | 169,586 | 11,044 |
| Total | \$ 1,585,000 | \$ 39,625 | \$ 2,347,168 | \$ 110,128 | \$ 27,159,609 | \$ 4,742,555 |

Component Unit

| Year Ending December 31, | Revenue Bonds | | Capital Leases | |
|-----------------------------|----------------------|---------------------|-------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$ 900,000 | \$ 789,350 | \$ 273,747 | \$ 2,771 |
| 2013 | 950,000 | 740,788 | - | - |
| 2014 | 990,000 | 689,862 | - | - |
| 2015 | 1,050,000 | 636,312 | - | - |
| 2016 | 1,100,000 | 579,875 | - | - |
| 2017-2021 | 6,350,000 | 2,061,751 | - | - |
| 2022-2026 | 3,795,000 | 342,280 | - | - |
| Total | \$ 15,135,000 | \$ 5,840,218 | \$ 273,747 | \$ 2,771 |

(4) EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Nonuniformed Employees

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

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

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

The total contribution, net of forfeitures, for the year ended June 30, 2012, was \$1,766,575 which consisted of \$828,955 (net of \$195,571 in forfeitures) from the City and \$937,620 from employees.

The Hospital also participates in the Oklahoma Municipal Retirement Defined Contribution Plan. All full-time employees of the Hospital are covered. The Hospital and employees contribute 6% and 3%, respectively of eligible salaries into the plan. Contributions, net of forfeitures, were approximately \$1,650,000 from the Hospital and \$817,000 from employees for the year ended December 31, 2011. Forfeitures of \$183,081 were applied to the Hospital's required 6% contribution.

Defined Benefit (Retiree) Plan In 1985, the City replaced a defined benefit plan with the current defined contribution 401(a) plan. The assets of the defined benefit plan were apportioned to all eligible participants in the plan as of June 30, 1985, except those assets attributable to retired participants as of June 30, 1985, which were used to fund the future retirement benefits of such retired participants. This plan is closed to new entrants. The plan is administered by the Oklahoma Municipal Retirement Fund (OMRF) as an agent multiple-employer plan. The balances and activity of this plan are reported in the City's financial statements as a fiduciary fund, "Retiree-only defined benefit plan". Although this plan is considerably overfunded, the plan assets are not available for City use until such time as the obligation to pay the remaining retirees is exhausted.

Investments of this plan are stated at fair value based on published market prices and are impacted by interest rate changes and market conditions as well as, for securities of foreign governments, domestic international and world trade policies. Debt and equity securities are reported at fair value using pricing services or prices quoted by independent brokers at current exchange rates.

The administrator's investment policy limits the concentration of each portfolio manager. No direct investment in any one organization represents 5% or more of the net assets held in trust for pension benefits.

Contributions to the plan and actuarial information included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

As of January 1, 2012 the funded status of the defined benefit plan was as follows:

| | |
|---|-----------------------|
| Actuarial accrued liability (AAL) | \$ 72,736 |
| Actuarial value of plan assets | 5,505,421 |
| (Overfunded) actuarial accrued liability (UAAL) | <u>\$ (5,432,685)</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 7569.0% |
| Annual covered payroll (active plan members) | N/A |
| UAAL as a percentage of annual covered payroll | N/A |

Oklahoma Police And Firefighter's Pension And Retirement Systems

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

| | <u>Oklahoma Police Pension and Retirement System</u> | <u>Oklahoma Firefighter's Pension and Retirement System</u> |
|--|---|---|
| Obtaining separately issued financial statements | Police Pension and Retirement 1001 N.W. 63 rd St. Suite 305 Oklahoma City Ok 73116-7335 | Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Suite 265 Oklahoma City, Ok. 73105-3414 |
| Authority establishing contribution obligations and benefits | State Statute | State Statute |
| 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 |
| Employee's required contribution rate (percent of covered payroll) | 8% | 8% |
| City's required contribution rate (percent of covered payroll) | 13% | 13% |
| State obligation | State appropriation to fund the unfunded actuarial accrued liability | State appropriation to fund the unfunded actuarial accrued liability |
| Periods required to vest | 10 years | 10 years |
| Eligibility and benefits for distribution (full-time) | 20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested at or after age 50 or after 10 but before 20 years of credited service with reduced benefits | 20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested at or after age 50 or after 10 but before 20 years of credited service with reduced benefits |
| Deferred retirement option | Yes. 20 years credited service with additional option to participate in deferred compensation plan (Louisiana Plan) | Yes. 20 years credited service with continued service for a maximum of 30 years |
| Provisions for: Cost of living adjustments (normal retirement) | Yes | Yes |

| | Oklahoma Police Pension and <u>Retirement System</u> | Oklahoma Firefighter's Pension and <u>Retirement System</u> |
|---|--|---|
| Death (duty, non-duty, post retirement) | Yes | Yes |
| Disability (duty, non-duty) | Yes | Yes |
| Cost of living allowances | Yes | Yes |

Retirement System

Trend Information:

Contributions required by State statute:

| Fiscal Year | <u>Oklahoma Police and Pension Retirement System</u> | | <u>Oklahoma Firefighter's Pension and Retirement System</u> | |
|-------------|--|------------------------|---|------------------------|
| | City's Required Contribution | Percentage Contributed | City's Required Contribution | Percentage Contributed |
| 2008 | \$521,301 | 100% | \$540,976 | 100% |
| 2009 | 556,387 | 100% | 542,879 | 100% |
| 2010 | 574,277 | 100% | 583,934 | 100% |
| 2011 | 569,206 | 100% | 559,821 | 100% |
| 2012 | 612,606 | 100% | 571,908 | 100% |

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

The total amount contributed to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighter's Pension and Retirement System by the State of Oklahoma on behalf of the City was approximately \$523,869 and \$1,145,856, respectively.

Related Party Investments

As of June 30, 2012 the Systems held no related-party investments of the City or of its related entities.

(5) RISK MANAGEMENT

As of June 30, 2012, claims outstanding against the City and its public authorities were \$2,343,687 and is accrued under the heading "Accrued Liabilities" in the accompanying financial statements. Liabilities were accrued for tort claims, general liability claims and employee health insurance claims. The City is self-insured for group medical, general liability, workers compensation, unemployment, and property damage. The City has a reinsurance policy which limits the City's liability for major medical to \$110,000 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. The claims liability for health claims incurred but not reported is estimated by management using a five-month claims lag analysis. The claims liability for workers compensation claims and judgments is estimated using information provided by a third party administrator based on their opinion of probable outcome of litigation. The balance of the claim liability is expected to be paid within the next year and is included in accrued liabilities on the statement of net assets. All claims are paid from the consolidated cash account, funded by the General Fund. Changes in the balances of claims liabilities during fiscal years 2011-2012 and 2010-2011 were as follows:

| | Beginning Liability Balance | Current Year Claims and Changes in Estimates | Claim Payments | Ending Liability Balance |
|-----------|-----------------------------------|---|-------------------|--------------------------------|
| 2011-2012 | \$ 1,934,084 | \$ 7,345,551 | \$ 6,935,948 | \$ 2,343,687 |
| 2010-2011 | 2,150,375 | 4,846,887 | 5,063,178 | 1,934,084 |

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

The Hospital partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for specific claims in excess of \$100,000 up to \$1,000,000. The Hospital purchases commercial stop-loss insurance coverage for total claims in the aggregate amount of \$100,000 up to \$1,000,000. A provision is accrued for self-insured employee health claims and workers' compensation claims, including other claims reported and claims incurred but not yet reported. The accruals are estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the estimates will change by a material amount in the near term.

Activity in the Hospital's accrued employee health and workers' compensation claims liability during 2011 and 2010 is summarized as follows

| | Beginning Liability Balance | Current Year Claims and Changes in Estimates | Claim Payments | Ending Liability Balance |
|------|-----------------------------------|---|-------------------|--------------------------------|
| 2011 | \$ 1,032,015 | \$ 4,607,569 | \$ 4,746,903 | \$ 892,681 |
| 2010 | 1,250,000 | 3,904,525 | 4,122,510 | 1,032,015 |

(6) CONTINGENT LIABILITIES, LITIGATION AND COMMITMENTS

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

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

The City was involved in a taxpayer lawsuit, Dedrickson vs. City, et al, Case No. CJ-2008-97, District Court of Payne County. The suit alleged the Stillwater Utilities Authority unlawfully diverted earmarked tax revenues into the City's general fund. The Plaintiffs sought return of \$54 million to the SUA. Following a bench trial in November 2010, the district court entered judgment in favor of the City and the Authority. The trial court's judgment was affirmed by the Oklahoma Court of Civil Appeals on August 31, 2012. The plaintiffs filed an appeal asking the Oklahoma Supreme Court to review the opinion of the Court of Civil Appeals. In December, 2012 the appeal was denied by the Oklahoma Supreme Court.

In July 2006, SUA and Rural Water Corporation No 3 entered into a purchase agreement in which the Authority agreed to consolidate the two water distribution systems. In September 2010, the Rural Water Advisory Board, the Rural Water Corporation No.3 Board, and the Authority's Trustees approved amendment of the initial July 2006 purchase agreement. The amended agreement identifies specific improvements and upgrades to be made to the system and provides a timeline for completion. All improvements and upgrades are subject to funding availability.

The Hospital has commitments for noncallable operating leases for primary care outpatient offices which expire in various years through October 2019. These leases generally contain renewal options for periods ranging from five to ten years and require the Hospital to pay all executory costs (property taxes, maintenance and insurance). Future minimum lease payments at December 31, 2011, were approximately:

| | | |
|-----------|----|------------------|
| 2012 | \$ | 626,000 |
| 2013 | | 589,000 |
| 2014 | | 606,000 |
| 2015 | | 610,000 |
| 2016 | | 615,000 |
| 2017-2019 | | 762,000 |
| | \$ | <u>3,808,000</u> |

(7) POST-RETIREMENT BENEFITS

Plan Description In addition to the pension benefits described in Note 4, the City sponsors and administers a self-funded, single employer defined benefit plan providing post-retirement health care benefits to all employees who retire from the City on or after attaining age 55 with at least 10 years of service. Police and Fire personnel are eligible based on the retirement requirements for their pension plans. The election to participate must be made at the time of separation from service. At June 30, 2012, eleven retiree-related participants (retirees, and/or spouses, and/or families) were participating in the City health care plan. There were three retirees who met the eligibility requirements at June 30 who did not choose to participate. The City requires a monthly premium based on City-wide claim trends of the previous fiscal year. The premium rate for retirees is adjusted each July 1st. Upon monthly payment of this premium, the City covers all medical expenses just as for active employees on a pay-as-you-go basis. Coverage is

available until the first day of the month in which the retiree reaches his or her Medicare eligibility age (currently 65). If the spouse of a retiree is covered at the time the retiree comes off of the plan at age 65, that spouse is COBRA-eligible until age 65 or for 36 months, whichever is less. During the fiscal year ended June 30, 2012, net expenditures of \$233,064 were attributable to post-retirement health care. The plan does not issue a stand-alone report.

Funding Policy The City funds healthcare benefits on a pay-as-you-go basis utilizing a third party administrator, Blue Cross Blue Shield of Oklahoma. Eligible employees are required to pay set premiums for a portion of the cost, with the City subsidizing the remaining costs. Contribution requirements of active employees are established and amended as needed by the City Council. Premium rates for retirees and COBRA participants are set by City management upon recommendations provided by the third party administrators and the City's re-insurance agent. The required monthly contribution rates for plan members for fiscal year 2012 range from \$37 to \$313 for active employees, \$388 to \$1,440 for retired participants, and \$395 to \$1,469 for COBRA participants.

Annual OPEB Cost and Net OPEB Obligation The City's annual other post employment benefits (OPEB) cost in the first year of implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, is equal to the annual required contribution (ARC). In subsequent years, the annual OPEB cost will be equal to the ARC plus an adjustment if the ARC is not funded each year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year plus any unfunded actuarial liabilities as amortized over thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

| | |
|--|---------------------|
| Annual required contribution | \$ 579,956 |
| Interest on prior year net OPEB obligation | 102,011 |
| Adjustment to annual required contribution | <u>(201,994)</u> |
| Annual OPEB cost | 479,973 |
| Employer contributions | <u>54,659</u> |
| Increase in net OPEB obligation | 425,314 |
| Beginning OPEB obligation | 2,125,264 |
| Ending OPEB obligation | <u>\$ 2,550,578</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior years are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Net Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|---------------------------|--|---------------------|
| 6/30/2012 | \$ 479,973 | \$ 54,659 | 11.0% | \$ 2,550,578 |
| 6/30/2011 | 760,001 | 103,155 | 14.0% | 2,125,264 |
| 6/30/2010 | 887,362 | 77,985 | 9.0% | 1,468,419 |
| 6/30/2009 | 724,310 | 65,268 | 9.0% | 659,042 |

Funding Status and Funding Progress The unfunded actuarial liability is being amortized using a closed period level dollar amortization over 30 years, beginning July 1, 2008. As of July 1, 2011, the funded status of the retiree health plan was as follows:

| | | |
|---|----|------------------|
| Actuarial accrued liability (AAL) | \$ | 4,581,662 |
| Actuarial value of plan assets | | - |
| Unfunded actuarial accrued liability (UAAL) | \$ | <u>4,581,662</u> |
| | | |
| Funded ratio (actuarial value of plan assets/AAL) | | 0.00% |
| Annual covered payroll (active plan members) | \$ | 23,850,000 |
| UAAL as a percentage of annual covered payroll | | 19.2% |

Actuarial Methods and Assumptions Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the actuarial valuation as of July 1, 2011, the projected unit credit (PUC) actuarial cost method was used to measure accruing costs. Under the principals of the PUC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated pro-rata to each year of service between entry age and assumed exit. The actuarial valuation utilized several significant assumptions affecting the valuation results including the medical claims costs assumptions, the medical trend assumptions, and the discount rate. The resulting annual required contribution was based on a 4.8% discount rate and a medical trend rate beginning at 5.75% in 2011 and grading to 5% in 2013. Additionally, it was assumed that 50% of future retired participants would opt for retiree health care coverage. It was also assumed that 50% of future retirees who opt for health care coverage would cover a spouse at retirement.

(8) REVENUES PLEDGED

SUA has pledged future sales tax revenues to repay a \$6,010,000 note issued in December 2007 and a \$6,075,000 note issued in September 2010 to finance transportation improvement projects identified in the 2006 Transportation Sales Tax Ordinance. The notes are payable solely from sales tax revenue equal to one half of the one-half cent transportation sales tax collected by the City and transferred to SUA by way of the Sales Tax Agreement. Sales taxes are projected to produce 100 percent of the debt service requirements over the life of the notes. Total principal and interest remaining on the 2007 note is \$3,836,016, payable semiannually commencing December 2008 and concluding December 2016. Total principal and interest remaining on the 2010 note is \$4,826,562 payable semiannually commencing December 2010 and concluding December 2016. For the current year, total sales tax revenues were \$1,712,285.

SUA has pledged future sales tax revenues and future utility revenues, net of operating and maintenance expenses, to repay debt obligations. Proceeds from the debt issues financed the refunding of prior debt obligations of SUA and the Stillwater Public Golf Authority and refinanced outstanding balances of notes to the OWRB. The debt obligations are payable from the one cent sales tax revenue dedicated to SUA by City Ordinance No. 1835 and from net revenues derived from the existence and operation of the utility system to the extent sales tax revenue fails to cover the debt obligations. Pledged revenues are projected

to produce 125 percent of the debt service requirements over the life of the debt. For the current year, sales tax revenues were \$6,849,141 and net revenues were \$19,948,685.

Ad valorem revenue can only be collected to pay principal and interest on general obligation bonds or court assessed judgments. Levying of an ad valorem tax requires a vote of the citizens. The City had pledged future ad valorem taxes to repay the \$8,500,000 2000 General Obligation bonds and the \$6,470,000 2001 General Obligation bonds used to provide financing for the construction and remodel of the City Hall/Police building. These bonds were refunded during the fiscal year ended June 30, 2010. The refunding bonds of \$8,390,000 are due in payments commencing June, 2011 through June, 2021. The total principal and interest payable for the remainder of the life of these bonds is \$8,069,000. Ad valorem taxes received in the current year were \$1,360,081. Debt service payments of \$1,130,000 in the current fiscal year were 83% of the total ad valorem taxes received.

The following is a summary of the debt issues requiring a pledge of revenues:

| Debt Issue | Issue Amount | Issue Date | Maturity Date | Remaining Principal and Interest | Current Year Principal and Interest |
|---|---------------|------------|---------------|----------------------------------|-------------------------------------|
| 2005 Refunding Series Bonds | \$ 12,965,000 | May 2005 | Oct 2012 | \$ 1,624,625 | \$ 3,349,000 |
| 2007 Revenue Bonds | 6,010,000 | Dec 2007 | Dec 2016 | 3,836,016 | 847,360 |
| 2010 Revenue Bonds | 6,075,000 | Sept 2010 | Dec 2016 | 4,826,562 | 1,050,656 |
| 2002 OWRB SRF Note | 3,413,483 | Feb 2002 | Sept 2021 | 1,662,539 | 179,568 |
| 2002 OWRB SRF Note | 4,876,086 | Dec 2002 | Sept 2022 | 2,631,603 | 257,749 |
| 2005 OWRB Fixed Rate Note | 7,620,000 | Jun 2005 | Mar 2025 | 6,710,995 | 516,230 |
| 2009 OWRB DWSRF Note | 11,645,000 | Nov 2009 | Sept 2032 | 9,504,074 | 187,283 |
| 2009 OWRB CWSRF Note | 1,875,000 | Nov 2009 | Sept 2030 | 1,345,765 | 107,330 |
| 2010 Refunding General Obligation Bonds | 8,390,000 | June 2011 | June 2021 | 8,069,000 | 1,091,600 |

(9) COMPONENT UNIT BUSINESS ACQUISITIONS AND ASSOCIATED GOODWILL

On December 21, 2009, the Hospital acquired 100% of the assets of Stillwater Surgery Center, L.L.C., an outpatient ambulatory surgery center providing surgery services to patients of the surrounding geographic area. The results of the surgery center's operations have been included in the financial statements of the Hospital since that date.

The excess of the purchase price over the fair value of the assets and liabilities is attributable to goodwill. Goodwill will be amortized on the straight-line basis over 15 years. Amortization expense is estimated to be approximately \$388,000 each year through 2024.

(10) COMPONENT UNIT INVESTMENTS IN JOINT VENTURES

The Hospital's investments in joint ventures relate to a 9% ownership in Heartland Healthcare Reciprocal Risk Retention Group which is accounted for using the equity method of accounting; a 62% ownership in Stillwater Medical Center Imaging, LLC which is accounted for using the equity method (as the Authority only controls 50% of the entity); a 50% ownership in Women First, LLC which is accounted for using the equity method; and a 9% ownership in Fresenius Medical Care-Stillwater, LLC which is accounted for using the cost method.

Heartland Healthcare Reciprocal Risk Retention Group (Heartland) provides insurance coverage. The Hospital paid approximately \$181,700 to purchase its professional liability (medical malpractice) and general liability insurance from Heartland during the year ended December 31, 2011. The Hospital's investment in Heartland was \$739,949 at December 31, 2011.

Stillwater Medical Imaging, LLC (SMI) owns and operates MRI, CT and other imaging equipment. The Hospital purchases imaging services for its patients from the joint venture. Included in accounts receivable of the Hospital is approximately \$357,000 at December 31, 2011 due to the joint venture. During the year ended December 31, 2011, the Hospital earned approximately \$941,000 in fees from billing and collection services related to SMI. The Hospital's investment in SMI was \$763,201 at December 31, 2011.

The Hospital purchases digital mammography and bone density services for its patients from Women First, LLC. Approximately \$54,000 is included in accounts payable of the Hospital at December 31, 2011 due to the joint venture. During the year ended December 31, 2011, Women First reimbursed the Hospital approximately \$366,000 for expenses the Hospital incurred to manage its operations. The Hospital's investment in Women First was \$102,425 at December 31, 2011.

Fresenius Medical Care-Stillwater, LLC provides dialysis services to residents of Stillwater and the surrounding area. The Hospital did not have any transactions with Fresenius Medical Care-Stillwater, LLC during the year ended December 31, 2011. The Hospital's investment in Fresenius was \$245,395 at December 31, 2011.

Complete financial statements of these joint venture entities may be obtained by contacting the Hospital's management.

(11) PRIOR PERIOD ADJUSTMENT

An SUA debt obligation with the United States Army Corp of Engineers (USACE) for water storage space at Kaw Lake and the related intangible asset were not reported in previously issued financial statements. The annual debt retirement was previously reported as an operations and maintenance expense which necessitated an increase to beginning net assets of the Stillwater Utilities Authority in the amount of \$534,678 as of July 1, 2011. There was no effect on current year revenue or expenditures as a result of this adjustment. The intangible asset is reported at \$1,530,403.

SPWA land was partially erroneously reported as a City asset and was partially not reported in previously issued financial statements. Land of \$322,500 was erroneously reported as a City asset while \$123,000 was not reported. This necessitated an increase to the beginning net assets of the Stillwater Public Works Authority in the amount of \$445,500 as of July 1, 2011 and an increase in the governmental activities beginning net assets balance as of July 1, 2011 in the amount of \$123,000.

(12) RECENTLY ISSUED ACCOUNTING STANDARDS

The following accounting standards have been recently issued and will be adopted as applicable by the Authority. Unless otherwise noted below, management has not yet determined the impact of these Statements on the City's financial statements.

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" – This Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement will become effective for the City in the fiscal year ending June 30, 2013.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34" – This Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, "The Financial Reporting Entity" and the related

financial reporting requirements of Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments" were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement will become effective for the City in the fiscal year ending June 30, 2013.

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" – This Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. This Statement will become effective for the City in the fiscal year ending June 30, 2013.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" – This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concept Statement No. 4, "Elements of Financial Statements", introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement will become effective for the City in the fiscal year ending June 30, 2013.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination provisions—an amendment of GASB Statement No. 53" – The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement became effective for the City in the fiscal year ended June 30, 2012 and did not have a material impact on the City's financial statements.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" – This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement will become effective for the City in the fiscal year ended June 30, 2014.

GASB Statement No. 66, "Technical Corrections-2012-and Amendment of GASB Statements No. 10 and No. 62" – The objective of this Statement is to improve accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement will become effective for the City in the fiscal year ended June 30, 2014.

GASB Statement No. 67, "Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25" – The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement will become effective for the City in the fiscal year ended June 30, 2014.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" – The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement will become effective for the City in the fiscal year ended June 30, 2015.

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF STILLWATER, OKLAHOMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -- BUDGET AND ACTUAL (BUDGET BASIS) -- GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|------------------------------|--------------------|-------------------|-------------------|-------------------------------|
| REVENUES | | | | |
| Sales tax | \$ 24,104,000 | \$ 25,104,000 | \$ 25,285,215 | \$ 181,215 |
| Other taxes | 2,133,700 | 2,163,700 | 2,341,173 | 177,473 |
| Intergovernmental | 66,600 | 908,204 | 145,303 | (762,901) |
| Charges for services | 972,100 | 972,100 | 691,407 | (280,693) |
| Fines and forfeits | 644,300 | 644,300 | 708,506 | 64,206 |
| Fees and rentals | 1,372,850 | 1,387,850 | 1,478,384 | 90,534 |
| Investment income | 62,600 | 62,600 | 50,011 | (12,589) |
| Licenses and permits | 169,500 | 169,500 | 268,209 | 98,709 |
| Other miscellaneous revenue | 569,800 | 573,800 | 867,331 | 293,531 |
| Total revenues | <u>30,095,450</u> | <u>31,986,054</u> | <u>31,835,539</u> | <u>(150,515)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety: | | | | |
| Police: | | | | |
| Personal services | 9,238,078 | 9,603,188 | 9,348,168 | 255,020 |
| Materials and supplies | 701,577 | 713,227 | 598,603 | 114,624 |
| Contract services | 409,200 | 449,575 | 280,440 | 169,135 |
| Fire: | | | | |
| Personal services | 6,490,541 | 6,909,457 | 6,851,454 | 58,003 |
| Materials and supplies | 286,772 | 284,622 | 237,872 | 46,750 |
| Contract services | 414,778 | 427,029 | 333,361 | 93,668 |
| Total public safety | <u>17,540,946</u> | <u>18,387,098</u> | <u>17,649,898</u> | <u>737,200</u> |
| Recreation and culture: | | | | |
| Parks and recreation: | | | | |
| Personal services | 2,899,290 | 2,893,277 | 2,786,280 | 106,997 |
| Materials and supplies | 639,166 | 641,381 | 584,653 | 56,728 |
| Contract services | 395,408 | 409,119 | 314,954 | 94,165 |
| Library: | | | | |
| Personal services | 981,161 | 1,050,396 | 1,025,455 | 24,941 |
| Materials and supplies | 146,652 | 156,052 | 147,541 | 8,511 |
| Contract services | 120,045 | 223,715 | 203,554 | 20,161 |
| Total recreation and culture | <u>5,181,722</u> | <u>5,373,940</u> | <u>5,062,437</u> | <u>311,503</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, 2012
(continued)

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|-----------------------------------|--------------------|-------------------|------------------|-------------------------------|
| General Government: | | | | |
| Personal services | 5,805,122 | 7,406,270 | 1,602,155 | 5,804,115 |
| Materials and supplies | 163,656 | 162,556 | 138,548 | 24,008 |
| Contract services | 2,832,813 | 3,343,050 | 1,589,842 | 1,753,208 |
| Total General government | <u>8,801,591</u> | <u>10,911,876</u> | <u>3,330,545</u> | <u>7,581,331</u> |
| Financial administration: | | | | |
| Personal services | 562,365 | 577,429 | 558,041 | 19,388 |
| Materials and supplies | 72,600 | 71,685 | 50,716 | 20,969 |
| Contract services | 23,578 | 24,493 | (17,045) | 41,538 |
| Total financial administration | <u>658,543</u> | <u>673,607</u> | <u>591,712</u> | <u>81,895</u> |
| Public works administration: | | | | |
| Personal services | 504,400 | 359,890 | 321,366 | 38,524 |
| Materials and supplies | 96,372 | 97,032 | 94,472 | 2,560 |
| Contract services | 56,900 | 132,540 | 62,768 | 69,772 |
| Total public works administration | <u>657,672</u> | <u>589,462</u> | <u>478,606</u> | <u>110,856</u> |
| Street and sewers: | | | | |
| Personal services | 1,604,220 | 1,701,675 | 1,621,709 | 79,966 |
| Materials and supplies | 641,553 | 666,050 | 511,286 | 154,764 |
| Contract services | 350,000 | 711,854 | 344,842 | 367,012 |
| Total street and sewers | <u>2,595,773</u> | <u>3,079,579</u> | <u>2,477,837</u> | <u>601,742</u> |
| Human services: | | | | |
| Health: | | | | |
| Materials and supplies | 59,000 | 58,000 | 23,561 | 34,439 |
| Contract services | 44,869 | 44,718 | 24,346 | 20,372 |
| Community Development: | | | | |
| Personal services | 1,213,862 | 1,279,608 | 1,242,200 | 37,408 |
| Materials and supplies | 36,225 | 36,075 | 28,050 | 8,025 |
| Contract services | 50,869 | 85,369 | 62,202 | 23,167 |
| Total human services | <u>1,404,825</u> | <u>1,503,770</u> | <u>1,380,359</u> | <u>123,411</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, 2012
(continued)

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|--|---------------------|---------------------|----------------------|-------------------------------|
| Economic development: | | | | |
| Personal services | 236,149 | 258,400 | 232,943 | 25,457 |
| Materials and supplies | 55,625 | 71,155 | 54,197 | 16,958 |
| Contract services | 908,847 | 989,875 | 240,756 | 749,119 |
| Total economic development | <u>1,200,621</u> | <u>1,319,430</u> | <u>527,896</u> | <u>791,534</u> |
| Capital Outlay: | | | | |
| Police | 404,000 | 138,244 | 143,607 | (5,363) |
| Fire | 327,147 | 225,155 | 86,026 | 139,129 |
| Recreation and culture | - | 146,284 | 146,284 | - |
| General Government | - | 70,000 | 24,174 | 45,826 |
| Human Services | 35,000 | 35,000 | 28,746 | 6,254 |
| Economic development | - | 24,922 | 24,920 | 2 |
| Street and sewers | 855,951 | 1,276,395 | 172,694 | 1,103,701 |
| | <u>1,622,098</u> | <u>1,916,000</u> | <u>626,451</u> | <u>1,289,549</u> |
| Total expenditures | <u>39,663,791</u> | <u>43,754,762</u> | <u>32,125,741</u> | <u>11,629,021</u> |
| Excess (deficiency) of revenues over (under) expenditures | (9,568,341) | (11,768,708) | (290,202) | 11,478,506 |
| OTHER FINANCING SOURCES(USES): | | | | |
| Transfers in | 18,191,240 | 18,807,668 | 12,702,136 | (6,105,532) |
| Transfers out | (13,724,219) | (14,772,408) | (10,567,682) | 4,204,726 |
| Total other financing sources (uses) | <u>4,467,021</u> | <u>4,035,260</u> | <u>2,134,454</u> | <u>(1,900,806)</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | (5,101,320) | (7,733,448) | 1,844,252 | 9,577,700 |
| FUND BALANCES, beginning | 9,466,622 | 9,466,622 | 9,466,622 | - |
| FUND BALANCES, ending | <u>\$ 4,365,302</u> | <u>\$ 1,733,174</u> | <u>11,310,874</u> | <u>\$ 9,577,700</u> |
| <u>Reconciliation to GAAP</u> | | | | |
| Changes in receivables | | | 538,056 | |
| Fund balances on the basis of GAAP | | | <u>\$ 11,848,930</u> | |

CITY OF STILLWATER, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2012

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 Council, 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 Council. 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 Council 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 council 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 Council.

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 Council.

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 Council 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 Council approval. The City Manager may transfer appropriations between object categories within a fund with City Council 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.

Budgetary Compliance

For the year ended June 30, 2012 the City complied, in all material respects, with the applicable budget laws.

Reconciliation of budgetary basis and GAAP basis amounts

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

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

| | General Fund |
|---|-----------------------------|
| Revenues on budget basis | \$ 31,835,539 |
| Revenues received during fiscal year and measurable and available at June 30, 2011 | (4,738,009) |
| Revenues received during fiscal year and measurable and available at June 30, 2012 | <u>5,280,565</u> |
| Revenues on GAAP basis | <u><u>\$ 32,378,095</u></u> |

CITY OF STILLWATER, OKLAHOMA
 Required Supplementary Information
 June 30, 2012

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Liability (AAL) (a) | Actuarial Value of Assets (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (b/a) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------------------|-------------------------------------|-------------------------------------|---------------------------------|--------------------------|--------------------|---|
| 7/1/2011 | \$ 4,581,662 | \$ - | \$ 4,581,662 | 0.0% | \$ 23,850,000 | 19% |
| 7/1/2010 | 6,237,065 | - | 6,237,065 | 0.0% | 24,045,000 | 26% |
| 7/1/2009 | 6,792,492 | - | 6,792,492 | 0.0% | 25,600,000 | 27% |
| 7/1/2008 | 5,535,944 | - | 5,535,944 | 0.0% | 25,600,000 | 22% |

CITY OF STILLWATER, OKLAHOMA
 Required Supplementary Information
 June 30, 2012

DEFINED BENEFIT (RETIREE) PLAN

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) (a) | Actuarial Value of Assets (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (b/a) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------------------|---|-------------------------------------|---------------------------------|--------------------------|--------------------|---|
| 1/1/2012 | \$ 72,736 | \$ 5,505,421 | \$ (5,432,685) | 7569.0% | N/A | N/A |
| 1/1/2011 | 74,967 | 5,460,468 | (5,385,501) | 7283.8% | N/A | N/A |
| 1/1/2010 | 76,306 | 4,800,205 | (4,723,899) | 6290.7% | N/A | N/A |
| 1/1/2009 | 102,921 | 4,070,506 | (3,967,585) | 3955.0% | N/A | N/A |
| 1/1/2008 | 134,253 | 5,593,591 | (5,459,338) | 4166.5% | N/A | N/A |

OTHER
SUPPLEMENTARY
INFORMATION

CITY OF STILLWATER, OKLAHOMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -- BUDGET AND ACTUAL (BUDGET BASIS) -- TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2012

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|--|--------------------|-----------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Investment income | \$ 15,000 | \$ 15,000 | \$ 34,747 | \$ 19,747 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>15,000</u> | <u>15,000</u> | <u>34,747</u> | <u>19,747</u> |
| EXPENDITURES | | | | |
| Street and sewers: | | | | |
| Personal services | 215,913 | 215,913 | 182,430 | 33,483 |
| Materials and supplies | 44,800 | 44,800 | 9,836 | 34,964 |
| Contract services | 2,000 | 2,000 | - | 2,000 |
| Total street and sewers | <u>262,713</u> | <u>262,713</u> | <u>192,266</u> | <u>70,447</u> |
| Capital outlay | | | | |
| Street and sewers | 11,167,094 | 13,660,751 | 6,180,294 | 7,480,457 |
| Total expenditures | <u>11,429,807</u> | <u>13,923,464</u> | <u>6,372,560</u> | <u>7,550,904</u> |
| Excess (deficiency) of revenues over (under) expenditures | (11,414,807) | (13,908,464) | (6,337,813) | 7,570,651 |
| OTHER FINANCING SOURCES(USES): | | | | |
| Transfers in | 3,237,143 | 3,380,000 | 8,108,210 | 4,728,210 |
| Transfers out | (1,667,633) | (1,667,633) | (1,726,279) | (58,646) |
| Total other financing sources (uses) | <u>1,569,510</u> | <u>1,712,367</u> | <u>6,381,931</u> | <u>4,669,564</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | (9,845,297) | (12,196,097) | 44,118 | 12,240,215 |
| FUND BALANCES, beginning | 9,898,068 | 9,898,068 | 9,898,068 | - |
| FUND BALANCES, ending | <u>\$ 52,771</u> | <u>\$ (2,298,029)</u> | <u>\$ 9,942,186</u> | <u>\$ 12,240,215</u> |

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

CITY OF STILLWATER, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

| | Special Revenue Fund Community Development Block Grant | Debt Service Sinking Fund | Capital Projects Fund Police/Municipal Building | Total Nonmajor Governmental Funds |
|--|--|------------------------------------|--|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 312,261 | \$ 579,932 | \$ 892,193 |
| Due from other governments | 107,223 | 28,297 | - | 135,520 |
| Accounts receivable | - | - | 583 | 583 |
| Total assets | <u>\$ 107,223</u> | <u>\$ 340,558</u> | <u>\$ 580,515</u> | <u>\$ 1,028,296</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 153,820 | \$ - | \$ 1,746 | \$ 155,566 |
| Due to other funds | 10,928 | - | - | 10,928 |
| Deferred revenue | - | 20,398 | - | 20,398 |
| Total liabilities | <u>164,748</u> | <u>20,398</u> | <u>1,746</u> | <u>186,892</u> |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Debt Service | - | 320,160 | - | 320,160 |
| Capital Projects | - | - | 578,769 | 578,769 |
| Unassigned | (57,525) | - | - | (57,525) |
| Total fund balances | <u>(57,525)</u> | <u>320,160</u> | <u>578,769</u> | <u>841,404</u> |
| Total liabilities and fund balances | <u>\$ 107,223</u> | <u>\$ 340,558</u> | <u>\$ 580,515</u> | <u>\$ 1,028,296</u> |

CITY OF STILLWATER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

| | Special Revenue Fund Community Development Block Grant | Debt Service Sinking Fund | Capital Projects Fund Police/Municipal Building | Total Nonmajor Governmental Funds |
|--|--|------------------------------------|--|--|
| REVENUES | | | | |
| Taxes | \$ - | \$ 1,360,080 | \$ - | \$ 1,360,080 |
| Intergovernmental | 212,775 | - | - | 212,775 |
| Other miscellaneous revenue | 12,777 | - | - | 12,777 |
| Investment income | - | - | 3,510 | 3,510 |
| Total revenues | <u>225,552</u> | <u>1,360,080</u> | <u>3,510</u> | <u>1,589,142</u> |
| EXPENDITURES | | | | |
| Current operating | | | | |
| Human services | 74,762 | - | - | 74,762 |
| Debt service | | | | |
| Principal retirements | - | 825,000 | - | 825,000 |
| Interest and fiscal charges | - | 305,000 | - | 305,000 |
| Capital outlay | 309,683 | - | 93,964 | 403,647 |
| Total expenditures | <u>384,445</u> | <u>1,130,000</u> | <u>93,964</u> | <u>1,608,409</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(158,893)</u> | <u>230,080</u> | <u>(90,454)</u> | <u>(19,267)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (294,329) | - | (294,329) |
| Total other financing sources (uses) | <u>-</u> | <u>(294,329)</u> | <u>-</u> | <u>(294,329)</u> |
| Net change in Fund Balances | (158,893) | (64,249) | (90,454) | (313,596) |
| FUND BALANCES, beginning | 101,368 | 384,409 | 669,223 | 1,155,000 |
| FUND BALANCES, ending | <u>\$ (57,525)</u> | <u>\$ 320,160</u> | <u>\$ 578,769</u> | <u>\$ 841,404</u> |

CITY OF STILLWATER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

| | SPECIAL REVENUE | | | | DEBT SERVICE | | | | CAPITAL PROJECTS FUND | | | |
|---|-----------------------|--------------------|---------------------|-------------------------------|-------------------|-------------------|-------------------|-------------------------------|-----------------------|--------------------|-------------------|-------------------------------|
| | COMMUNITY DEVELOPMENT | | | | | | | | | | | |
| | BLOCK GRANT | | | | | | | | | | | |
| | Budgeted Amount | | Actual | Variance From Final Budget | Budgeted Amounts | | Actual | Variance From Final Budget | Budgeted Amounts | | Actual | Variance From Final Budget |
| Original | Final | Original | | | Final | Original | | | Final | | | |
| REVENUES | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 1,383,276 | \$ 1,383,276 | \$ 1,303,890 | \$ (79,386) | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 339,265 | 105,552 | (233,713) | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | 12,777 | 12,777 | - | - | - | - | - | - | - | - |
| Investment income | - | - | - | - | - | - | - | - | - | - | 3,510 | 3,510 |
| Total revenues | - | 339,265 | 118,329 | (220,936) | 1,383,276 | 1,383,276 | 1,303,890 | (79,386) | - | - | 3,510 | 3,510 |
| EXPENDITURES | | | | | | | | | | | | |
| Current operating | | | | | | | | | | | | |
| Recreation and culture | - | - | - | - | - | - | - | - | - | - | - | - |
| Streets and sewers | - | 317,690 | 311,930 | 5,760 | - | - | - | - | - | - | - | - |
| Human services | - | 132,764 | 89,729 | 43,035 | - | - | - | - | - | - | - | - |
| Debt service | | | | | | | | | | | | |
| Principal retirements | - | - | - | - | 825,000 | 825,000 | 825,000 | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | 305,600 | 305,600 | 305,000 | 600 | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | 644,524 | 668,075 | 93,964 | 574,111 |
| Total expenditures | - | 450,454 | 401,659 | 48,795 | 1,130,600 | 1,130,600 | 1,130,000 | 600 | 644,524 | 668,075 | 93,964 | 574,111 |
| Excess (deficiency) of revenues over (under) expenditures | - | (111,189) | (283,330) | (172,141) | 252,676 | 252,676 | 173,890 | (78,786) | (644,524) | (668,075) | (90,454) | 570,601 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | (272,675) | (272,675) | (160,402) | 112,273 | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | (272,675) | (272,675) | (160,402) | 112,273 | - | - | - | - |
| Net change in Fund Balances | - | (111,189) | (283,330) | (172,141) | (19,999) | (19,999) | 13,488 | 33,487 | (644,524) | (668,075) | (90,454) | 570,601 |
| FUND BALANCES, beginning | 20,642 | 20,642 | 20,642 | - | 304,294 | 304,294 | 304,294 | - | 644,524 | 644,524 | 644,524 | - |
| FUND BALANCES, ending | \$ 20,642 | \$ (90,547) | \$ (262,688) | \$ (172,141) | \$ 284,295 | \$ 284,295 | \$ 317,782 | \$ 33,487 | \$ - | \$ (23,551) | \$ 554,070 | \$ 570,601 |

NONMAJOR PROPRIETARY FUNDS

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

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

CITY OF STILLWATER, OKLAHOMA
 COMBINING STATEMENT OF NET ASSETS--NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2012

| ASSETS | Airport | Stillwater Industrial Redevelopment Authority | Total |
|---|----------------------|--|----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 176,819 | \$ 176,819 |
| Accounts receivable, net of allowance | 489 | 157 | 646 |
| Installment loans receivable | - | 135,461 | 135,461 |
| Leasehold receivable | - | 20,000 | 20,000 |
| Inventories | 35,993 | - | 35,993 |
| Total current assets | <u>36,482</u> | <u>332,437</u> | <u>368,919</u> |
| NONCURRENT ASSETS | | | |
| Leasehold receivable | - | 185,000 | 185,000 |
| Due from other governments | 219,206 | - | 219,206 |
| Capital assets, non depreciable | 3,130,913 | - | 3,130,913 |
| Capital assets, net of accumulated depreciation | 11,146,060 | 39,793 | 11,185,853 |
| Total noncurrent assets | <u>14,496,179</u> | <u>224,793</u> | <u>14,720,972</u> |
| Total assets | <u>14,532,661</u> | <u>557,230</u> | <u>15,089,891</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 9,100 | 13,313 | 22,413 |
| Accrued liabilities | 11,805 | 2,492 | 14,297 |
| Current portion of compensated absences | 1,326 | 658 | 1,984 |
| Due to other funds | 190,064 | - | 190,064 |
| Current portion of advances from other funds | - | 20,000 | 20,000 |
| Current portion of refundable grant obligations | - | 23,914 | 23,914 |
| Total current liabilities | <u>212,295</u> | <u>60,377</u> | <u>272,672</u> |
| NONCURRENT LIABILITIES | | | |
| Noncurrent portion of advances from other funds | - | 185,000 | 185,000 |
| Noncurrent portion of compensated absences | 27,564 | 2,140 | 29,704 |
| Noncurrent portion of customer deposits payable | 11,680 | - | 11,680 |
| Total noncurrent liabilities | <u>39,244</u> | <u>187,140</u> | <u>226,384</u> |
| Total liabilities | <u>251,539</u> | <u>247,517</u> | <u>499,056</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 14,276,973 | 39,793 | 14,316,766 |
| Restricted donation | - | 2,712 | 2,712 |
| Unrestricted | 4,149 | 267,208 | 271,357 |
| Total net assets | <u>\$ 14,281,122</u> | <u>\$ 309,713</u> | <u>\$ 14,590,835</u> |

CITY OF STILLWATER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS -NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

| | Airport | Stillwater Industrial Redevelopment Authority | Total |
|---|----------------------|--|----------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,341,491 | \$ - | \$ 1,341,491 |
| Other | 296,340 | 23,328 | 319,668 |
| Total operating revenues | <u>1,637,831</u> | <u>23,328</u> | <u>1,661,159</u> |
| OPERATING EXPENSES | | | |
| Operating and maintenance | 1,879,162 | 171,892 | 2,051,054 |
| Depreciation | 816,006 | 1,584 | 817,590 |
| Total operating expenses | <u>2,695,168</u> | <u>173,476</u> | <u>2,868,644</u> |
| Operating loss | <u>(1,057,337)</u> | <u>(150,148)</u> | <u>(1,207,485)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 747 | 949 | 1,696 |
| Intergovernmental revenue | 1,555,886 | - | 1,555,886 |
| Loss on disposal of asset | (12,339) | - | (12,339) |
| Net nonoperating revenues (expenses) | <u>1,544,294</u> | <u>949</u> | <u>1,545,243</u> |
| Income (loss) before capital contributions and transfers | <u>486,957</u> | <u>(149,199)</u> | <u>337,758</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | |
| Capital contributions | 7,649 | 139,204 | 146,853 |
| Transfers in | 237,030 | 56,941 | 293,971 |
| Net capital contributions and transfers | <u>244,679</u> | <u>196,145</u> | <u>440,824</u> |
| Change in net assets | 731,636 | 46,946 | 778,582 |
| NET ASSETS, beginning | 13,549,486 | 262,767 | 13,812,253 |
| NET ASSETS, ending | <u>\$ 14,281,122</u> | <u>\$ 309,713</u> | <u>\$ 14,590,835</u> |

CITY OF STILLWATER, OKLAHOMA
 COMBINING STATEMENT OF CASH FLOWS --NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

| | Airport | Stillwater Industrial Redevelopment Authority | Total |
|---|------------------|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 1,341,479 | \$ - | \$ 1,341,479 |
| Payments to suppliers | (1,457,599) | (101,839) | (1,559,438) |
| Payments to employees | (315,763) | (62,624) | (378,387) |
| Business development incentive loans issued | - | (140,000) | (140,000) |
| Collections of business development incentive loan principal | - | 8,576 | 8,576 |
| Inter activity-payments to other funds | 187,818 | (25,849) | 161,969 |
| Other receipts | 296,340 | 23,328 | 319,668 |
| Net cash provided by (used for) operating activities | <u>52,275</u> | <u>(298,408)</u> | <u>(246,133)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | <u>237,030</u> | <u>56,941</u> | <u>293,971</u> |
| Net cash provided by noncapital financing activities | <u>237,030</u> | <u>56,941</u> | <u>293,971</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital contributions | 7,649 | 139,204 | 146,853 |
| Capital grants | 1,407,322 | - | 1,407,322 |
| Purchases of assets | (1,771,047) | (33,425) | (1,804,472) |
| Principal received on capital debt | - | 34,442 | 34,442 |
| Net cash provided by (used for) capital activities | <u>(356,076)</u> | <u>140,221</u> | <u>(215,855)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | <u>747</u> | <u>1,129</u> | <u>1,876</u> |
| Net cash provided by investing activities | <u>747</u> | <u>1,129</u> | <u>1,876</u> |
| Net decrease in cash and cash equivalents | (66,024) | (100,117) | (166,141) |
| CASH AND CASH EQUIVALENTS, beginning of year | 66,024 | 276,936 | 342,960 |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ -</u> | <u>\$ 176,819</u> | <u>\$ 176,819</u> |
| Reconciliation of operating loss to net cash provided by (used by) operating activities | | | |
| Operating loss | \$ (1,057,337) | \$ (150,148) | \$ (1,207,485) |
| Adjustments to reconcile operating loss to net cash provided by (used for) operating activities | | | |
| Depreciation expense | 816,006 | 1,584 | 817,590 |
| Changes in assets and liabilities | | | |
| Receivables, net | (12) | (131,424) | (131,436) |
| Inventories | 107,646 | - | 107,646 |
| Accounts and other payables | 182,517 | (19,524) | 162,993 |
| Accrued expenses | 3,455 | 1,104 | 4,559 |
| Net cash provided by (used for) operating activities | <u>\$ 52,275</u> | <u>\$ (298,408)</u> | <u>\$ (246,133)</u> |
| Non-cash activities: | | | |
| Capital Asset transferred | \$ 12,339 | \$ - | \$ 12,339 |

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2012

| | Balance June 30, 2011 | Additions | Reductions | Balance June 30, 2012 |
|---------------------------|-----------------------------|-------------------|-------------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 42,470 | \$ 403,224 | \$ 160,312 | \$ 285,382 |
| Pooled investments | 126,661 | - | 73,982 | 52,679 |
| Other investments | 260,000 | 70,529 | 70,000 | 260,529 |
| Assessment receivable | 805 | 162,023 | 162,023 | 805 |
| | <u>805</u> | <u>162,023</u> | <u>162,023</u> | <u>805</u> |
| Total assets | <u>\$ 429,936</u> | <u>\$ 635,776</u> | <u>\$ 466,317</u> | <u>\$ 599,395</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 3,237 | \$ 2,065 | \$ 5,005 | \$ 297 |
| Amounts held in escrow | 426,699 | 638,716 | 466,317 | 599,098 |
| | <u>426,699</u> | <u>638,716</u> | <u>466,317</u> | <u>599,098</u> |
| Total liabilities | <u>\$ 429,936</u> | <u>\$ 640,781</u> | <u>\$ 471,322</u> | <u>\$ 599,395</u> |

*Statistical
Section*

Statistical

This section of the City's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

- **Financial Trends** – These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time. See pages 87 – 92.
- **Revenue Capacity** – These schedules contain information to help the reader assess the City's significant local revenue sources, the sales tax and the property tax, as well as other revenue sources. See pages 93-99.
- **Debt Capacity** – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and City's ability to issue additional debt in the future. See pages 100-104
- **Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. See pages 105-108
- **Economic and Demographic Information** – These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other government. See pages 109-110.

Sources: Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the relevant year.

CITY OF STILLWATER, OKLAHOMA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

| | As of June 30, | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 72,220,782 | \$ 70,989,399 | \$ 71,724,485 | \$ 70,865,043 | \$ 75,874,538 | \$ 78,005,755 | \$ 82,079,030 | \$ 87,623,606 | \$ 84,399,362 | \$ 85,208,395 |
| Restricted for capital projects | 553,894 | 311,827 | 227,641 | 182,859 | 156,719 | 99,216 | 14,093 | 703,907 | 6,633,915 | 578,769 |
| Restricted for debt service | 613,449 | 761,585 | 696,375 | 168,999 | 96,746 | 129,488 | 279,996 | 245,659 | 384,409 | 320,160 |
| Restricted for street improvements | - | - | 7,158,849 | 9,582,135 | 10,044,476 | 9,609,597 | 6,199,305 | 3,382,031 | 5,964,692 | 6,003,859 |
| Restricted for specific operating activities | - | - | 536,641 | 615,844 | 558,210 | 630,646 | 745,814 | 876,105 | 1,022,401 | 1,228,415 |
| Unrestricted | 11,813,537 | 12,374,202 | 3,327,269 | 5,620,201 | 4,075,193 | 1,575,602 | 787,697 | 3,537,015 | (1,655,568) | 5,857,898 |
| Total governmental activities net assets | \$ 85,201,662 | \$ 84,437,013 | \$ 83,671,260 | \$ 87,035,081 | \$ 90,805,882 | \$ 90,050,304 | \$ 90,105,935 | \$ 96,368,323 | \$ 96,749,211 | \$ 99,197,496 |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 65,423,858 | \$ 70,512,395 | \$ 74,539,974 | \$ 77,374,975 | \$ 80,898,110 | \$ 84,155,142 | \$ 88,903,110 | \$ 92,324,322 | \$ 92,794,475 | \$ 95,439,173 |
| Restricted for capital projects | - | - | - | - | - | 54,756 | 54,756 | 1,827,220 | 5,017,007 | 741,699 |
| Restricted for debt service | 2,266,493 | 2,275,899 | 1,376,664 | 1,582,124 | 1,912,627 | 2,208,517 | 2,248,810 | 2,440,346 | 2,609,803 | 1,366,601 |
| Restricted for specific operating activities | - | - | - | - | - | - | - | 2,712 | 2,712 | 2,712 |
| Unrestricted | 25,627,707 | 25,425,194 | 26,489,143 | 24,471,836 | 21,526,947 | 22,594,009 | 22,271,698 | 23,198,816 | 28,632,774 | 39,359,091 |
| Total business-type activities net assets | \$ 93,318,058 | \$ 98,213,488 | \$ 102,405,781 | \$ 103,428,935 | \$ 104,337,684 | \$ 109,012,424 | \$ 113,478,374 | \$ 119,793,416 | \$ 129,056,771 | \$ 136,909,276 |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 137,644,640 | \$ 141,501,794 | \$ 146,264,459 | \$ 148,240,018 | \$ 156,772,648 | \$ 162,160,897 | \$ 170,982,140 | \$ 179,947,928 | \$ 177,193,837 | \$ 180,647,568 |
| Restricted for capital projects | 553,894 | 311,827 | 227,641 | 182,859 | 156,719 | 153,972 | 68,849 | 2,531,127 | 11,650,922 | 1,320,468 |
| Restricted for debt service | 2,879,942 | 3,037,484 | 2,073,039 | 1,751,123 | 2,009,373 | 2,338,005 | 2,528,806 | 2,686,005 | 2,994,212 | 1,686,761 |
| Restricted for street improvements | - | - | 7,158,849 | 9,582,135 | 10,044,476 | 9,609,597 | 6,199,305 | 3,382,031 | 5,964,692 | 6,003,859 |
| Restricted for specific operating activities | - | - | 536,641 | 615,844 | 558,210 | 630,646 | 745,814 | 876,105 | 1,025,113 | 1,231,127 |
| Unrestricted | 37,441,244 | 37,799,396 | 29,816,412 | 30,092,037 | 25,602,140 | 24,169,611 | 23,059,395 | 26,735,831 | 26,977,206 | 45,216,989 |
| Total primary government net assets | \$ 178,519,720 | \$ 182,650,501 | \$ 186,077,041 | \$ 190,464,016 | \$ 195,143,566 | \$ 199,062,728 | \$ 203,584,309 | \$ 216,159,027 | \$ 225,805,982 | \$ 236,106,772 |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Public Safety | \$ 12,030,274 | \$ 12,681,613 | \$ 13,482,558 | \$ 14,091,743 | \$ 15,590,895 | \$ 17,238,579 | \$ 16,473,868 | \$ 17,560,992 | \$ 16,700,682 | \$ 18,235,770 |
| Recreation and culture | 4,766,960 | 4,632,566 | 5,175,504 | 5,185,248 | 5,428,234 | 5,645,050 | 5,778,583 | 5,988,071 | 6,134,272 | 5,850,043 |
| General government | 2,109,441 | 2,274,740 | 2,475,642 | 2,522,896 | 3,466,609 | 3,811,781 | 4,362,965 | 4,289,502 | 3,750,252 | 4,067,084 |
| Financial administration | 616,804 | 569,047 | 604,803 | 751,577 | 635,329 | 648,327 | 614,382 | 732,579 | 627,877 | 619,486 |
| Street and sewers | 5,161,605 | 5,401,003 | 5,520,360 | 5,726,635 | 6,454,425 | 7,009,091 | 7,593,163 | 6,779,917 | 7,484,979 | 8,444,721 |
| Engineering and public works administration | 1,141,343 | 832,998 | 1,008,922 | 914,956 | 767,258 | 630,423 | 858,882 | 554,088 | 569,523 | 479,949 |
| Tourism | 269,786 | 280,488 | 331,483 | 370,356 | - | - | - | - | - | - |
| Economic development | 386,524 | 509,066 | 602,346 | 602,346 | 1,004,617 | 1,035,287 | 1,056,928 | 481,197 | 422,624 | 577,816 |
| Health and welfare | 1,339,060 | 1,227,161 | 1,613,431 | 1,441,999 | 1,593,649 | 1,669,649 | 1,786,891 | 1,793,027 | 1,534,775 | 1,885,038 |
| Interest on long-term debt | 803,198 | 740,282 | 681,061 | 628,333 | 578,703 | 528,335 | 478,827 | 463,252 | 371,253 | 238,855 |
| Total governmental activities expenses | 28,624,995 | 29,168,761 | 31,503,375 | 32,235,389 | 35,519,629 | 38,216,522 | 38,804,489 | 38,643,425 | 37,492,237 | 40,398,662 |
| Business-type activities: | | | | | | | | | | |
| Electric, water, wastewater and sanitation operations | 34,171,680 | 35,062,143 | 37,756,145 | 43,453,117 | 46,993,426 | 45,651,630 | 45,926,941 | 45,446,929 | 49,122,135 | 52,823,732 |
| Stillwater Public Golf Authority | 1,173,163 | 1,180,919 | 1,161,042 | 1,101,923 | 1,194,269 | 1,204,793 | 1,149,566 | 399,188 | - | - |
| Stillwater Industrial Redevelopment Authority | 71,315 | 49,797 | 101,129 | - | - | - | - | - | - | - |
| Business area development | - | - | - | - | - | 45,740 | 208,731 | 203,470 | 240,027 | 173,476 |
| Airport operations | 1,283,965 | 1,374,786 | 1,959,733 | 2,161,111 | 2,113,932 | 2,670,192 | 2,032,704 | 1,884,854 | 2,132,592 | 2,695,168 |
| Total business-type activities expenses | 36,700,123 | 37,667,645 | 40,978,049 | 46,716,151 | 50,301,627 | 49,572,355 | 49,317,942 | 47,934,441 | 51,494,534 | 55,692,376 |
| Total primary government expenses | \$ 65,325,118 | \$ 66,836,406 | \$ 72,481,424 | \$ 78,951,540 | \$ 85,821,256 | \$ 87,788,877 | \$ 88,122,431 | \$ 86,577,866 | \$ 88,990,791 | \$ 96,091,038 |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Changes for services: | | | | | | | | | | |
| Public safety | \$ 211,099 | \$ 112,999 | \$ 118,593 | \$ 171,172 | \$ 164,246 | \$ 189,049 | \$ 261,425 | \$ 416,131 | \$ 282,866 | \$ 261,900 |
| Recreation and culture | 556,394 | 584,684 | 632,614 | 831,725 | 757,084 | 765,342 | 781,810 | 1,170,983 | 1,433,340 | 1,397,513 |
| General government | 12,820 | 15,219 | 3,908 | 30,738 | 277,421 | 393,280 | 1,030,075 | 419,156 | 323,591 | 387,053 |
| Financial administration | 785,127 | 768,888 | 923,756 | 834,381 | 1,116,601 | 890,515 | 1,065,196 | 1,162,439 | 829,461 | 1,182,234 |
| Streets and sewers | 256,111 | 413,023 | 413,023 | 523,616 | 449,124 | 445,976 | 547,636 | 920,188 | 561,452 | 698,777 |
| Engineering and public works administration | - | - | 5,405 | - | - | - | - | - | - | - |
| Economic Development | 903,438 | 888,583 | 956,444 | 1,257,203 | 3,261 | - | - | - | 693,700 | 29,551 |
| Health and welfare | 467,172 | 321,587 | 725,092 | 178,129 | 119,845 | 120,693 | 213,327 | 139,901 | 178,380 | 310,693 |
| Operating grants and contributions | 176,310 | 214,198 | 102,889 | 822,889 | 2,166,742 | 833,309 | 783,066 | 1,171,658 | 784,756 | 805,756 |
| Capital grants and contributions | 3,368,491 | 3,319,181 | 3,893,742 | 4,949,853 | 6,466,911 | 5,066,429 | 5,918,317 | 6,282,256 | 5,087,546 | 5,073,477 |
| Total governmental activities program revenues | | | | | | | | | | |

continued

CITY OF STILLWATER, OKLAHOMA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(continued)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Electric, water, wastewater, and sanitation operations | 39,021,354 | 41,065,887 | 43,595,811 | 48,197,848 | 51,315,037 | 52,517,022 | 53,076,534 | 56,340,873 | 61,199,054 | 65,532,650 |
| Stillwater Public Golf Authority | 811,516 | 796,669 | 775,913 | 820,232 | 697,495 | 730,872 | 724,559 | 280,237 | - | - |
| Stillwater Industrial Redevelopment Authority | 1,571 | 1,181 | 932 | 751 | - | - | - | - | - | - |
| Business area development | - | - | - | - | - | 2,712 | 10,480 | 22,766 | 15,671 | 23,328 |
| Airport operations | 486,935 | 586,264 | 787,127 | 1,156,881 | 1,150,365 | 1,509,281 | 1,169,831 | 1,180,915 | 1,429,150 | 1,637,831 |
| Operating grants and contributions | 17,050 | 22,138 | 255,892 | 108,640 | - | - | - | - | - | - |
| Capital grants and contributions | 2,194,428 | 1,619,051 | 3,926,570 | 1,276,045 | 2,185,284 | 2,155,469 | 3,288,583 | 7,884,246 | 2,507,495 | 3,407,199 |
| Total business-type activities program revenues | 42,532,854 | 44,091,190 | 49,342,245 | 51,552,397 | 55,348,181 | 56,915,356 | 58,269,787 | 65,709,037 | 65,151,370 | 70,601,008 |
| Total primary government program revenues | \$ 45,901,345 | \$ 47,410,371 | \$ 53,225,987 | \$ 56,202,250 | \$ 61,815,092 | \$ 61,981,785 | \$ 64,188,104 | \$ 71,991,273 | \$ 70,238,916 | \$ 75,674,485 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (25,256,504) | \$ (25,849,580) | \$ (27,619,633) | \$ (27,585,736) | \$ (29,032,718) | \$ (33,150,093) | \$ (32,886,172) | \$ (32,361,189) | \$ (32,408,691) | \$ (35,325,185) |
| Business-type activities | 5,832,731 | 6,423,545 | 8,364,196 | 4,836,246 | 5,046,554 | 7,343,001 | 8,951,845 | 17,774,596 | 13,656,816 | 14,908,632 |
| Total primary government net expense | \$ (19,423,773) | \$ (19,426,035) | \$ (19,255,437) | \$ (22,749,490) | \$ (24,006,164) | \$ (25,807,092) | \$ (23,934,327) | \$ (14,586,593) | \$ (18,751,875) | \$ (20,416,553) |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Sales and use taxes | \$ 17,443,260 | \$ 18,598,176 | \$ 19,822,637 | \$ 21,824,709 | \$ 22,857,240 | \$ 23,860,004 | \$ 24,129,712 | \$ 23,410,504 | \$ 24,389,442 | \$ 25,787,401 |
| Property taxes | 2,224,535 | 2,130,193 | 1,979,773 | 1,368,897 | 1,315,487 | 1,343,353 | 991,643 | 1,377,028 | 1,448,266 | 1,343,480 |
| Franchise and public service taxes | 1,249,009 | 1,322,018 | 1,380,775 | 1,437,986 | 1,330,835 | 1,502,845 | 2,047,096 | 1,595,344 | 1,548,118 | 1,544,506 |
| E911 taxes | 113,610 | 117,167 | 98,792 | 93,739 | 84,444 | 81,681 | 81,928 | 81,621 | 66,329 | 63,870 |
| Hotel/motel taxes | 277,307 | 294,015 | 332,727 | 368,826 | 406,552 | 439,933 | 437,781 | 494,145 | 560,749 | 615,997 |
| Investment income | 93,243 | 75,000 | 284,037 | 382,339 | 616,842 | 464,024 | 105,909 | 29,969 | 104,666 | 78,162 |
| Miscellaneous | 277,565 | 212,258 | 139,247 | 514,193 | 532,498 | 587,117 | - | - | - | - |
| Transfers-internal activity | 6,982,099 | 2,178,317 | 2,299,435 | 4,738,359 | 5,679,621 | 4,115,538 | 5,147,735 | 11,634,966 | 4,671,809 | 8,217,034 |
| Total governmental activities | 28,660,628 | 24,927,144 | 26,337,423 | 30,749,048 | 32,823,519 | 32,394,515 | 32,941,804 | 38,623,577 | 32,789,379 | 37,650,470 |
| Business-type activities: | | | | | | | | | | |
| Investment income | 330,530 | 166,447 | 461,770 | 908,708 | 1,212,709 | 847,390 | 232,822 | 144,148 | 114,643 | 275,937 |
| Miscellaneous | 608,826 | 743,816 | 202,682 | 237,068 | 329,107 | 599,887 | 429,018 | 31,263 | 163,705 | 350,312 |
| Transfers-internal activity | (6,982,100) | (2,178,317) | (2,299,435) | (4,738,359) | (5,679,621) | (4,115,538) | (5,147,735) | (11,634,966) | (4,671,809) | (8,217,034) |
| Total business-type activities | (6,042,744) | (1,268,054) | (1,634,983) | (3,612,583) | (4,137,805) | (2,668,261) | (4,485,895) | (11,459,555) | (4,393,461) | (7,590,805) |
| Total primary government | \$ 22,617,884 | \$ 23,659,090 | \$ 24,702,440 | \$ 27,136,465 | \$ 28,685,714 | \$ 29,726,254 | \$ 28,455,909 | \$ 27,164,022 | \$ 28,396,118 | \$ 30,059,665 |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities | \$ 3,404,124 | \$ (922,436) | \$ (1,282,210) | \$ 3,163,312 | \$ 3,770,801 | \$ (755,578) | \$ 55,632 | \$ 6,262,388 | \$ 380,888 | \$ 2,325,285 |
| Business-type activities | (210,013) | 5,155,491 | 6,729,213 | 1,223,663 | 908,749 | 4,674,740 | 4,465,950 | 6,315,041 | 9,263,355 | 7,317,827 |
| Total primary government | \$ 3,194,111 | \$ 4,233,055 | \$ 5,447,003 | \$ 4,386,975 | \$ 4,679,550 | \$ 3,919,162 | \$ 4,521,582 | \$ 12,577,429 | \$ 9,644,243 | \$ 9,643,112 |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

| | As of June 30, | | | | | | | | | |
|-------------------------------------|----------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General fund | | | | | | | | | | |
| Non-spendable; inventories | \$ 144,293 | \$ 179,414 | \$ 171,519 | \$ 196,965 | \$ 178,914 | \$ 215,927 | \$ 270,012 | \$ 332,316 | \$ 163,741 | \$ 178,437 |
| Restricted for public safety | 110,865 | 109,045 | 110,373 | 111,150 | 102,174 | 103,845 | 105,158 | 104,082 | 100,713 | 107,914 |
| Restricted for sales tax transfer | 1,188,233 | 1,235,969 | 1,334,010 | 1,496,905 | 1,543,166 | 1,617,836 | 1,647,182 | 1,647,181 | 1,654,153 | 1,654,153 |
| Committed to public safety | 167,177 | 307,097 | 228,212 | 236,210 | 230,006 | 259,093 | 323,533 | 379,648 | 522,274 | 555,967 |
| Committed to economic development | - | 43,034 | 40,930 | 28,797 | 47,115 | 51,781 | 47,111 | 60,059 | 235,673 | 386,097 |
| Assigned to self insurance | 951,031 | 855,704 | 855,704 | 1,072,554 | 1,484,580 | 855,704 | 855,704 | 606,958 | 828,670 | 280,841 |
| Assigned to recreation and culture | 528,444 | 165,246 | 169,065 | 99,291 | 76,976 | 105,920 | 111,504 | 125,484 | 150,445 | 167,036 |
| Unassigned | 6,130,987 | 4,953,732 | 1,342,491 | 3,160,167 | 1,317,341 | 219,459 | (115,077) | 3,730,961 | 5,806,453 | 8,518,485 |
| Total general fund | \$ 9,221,028 | \$ 7,749,241 | \$ 4,252,304 | \$ 6,402,039 | \$ 4,980,272 | \$ 3,429,565 | \$ 3,245,127 | \$ 6,986,689 | \$ 9,462,122 | \$ 11,848,930 |
| All other Governmental Funds | | | | | | | | | | |
| Restricted for debt service | \$ 613,449 | \$ 761,585 | \$ 696,375 | \$ 168,999 | \$ 96,746 | \$ 129,488 | \$ 279,996 | \$ 245,659 | \$ 384,409 | \$ 320,160 |
| Restricted for capital improvements | 553,894 | 311,827 | 227,641 | 182,859 | 156,719 | 99,216 | 14,093 | 703,907 | 6,633,915 | 6,582,628 |
| Unassigned | 3,243,615 | 5,773,881 | 7,979,196 | 10,620,862 | 11,077,427 | 10,436,732 | 6,961,761 | 4,369,761 | 101,368 | (57,525) |
| Total all other governmental funds | \$ 4,410,958 | \$ 6,847,293 | \$ 8,903,212 | \$ 10,972,720 | \$ 11,330,892 | \$ 10,665,436 | \$ 7,255,850 | \$ 5,319,327 | \$ 7,119,692 | \$ 6,845,263 |

(1) GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented in FY2011. The objective of this Statement is to improve the usefulness, including understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. Data is presented prospectively beginning in FY2011.

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

| | Fiscal Year Ended June 30. | | | | | | | | | |
|--|----------------------------|--------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 21,057,097 | \$ 22,445,024 | \$ 23,460,061 | \$ 24,995,004 | \$ 25,893,302 | \$ 27,326,131 | \$ 27,682,289 | \$ 26,963,407 | \$ 28,024,398 | \$ 29,371,854 |
| Intergovernmental | 495,483 | 292,990 | 742,105 | 245,939 | 308,548 | 422,028 | 373,768 | 493,720 | 963,136 | 533,384 |
| Charges for service | 449,299 | 1,373,709 | 1,428,079 | 1,653,785 | 1,468,896 | 1,357,411 | 1,427,691 | 1,343,284 | 1,449,277 | 650,145 |
| Fines and forfeits | 756,362 | 845,093 | 889,850 | 877,165 | 807,431 | 789,481 | 810,280 | 786,164 | 656,201 | 776,389 |
| Fees and rentals | 429,325 | 498,198 | 526,700 | 642,259 | 802,179 | 816,051 | 932,655 | 1,220,295 | 1,466,352 | 1,438,373 |
| Investment income | 90,865 | 73,414 | 192,169 | 377,479 | 609,562 | 458,761 | 103,463 | 29,323 | 104,175 | 77,854 |
| Licenses and permits | 88,583 | 113,460 | 182,293 | 222,355 | 303,354 | 246,636 | 242,593 | 207,401 | 187,563 | 268,209 |
| Other miscellaneous revenues | 1,346,061 | 381,880 | 397,285 | 686,876 | 1,092,042 | 1,328,187 | 1,428,570 | 1,392,714 | 726,410 | 880,825 |
| Total revenues | 24,713,075 | 26,023,768 | 27,818,542 | 29,700,862 | 31,285,314 | 32,744,686 | 33,001,309 | 32,436,308 | 33,577,512 | 33,997,033 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public safety | 11,212,713 | 12,238,250 | 12,919,050 | 13,663,801 | 15,147,760 | 16,682,553 | 15,987,890 | 16,547,892 | 16,420,643 | 17,649,898 |
| Recreation and culture | 3,725,646 | 3,779,171 | 4,050,919 | 4,256,098 | 4,791,101 | 5,015,086 | 5,061,282 | 5,386,147 | 5,462,498 | 5,062,437 |
| General government | 1,549,115 | 1,723,360 | 2,156,559 | 2,172,095 | 2,624,051 | 2,986,340 | 3,603,225 | 3,027,262 | 2,837,873 | 3,330,545 |
| Financial administration | 523,328 | 488,920 | 525,900 | 614,774 | 612,413 | 578,968 | 578,460 | 703,529 | 600,203 | 591,712 |
| Streets and sewers | 1,826,022 | 1,879,794 | 1,889,400 | 2,025,858 | 2,375,075 | 2,621,006 | 2,658,212 | 2,663,639 | 2,380,470 | 2,670,103 |
| Operations | 731,566 | 807,442 | 902,206 | 882,005 | 741,181 | 583,597 | 872,035 | 553,600 | 589,376 | 478,606 |
| Economic development | 386,524 | 509,066 | 937,095 | 972,702 | 1,004,617 | 1,035,287 | 1,056,929 | 481,197 | 422,624 | 527,896 |
| Human services | 1,236,491 | 1,191,431 | 1,527,309 | 1,365,664 | 1,647,385 | 1,946,693 | 1,791,442 | 1,402,018 | 1,436,499 | 1,455,121 |
| Debt service: | | | | | | | | | | |
| Principal retirements | 790,000 | 790,000 | 790,000 | 790,000 | 790,000 | 790,000 | 790,000 | 790,000 | 775,000 | 825,000 |
| Interest and fiscal charges | 808,465 | 745,265 | 685,465 | 632,465 | 582,865 | 532,525 | 483,045 | 432,225 | 385,408 | 305,000 |
| Capital outlay | 5,617,633 | 2,878,591 | 5,175,092 | 2,864,516 | 6,402,132 | 6,113,834 | 8,578,055 | 9,269,917 | 3,397,358 | 7,210,392 |
| Total expenditures | 28,407,503 | 27,031,290 | 31,558,995 | 30,239,978 | 36,718,580 | 38,885,889 | 41,460,575 | 41,257,426 | 34,707,952 | 40,106,710 |
| Excess of revenues over (under) expenditures | (3,694,428) | (1,007,522) | (3,740,453) | (539,116) | (5,433,266) | (6,141,203) | (8,459,266) | (8,821,118) | (1,130,440) | (6,109,677) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds of refunding bonds and other debt | - | - | - | - | - | - | - | 9,105,336 | 53,488 | - |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | - | (8,392,089) | - | - |
| Proceeds from sale of assets | - | - | - | - | - | - | - | - | 575,655 | - |
| Transfers in | 15,654,554 | 11,683,976 | 11,755,379 | 14,541,601 | 13,534,835 | 15,260,534 | 17,361,233 | 17,361,233 | 16,802,447 | 20,810,346 |
| Transfers out | (8,672,455) | (9,431,421) | (9,455,944) | (9,783,242) | (9,165,164) | (11,335,494) | (12,495,991) | (12,495,991) | (12,025,352) | (12,588,290) |
| Transfer out to component unit | (269,786) | (280,485) | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 6,712,313 | 1,972,070 | 2,299,435 | 4,758,359 | 4,369,671 | 3,925,040 | 4,865,242 | 5,578,489 | 5,406,238 | 8,222,056 |
| Net change in fund balances | \$ 3,017,885 | \$ 964,548 | \$ (1,441,018) | \$ 4,219,243 | \$ (1,063,595) | \$ (2,216,163) | \$ (3,594,024) | \$ (3,242,629) | \$ 4,275,798 | \$ 2,112,379 |
| Debt service as a percentage of noncapital expenditures | 7.01% | 6.36% | 5.59% | 5.20% | 4.53% | 4.04% | 3.87% | 3.82% | 3.71% | 3.44% |

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

| Fiscal Year | Sales & Use Taxes | Property Taxes | Franchise and Public | | | Total Taxes | Sales Tax as Percentage of |
|-------------|-------------------|----------------|----------------------|------------|-------------------|-------------|----------------------------|
| | | | Service Taxes | E911 Taxes | Hotel/Motel Taxes | | Total Taxes |
| 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% |
| 2005 | 19,822,637 | 1,979,773 | 1,380,775 | 98,792 | 332,727 | 23,614,704 | 83.94% |
| 2006 | 21,824,709 | 1,368,897 | 1,437,986 | 93,739 | 368,826 | 25,094,157 | 86.97% |
| 2007 | 22,857,240 | 1,315,487 | 1,330,835 | 84,444 | 406,552 | 25,994,558 | 87.93% |
| 2008 | 23,860,004 | 1,343,353 | 1,502,845 | 81,681 | 439,953 | 27,227,836 | 87.63% |
| 2009 | 24,129,712 | 991,643 | 2,047,096 | 81,928 | 437,781 | 27,688,160 | 87.15% |
| 2010 | 23,410,504 | 1,377,028 | 1,595,344 | 81,621 | 494,145 | 26,958,642 | 86.84% |
| 2011 | 24,389,442 | 1,448,266 | 1,548,118 | 66,529 | 560,749 | 28,013,104 | 87.06% |
| 2012 | 25,787,401 | 1,343,480 | 1,544,506 | 63,870 | 615,997 | 29,355,254 | 87.85% |

CITY OF STILLWATER, OKLAHOMA
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (1)
 LAST TEN FISCAL YEARS
(in thousands)

| Fiscal Year | Real Property | Personal Property | Public Service | Total Valuation | Homestead | Net Total | Total Direct | Total | Ratio of Total |
|-------------|---------------|-------------------|----------------|-----------------|-----------|-----------|--------------|--------------|----------------|
| | | | Property | | Exemption | | | Estimated | |
| | | | | | | | | Actual Value | Actual Value |
| 2003 | 127,396 | 30,420 | 9,096 | 166,912 | 5,326 | 161,586 | 13.70 | 1,464,140 | 11.04% |
| 2004 | 138,265 | 31,250 | 10,610 | 180,125 | 5,227 | 174,898 | 12.29 | 1,580,044 | 11.07% |
| 2005 | 147,535 | 30,862 | 10,956 | 189,353 | 5,096 | 184,257 | 10.76 | 1,660,991 | 11.09% |
| 2006 | 157,236 | 32,721 | 12,360 | 202,317 | 5,091 | 197,226 | 7.19 | 1,774,711 | 11.11% |
| 2007 | 173,283 | 35,512 | 11,516 | 220,311 | 5,198 | 215,113 | 6.17 | 1,932,553 | 11.13% |
| 2008 | 190,637 | 38,567 | 9,911 | 239,115 | 5,300 | 233,815 | 5.72 | 2,097,439 | 11.15% |
| 2009 | 205,793 | 40,243 | 8,976 | 255,012 | 5,307 | 249,705 | 5.75 | 2,236,947 | 11.16% |
| 2010 | 220,793 | 40,426 | 9,324 | 270,543 | 5,322 | 265,221 | 5.24 | 2,373,184 | 11.18% |
| 2011 | 233,860 | 40,031 | 9,692 | 283,583 | 5,334 | 278,249 | 5.23 | 2,487,570 | 11.19% |
| 2012 | 237,228 | 28,578 | 9,444 | 275,250 | 5,199 | 270,051 | 4.95 | 2,414,474 | 11.18% |

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The assessed value of the taxable property as certified by the Payne County Assessor to be used for the 2012-2013 fiscal year is as follows:

| | Real Property | Personal Property | Public Service Property | Total Valuation | Homestead Exemption | Other Exemptions (2) | Net Total Valuation | Total Direct Tax Rate | Total Estimated Actual Value |
|------|---------------|-------------------|----------------------------|-----------------|------------------------|-------------------------|------------------------|--------------------------|---------------------------------|
| 2013 | \$ 242,749 | \$ 22,543 | \$ 8,953 | \$ 274,245 | \$ 5,173 | \$ 879 | \$ 268,193 | 4.90 | \$ 2,405,658 |

(1) Source: Payne County Assessor

(2) Prior to Fiscal Year 2013, "Other Exemptions" were included in "Total Valuation" by the Payne County Assessor.

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

| <u>Fiscal Year</u> | <u>City of Stillwater Debt Service Fund</u> | <u>Independent School District No. 16</u> | <u>Meridian Technology Center</u> | <u>Payne County</u> | <u>Total</u> |
|--------------------|---|---|---------------------------------------|---------------------|--------------|
| 2003 | 13.70 | 64.34 | 15.00 | 16.00 | 109.04 |
| 2004 | 12.29 | 62.55 | 15.00 | 16.00 | 105.84 |
| 2005 | 10.76 | 62.96 | 15.00 | 16.00 | 104.72 |
| 2006 | 7.19 | 63.71 | 15.00 | 16.00 | 101.90 |
| 2007 | 6.17 | 62.93 | 15.00 | 16.00 | 100.10 |
| 2008 | 5.72 | 64.17 | 15.00 | 16.00 | 100.89 |
| 2009 | 5.75 | 62.09 | 15.00 | 16.00 | 98.84 |
| 2010 | 5.24 | 63.20 | 15.00 | 16.00 | 99.44 |
| 2011 | 5.23 | 64.82 | 15.00 | 16.00 | 101.05 |
| 2012 | 4.95 | 68.96 | 15.47 | 16.43 | 105.81 |

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The direct and overlapping tax rates for FY 2012-2013 are as follows:

| <u>Fiscal Year</u> | <u>City of Stillwater Debt Service Fund</u> | <u>Independent School District No. 16</u> | <u>Meridian Technology Center</u> | <u>Payne County</u> | <u>Total</u> |
|--------------------|---|---|---------------------------------------|---------------------|--------------|
| 2013 | 4.90 | 64.53 | 15.47 | 16.43 | 101.33 |

(1) Source: Payne County Assessor

CITY OF STILLWATER, OKLAHOMA
 PRINCIPAL PROPERTY TAX PAYERS (1)
 CURRENT YEAR AND NINE YEARS AGO

| Taxpayer | Type of Business | 2012 | | | 2003 | | |
|----------------------------------|--|-------------------------|--|------|-------------------------|--|------|
| | | 2012 Assessed Valuation | Percentage of Total Assessed Valuation | Rank | 2003 Assessed Valuation | Percentage of Total Assessed Valuation | Rank |
| Links at Stillwater | Apartments/golf/fitness development | 2,647,727 | 0.99% | 1 | | | |
| AT&T Mobility LLC | Telephone utility | 2,597,451 | 0.97% | 2 | | | |
| Wal-Mart Real Estate | Discount supercenter | 2,487,633 | 0.93% | 3 | 1,756,834 | 1.00% | 7 |
| Lakeview Pointe | Shopping Center | 2,393,520 | 0.89% | 4 | | | |
| Armstrong World Industries, Inc. | Manufacturer of floor coverings | 1,921,682 | 0.72% | 5 | 6,189,905 | 3.54% | 2 |
| Okiahoma Natural Gas | Gas Utility | 1,912,347 | 0.71% | 6 | 1,232,608 | 0.70% | 9 |
| National Standard Co. | Manufacturer of steel cord for radial tires | 1,887,283 | 0.70% | 7 | 2,043,611 | 1.17% | 6 |
| Southwestern Bell Telephone, LP | Telephone utility | 1,598,629 | 0.60% | 8 | 4,649,810 | 2.66% | 3 |
| Lowe's Home Center, Inc. | Home improvement store | 1,451,187 | 0.54% | 9 | 1,250,448 | 0.71% | 8 |
| Henry Wells, White Barn | Banquet Hall/Golf | 1,375,197 | 0.51% | 10 | | | |
| Brunswick Corporation | Manufacturer of stern-drive boat motors | | | | 10,747,686 | 6.15% | 1 |
| Quad Graphics | Printer of magazines and advertising inserts | | | | 3,533,517 | 2.02% | 4 |
| Chickasaw Telecom Services, Inc. | Telephone utility | | | | 2,075,030 | 1.19% | 5 |
| Stillwater Designs & Audio, Inc. | Manufacturer of mobile stereo equipment | | | | 1,079,995 | 0.62% | 10 |
| | | <u>\$20,272,656</u> | <u>7.56%</u> | | <u>\$34,559,444</u> | <u>19.76%</u> | |

(1) Source: Payne County Assessor

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

| Fiscal Year | Taxes Levied for the year | Collected within the Fiscal Year of the Levy | | Collected on Prior |
|-------------|---------------------------|--|--------------------|--------------------|
| | | Amount | Percentage of Levy | Years' Levies (1) |
| 2003 | 2,214 | 2,087 | 94% | 3 |
| 2004 | 2,149 | 2,084 | 97% | 78 |
| 2005 | 1,982 | 1,942 | 98% | 15 |
| 2006 | 1,417 | 1,433 | 101% | 18 |
| 2007 | 1,320 | 1,286 | 97% | 19 |
| 2008 | 1,344 | 1,294 | 96% | 64 |
| 2009 | 1,436 | 1,281 | 89% | 151 |
| 2010 | 1,389 | 1,365 | 98% | 21 |
| 2011 | 1,456 | 1,420 | 98% | 40 |
| 2012 | 1,337 | 1,313 | 98% | 47 |

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

Note: Total collections for July through October, 2012 are \$8 thousand in current taxes and \$5 thousand in delinquent taxes.

CITY OF STILLWATER, OKLAHOMA
TAXABLE SALES BY CATEGORY (1)
LAST TEN FISCAL YEARS
(in thousands of dollars)

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General merchandise stores | \$119,431 | \$123,633 | \$128,097 | \$141,576 | \$144,281 | \$165,326 | \$168,961 | \$163,369 | \$163,683 | \$171,170 |
| Eating and drinking places | 57,980 | 60,824 | 68,314 | 79,720 | 84,125 | 88,711 | 95,953 | 95,055 | 100,179 | 108,943 |
| Miscellaneous retail | 46,129 | 49,969 | 52,776 | 53,655 | 59,973 | 63,590 | 60,811 | 58,989 | 61,044 | 65,576 |
| Building material, hardware, garden supply | 34,248 | 41,593 | 48,395 | 52,357 | 51,659 | 58,193 | 56,626 | 48,296 | 44,602 | 47,178 |
| Food stores | 49,366 | 49,339 | 42,733 | 38,049 | 35,924 | 34,492 | 35,269 | 35,101 | 36,763 | 39,301 |
| Electric, gas, and sanitary services | 30,008 | 30,326 | 31,763 | 36,563 | 39,310 | 38,680 | 39,300 | 39,922 | 39,611 | 40,763 |
| Wholesale trade - durable goods | 17,784 | 20,511 | 23,857 | 28,128 | 25,108 | 26,072 | 27,365 | 23,481 | 24,607 | 24,995 |
| Apparel & accessory stores | 25,924 | 26,172 | 26,549 | 25,996 | 35,824 | 34,128 | 32,717 | 33,376 | 35,328 | 39,194 |
| Furniture, home furnishings & equipment | 18,406 | 19,749 | 21,611 | 24,266 | 24,478 | 26,142 | 26,924 | 23,240 | 35,526 | 35,764 |
| Communications | 24,067 | 24,607 | 24,831 | 22,357 | 23,368 | 23,531 | 22,948 | 23,564 | 20,890 | 22,985 |
| Automotive dealers & gasoline service | 13,119 | 13,509 | 14,544 | 13,862 | 15,227 | 14,103 | 13,847 | 13,765 | 15,732 | 16,055 |
| Education services | 8,832 | 12,582 | 10,580 | 10,947 | 12,768 | 10,555 | 19,021 | 16,804 | 17,867 | 18,788 |
| Business services | 9,984 | 9,445 | 9,237 | 10,125 | 14,276 | 13,639 | 13,604 | 11,122 | 14,629 | 12,360 |
| All other outlets | 37,426 | 39,326 | 40,427 | 47,200 | 14,811 | 51,539 | 53,009 | 49,662 | 54,324 | 57,182 |
| Total | \$492,704 | \$521,585 | \$543,714 | \$584,801 | \$581,132 | \$648,701 | \$666,355 | \$635,746 | \$664,785 | \$700,255 |
| City general sales tax rate | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Transferable to SUA | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Dedicated sales tax - transportation projects (2) | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| Total tax rate | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |

(1) Source: Oklahoma Tax Commission

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

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 (1)
 LAST TEN CALENDAR YEARS

| Fiscal Year | City of Stillwater (2) | State of Oklahoma | Payne County (3) |
|-------------|------------------------|-------------------|------------------|
| 2003 | 2.50% | 4.50% | 0.50% |
| 2004 | 2.50% | 4.50% | 0.50% |
| 2005 | 2.50% | 4.50% | 0.50% |
| 2006 | 2.50% | 4.50% | 0.50%/0.75% |
| 2007 | 2.50% | 4.50% | 0.75% |
| 2008 | 2.50% | 4.50% | 0.75% |
| 2009 | 2.50% | 4.50% | 0.75% |
| 2010 | 2.50% | 4.50% | 0.75% |
| 2011 | 2.50% | 4.50% | 0.75% |
| 2012 | 2.50% | 4.50% | 0.75% |

(1) 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 use by the 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.

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

(3) Stillwater is located in Payne County which initiated a .5% sales tax effective January 1, 1994. The .5% sales tax expired and was replaced with a .375% sales tax effective January 1, 1999. The Payne County sales tax was increased to .5% effective April 1, 2000. The Payne County sales tax was increased to 0.75% effective April 1, 2006.

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

| | | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--------------------------|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Commercial | Ave monthly customers | 1,527 | 1,544 | 1,665 | 1,740 | 1,801 | 1,873 | 1,920 | 1,956 | 1,958 | 1,983 |
| | Annual Sales | 3,737,569 | 3,877,638 | 4,115,871 | 4,704,547 | 5,097,084 | 5,239,488 | 5,481,954 | 5,914,254 | 5,772,953 | 5,807,202 |
| | Percentage of Total Annual Sales | 13% | 13% | 14% | 14% | 13% | 14% | 15% | 15% | 14% | 13% |
| Residential | Ave monthly customers | 15,708 | 16,056 | 16,182 | 16,760 | 16,690 | 16,874 | 17,060 | 17,280 | 17,434 | 17,341 |
| | Annual Sales | 12,232,987 | 12,877,862 | 13,100,486 | 15,647,337 | 16,803,705 | 16,639,744 | 16,793,576 | 17,710,450 | 18,350,527 | 20,445,780 |
| | Percentage of Total Annual Sales | 44% | 44% | 43% | 45% | 44% | 45% | 45% | 46% | 46% | 47% |
| Industrial/Institutional | Ave monthly customers | 209 | 205 | 206 | 212 | 220 | 225 | 237 | 237 | 250 | 264 |
| | Annual Sales | 12,130,641 | 12,683,716 | 13,204,681 | 14,428,839 | 16,256,536 | 15,475,209 | 15,135,507 | 15,295,266 | 16,101,435 | 17,054,738 |
| | Percentage of Total Annual Sales | 43% | 43% | 43% | 41% | 43% | 41% | 40% | 39% | 40% | 39% |

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

| | |
|--|-------------------|
| Legal Debt Margin Calculation for Fiscal Year 2012: | |
| Net assessed valuation | <u>\$ 268,194</u> |
| Allowable debt of nonpublic utility bonds, limited by State Constitution, Article 10, Section 26, to 10% of net assessed valuation | \$ 26,819 |
| Less- Debt applicable to debt limit: Municipal/police building general obligation bonds | (6,790) |
| Legal debt margin | <u>\$ 20,029</u> |

100

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Debt limit | \$ 17,490 | 18,426 | 19,723 | 21,511 | 23,381 | 24,971 | 26,522 | 27,825 | 27,005 | 26,819 |
| Less - Total net debt applicable to limit | <u>(13,780)</u> | <u>(12,990)</u> | <u>(12,200)</u> | <u>(11,410)</u> | <u>(10,620)</u> | <u>(9,830)</u> | <u>(9,040)</u> | <u>(8,390)</u> | <u>(7,615)</u> | <u>(6,790)</u> |
| Legal debt margin | <u>\$ 3,710</u> | <u>\$ 5,436</u> | <u>\$ 7,523</u> | <u>\$ 10,101</u> | <u>\$ 12,761</u> | <u>\$ 15,141</u> | <u>\$ 17,482</u> | <u>\$ 19,435</u> | <u>\$ 19,390</u> | <u>\$ 20,029</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 78.8% | 70.5% | 61.9% | 53.0% | 45.4% | 39.4% | 34.1% | 30.2% | 28.2% | 25.3% |

CITY OF STILLWATER, OKLAHOMA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1) (2)
AS OF JUNE 30, 2012
(in thousands of dollars)

| <u>Governmental Unit:</u> | <u>Bonds Outstanding</u> | <u>Debt Service Cash Available (3)</u> | <u>Net Bonds Outstanding</u> | <u>Percentage Applicable to City of Stillwater Property Owners / Patrons</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|--------------------------|--|------------------------------|--|--|
| Debt repaid with property taxes | | | | | |
| Stillwater Independent School District #16 (4) | \$ 32,585 | \$ 5,715 | \$ 26,870 | 81.95% | \$ 22,020 |
| Debt repaid with sales taxes | | | | | |
| Payne County Facilities Authority (4) | \$ 14,175 | \$ 2,274 | \$ 11,901 | 68.49% | 8,151 |
| Subtotal - overlapping debt | | | | | <u>\$ 30,171</u> |
| City of Stillwater direct debt | \$ 6,790 | \$ 312 | \$ 6,478 | 100.00% | 6,478 |
| Total direct and overlapping debt | | | | | <u><u>\$ 36,649</u></u> |

(1) 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.

(2) 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.

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

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

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

| Fiscal Year | Governmental Activities | | Business-type Activities | | | Total Primary Government | Personal Income (in thousands of dollars) | Debt as Percentage of Personal Income | Population | Total Debt Per Capita |
|-------------|-------------------------|---------------|--------------------------|---------------|----------------|--------------------------|---|---------------------------------------|------------|-----------------------|
| | General Obligation | Revenue Bonds | General Obligation Bonds | Notes Payable | Capital Leases | | | | | |
| 2003 | 13,780,000 | 11,490,000 | 1,485,000 | 30,178,762 | 1,253,010 | 58,186,773 | 1,564,678 | 3.7% | 40,735 | 1,428.42 |
| 2004 | 12,990,000 | 9,900,000 | 1,010,000 | 29,253,384 | 1,349,741 | 54,503,125 | 1,623,651 | 3.4% | 41,320 | 1,319.05 |
| 2005 | 12,200,000 | 21,250,000 | 505,000 | 14,702,699 | 1,018,953 | 49,676,652 | 1,759,533 | 2.8% | 41,940 | 1,184.47 |
| 2006 | 11,410,000 | 18,945,000 | - | 14,009,350 | 1,563,305 | 45,927,655 | 1,925,139 | 2.4% | 45,674 | 1,005.55 |
| 2007 | 10,620,000 | 16,320,000 | - | 13,307,167 | 1,663,711 | 41,910,878 | 2,102,451 | 2.0% | 46,383 | 903.58 |
| 2008 | 9,830,000 | 13,590,000 | - | 18,606,464 | 1,030,812 | 43,057,276 | 2,306,093 | 1.9% | 46,976 | 916.58 |
| 2009 | 9,040,000 | 10,735,000 | - | 17,390,784 | 938,198 | 38,103,982 | 2,314,505 | 1.6% | 47,653 | 799.61 |
| 2010 | 8,390,000 | 7,805,000 | - | 17,914,992 | 1,904,495 | 36,014,487 | 2,402,414 | 1.5% | 45,688 | 788.27 |
| 2011 | 7,615,000 | 4,775,000 | - | 26,066,740 | 2,127,695 | 40,584,435 | ** | ** | 46,048 | 881.35 |
| 2012 | 6,790,000 | 1,585,000 | - | 27,159,609 | 2,347,169 | 37,881,778 | ** | ** | ** | ** |

** Data not available at time of publication

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

General Obligation Bonds

| Fiscal Year | Governmental Activities | Business -Type Activities | Total Primary Government | Total Bonded | | Total Estimated Actual Value (in thousands) | Bonded Debt per \$1,000 of assessed value |
|-------------|----------------------------|------------------------------|-----------------------------|--------------|-----------------|---|---|
| | | | | Population | Debt Per Capita | | |
| 2003 | 13,780,000 | 1,485,000 | 15,265,000 | 40,735 | 374.74 | 1,464,140 | 10.43 |
| 2004 | 12,990,000 | 1,010,000 | 14,000,000 | 41,320 | 338.82 | 1,580,044 | 8.86 |
| 2005 | 12,200,000 | 505,000 | 12,705,000 | 41,940 | 302.93 | 1,660,991 | 7.65 |
| 2006 | 11,410,000 | - | 11,410,000 | 45,674 | 249.81 | 1,774,711 | 6.43 |
| 2007 | 10,620,000 | - | 10,620,000 | 46,383 | 228.96 | 1,932,553 | 5.50 |
| 2008 | 9,830,000 | - | 9,830,000 | 46,976 | 209.26 | 2,097,439 | 4.69 |
| 2009 | 9,040,000 | - | 9,040,000 | 47,653 | 189.70 | 2,236,947 | 4.04 |
| 2010 | 8,390,000 | - | 8,390,000 | 45,688 | 183.64 | 2,373,184 | 3.54 |
| 2011 | 7,615,000 | - | 7,615,000 | 46,048 | 165.37 | 2,487,570 | 3.06 |
| 2012 | 6,790,000 | - | 6,790,000 | ** | ** | 2,414,474 | 2.81 |

** Data not available at time of publication

CITY OF STILLWATER, OKLAHOMA
 PLEDGED REVENUE COVERAGE (1)
 LAST TEN FISCAL YEARS
(dollars in thousands)

104

| Fiscal Year | Oklahoma Water Resources Board (OWRB) Notes and 2002 and 2005 Revenue Bonds | | | 2007 and 2010 Revenue Notes (2) | | | | | | |
|-------------|---|-----------------------------|--------------------------|---------------------------------|----------|----------|--|--------------|----------|----------|
| | Utility Operating Revenues | Less: Operating Expenses | Net Available Revenue | Debt Service | | | Pledged Transportation Sales Tax | Debt Service | | |
| | | | | Principal | Interest | Coverage | | Principal | Interest | Coverage |
| 2003 | 36,506 | 26,855 | 9,651 | 916 | 819 | 5.56 | - | - | - | - |
| 2004 | 38,117 | 27,292 | 10,825 | 2,515 | 823 | 3.24 | - | - | - | - |
| 2005 | 43,596 | 37,498 | 6,098 | 2,305 | 709 | 2.02 | - | - | - | - |
| 2006 | 48,198 | 42,396 | 5,802 | 2,625 | 693 | 1.75 | - | - | - | - |
| 2007 | 51,315 | 45,907 | 5,408 | 2,730 | 619 | 1.61 | - | - | - | - |
| 2008 | 52,517 | 44,519 | 7,998 | 2,855 | 535 | 2.36 | 929 | 495 | 326 | 1.13 |
| 2009 | 53,052 | 44,698 | 8,354 | 3,660 | 666 | 1.93 | 1,644 | 645 | 197 | 1.95 |
| 2010 | 56,341 | 44,535 | 11,806 | 2,930 | 440 | 3.50 | 1,576 | 1,270 | 269 | 1.02 |
| 2011 | 61,199 | 48,358 | 12,841 | 4,015 | 1,062 | 2.53 | 1,646 | 1,615 | 270 | 0.87 |
| 2012 | 65,533 | 52,026 | 13,507 | 2,654 | 507 | 4.27 | 1,712 | 1,675 | 223 | 0.90 |

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) The revenue note is payable solely from sales tax revenue equal to one half of the one-half cent transportation sales tax collected by the City.

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

105

| <u>Function/Program</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Governmental activities: | | | | | | | | | | |
| Public safety | 178.0 | 182.0 | 189.5 | 189.5 | 188.0 | 193.0 | 193.0 | 199.0 | 196.0 | 194.0 |
| Recreation and culture | 97.0 | 98.0 | 101.0 | 91.6 | 102.0 | 93.8 | 87.8 | 75.5 | 67.0 | 56.3 |
| General government | 23.0 | 28.0 | 24.5 | 27.8 | 25.0 | 38.0 | 40.5 | 38.0 | 33.0 | 36.5 |
| Financial administration | 12.5 | 12.5 | 13.0 | 13.0 | 13.5 | 15.0 | 15.0 | 15.0 | 13.0 | 16.0 |
| Street and sewers | 28.0 | 25.0 | 28.0 | 28.0 | 22.0 | 33.0 | 35.0 | 37.5 | 35.0 | 37.3 |
| Engineering and public works administration | 21.0 | 22.0 | 25.5 | 22.5 | 28.0 | 17.0 | 14.5 | 9.5 | 6.0 | 4.0 |
| Health and welfare | 19.0 | 19.5 | 18.0 | 19.0 | 18.0 | 23.0 | 15.0 | 22.0 | 19.0 | 18.3 |
| Business-type activities: | | | | | | | | | | |
| Electric, water and wastewater operations | 127.0 | 132.0 | 136.0 | 137.8 | 130.0 | 138.5 | 132.1 | 137.3 | 128.0 | 136.0 |
| Sanitation operations | 35.5 | 36.0 | 35.0 | 35.0 | 30.0 | 34.5 | 31.0 | 37.5 | 31.0 | 29.5 |
| Stillwater Public Golf Authority (1) | 21.0 | 25.0 | 22.0 | 21.0 | 19.5 | 21.0 | 20.0 | 20.0 | 0.0 | 0.0 |
| Airport Operations | 4.5 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 6.0 | 5.5 | 5.0 | 5.0 |
| Total | 566.5 | 585.0 | 597.5 | 590.1 | 581.0 | 611.75 | 589.9 | 596.8 | 533.0 | 532.9 |

(1) Stillwater Public Golf Authority was dissolved by ordinance in 2010. Beginning in 2011, golf employees are included with recreation and culture.

CITY OF STILLWATER, OKLAHOMA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

| <u>Function/Program</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Governmental activities: | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Recreation and culture | | | | | | | | | | |
| Athletic fields | 21 | 21 | 21 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Tennis Courts | 14 | 14 | 14 | 14 | 14 | 10 | 10 | 10 | 10 | 10 |
| Neighborhood/community parks | 22 | 22 | 22 | 24 | 24 | 22 | 22 | 22 | 22 | 22 |
| Lakeside Golf Course - acreage | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 |
| Street and sewers | | | | | | | | | | |
| Streets (miles) | 255 | 295 | 295 | 297 | 230 | 230 | 526 | 531 | 526 | 526 |
| Traffic signals | 50 | 51 | 51 | 53 | 61 | 61 | 61 | 61 | 60 | 60 |
| Business-type activities: | | | | | | | | | | |
| Electric, water, wastewater | | | | | | | | | | |
| Power plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Substations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Miles of 69KV line | 19.5 | 19.5 | 19.5 | 20.9 | 20.9 | 20.9 | 20.1 | 20.1 | 20.1 | 20.1 |
| Water | | | | | | | | | | |
| Water Plant | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water storage towers (away from plant) | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Wastewater | | | | | | | | | | |
| Wastewater Plant | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Lift Stations | 9 | 11 | 13 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |

Sources: Various City departments

CITY OF STILLWATER, OKLAHOMA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Governmental activities: | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Traffic citations | 5,769 | 6,252 | 5,621 | 5,700 | 5,075 | 5,010 | 4,196 | 4,018 | 3,468 | 2,481 |
| Parking tickets | 10,161 | 10,645 | 12,967 | 14,000 | 13,662 | 11,601 | 13,682 | 16,493 | 17,076 | 13,419 |
| Police calls for service | 39,691 | 41,924 | 42,721 | 44,697 | 39,841 | 33,810 | 43,713 | 42,136 | 44,683 | 43,518 |
| Animals handled by Animal Welfare | 2,607 | 2,951 | 2,411 | 4,034 | 738 | 2,434 | 2,208 | 2,434 | 2,530 | 2,387 |
| Fire calls for service | 1,682 | 1,463 | 1,390 | 1,517 | 1,632 | 1,447 | 1,520 | 1,544 | 1,948 | 1,927 |
| Ambulance calls for service | 3,501 | 3,502 | 3,486 | 3,512 | 3,971 | 3,574 | 4,026 | 3,939 | 4,268 | 0 |
| Recreation and culture | | | | | | | | | | |
| Acres mowed (1) | 950 | 950 | 12,229 | 8,532 | 11,552 | 11,240 | 8,296 | 7,493 | 5,735 | 5,735 |
| Program participants | 5,734 | 5,638 | 6,154 | 6,303 | 7,490 | 2,296 | 6,030 | 4,765 | 5,046 | 4,987 |
| Senior Center daily average attendance | 57 | 62 | 73 | 67 | 60 | 70 | 42 | 34 | 40 | 40 |
| Multi Arts participants (2) | 886 | 1,100 | 1,341 | 2,978 | 2,236 | 6,000 | 6,000 | 6,000 | 6,200 | 4,700 |
| Swimming pool admissions | 20,071 | 22,000 | 29,148 | 17,342 | 18,094 | 18,056 | 15,280 | 16,759 | 12,859 | 12,356 |
| Lakeside golf course - rounds of golf | 31,268 | 28,339 | 28,735 | 31,218 | 25,717 | 25,088 | 24,515 | 25,577 | 29,247 | 29,764 |
| Mini bus rides (3) | 20,123 | 20,500 | 17,284 | 15,554 | 9,699 | 4,390 | 1,974 | 516 | 0 | 0 |
| Volumes in library | 95,179 | 95,286 | 89,059 | ** | ** | 91,674 | 95,219 | 97,555 | 100,119 | 110,918 |
| Total circulation of library materials | 348,121 | 363,696 | 352,258 | 372,998 | 349,502 | 340,421 | 364,243 | 370,043 | 369,340 | 369,191 |
| General government | | | | | | | | | | |
| Supported micro-computers by IT | 415 | 403 | 418 | 411 | 407 | 430 | 421 | 468 | 511 | 590 |
| Helpdesk/trouble calls by IT | 2,323 | 2,067 | 1,624 | 2,122 | 1,858 | 2,547 | 2,084 | 2,429 | 2,785 | 3,355 |
| Ordinances drafted | 37 | 42 | 71 | ** | 35 | 35 | 36 | 32 | 35 | 37 |
| Financial administration | | | | | | | | | | |
| Computer generated accounts payable checks | 10,198 | 10,387 | 5,995 | 4,262 | 4,123 | 2,963 | 2,888 | 3,382 | 3,945 | 2,598 |
| Budget revisions/amendments processed | 448 | 464 | 478 | 430 | 325 | 328 | 388 | 428 | 325 | 274 |
| Requisitions reviewed | 9,207 | 8,444 | 3,427 | 1,902 | 1,608 | 1,709 | 1,794 | 1,541 | 1,355 | 1,231 |
| Municipal court cases | 10,213 | 10,826 | 11,000 | 11,000 | 10,008 | 10,318 | 9,289 | 7,815 | 8,165 | 6,880 |
| Street and sewers | | | | | | | | | | |
| Blocks of striping (4) | 70 | 144 | 150 | 89 | 96 | 82 | 103 | 76 | 8,755 | 80 |
| Signs made | 458 | 439 | 450 | 270 | 305 | 159 | 346 | 571 | 251 | 1,142 |
| Crack sealant (blocks) (5) | 71 | 59 | 62 | 68 | 252 | 10,765 | 143 | 117 | 216 | 0 |
| Slurry sealant (blocks) | 200 | 107 | 175 | 74 | 72 | 23 | 8 | 39 | 29 | 26 |
| Concrete replacement (cu. yds.) | 636 | 914 | 900 | 900 | 758 | 834 | 1,162 | 1,207 | 1,714 | 1,229 |
| Engineering and public works administration | | | | | | | | | | |
| Developments reviewed | 127 | 149 | 166 | 201 | 140 | 95 | 69 | 39 | 80 | 52 |
| Permits issued | 1,856 | 2,217 | 3,730 | 3,494 | 3,478 | 3,047 | 2,650 | 2,963 | 3,406 | 4,116 |
| Vehicles maintained | 280 | 283 | 285 | 293 | 323 | 340 | 346 | 271 | 305 | 362 |
| Fleet job orders completed | 3,070 | 3,272 | 3,686 | 3,085 | 3,388 | 3,619 | 3,789 | 3,721 | 3,754 | 3,848 |
| Health and welfare | | | | | | | | | | |
| Code enforcement inspections | 5,045 | 3,636 | 4,400 | 7,584 | 8,595 | 3,163 | 4,722 | 4,975 | 5,574 | 5,638 |
| High grass and weed cases | 600 | 604 | 592 | 593 | 490 | 746 | 373 | 1,055 | 1,076 | 266 |
| Trees and shrubs planted | 217 | 210 | 210 | 197 | 54 | 22 | 94 | 56 | 0 | 70 |

CITY OF STILLWATER, OKLAHOMA
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (continued)

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Business-type activities: | | | | | | | | | | |
| Electric, water and wastewater operations | | | | | | | | | | |
| Electric connections | 18,480 | 18,754 | 19,113 | 19,800 | 18,338 | 19,605 | 20,580 | 20,338 | 20,208 | 20,856 |
| Water connections | 13,337 | 13,709 | 14,067 | 14,932 | 15,274 | 16,200 | 16,654 | 16,312 | 16,218 | 16,390 |
| Water line repairs (6) | 189 | 144 | 126 | 292 | 281 | 272 | 176 | 85 | 900 | 252 |
| Water treated (million gallons) | 2,886 | 2,951 | 2,768 | 3,079 | ** | 2,604 | 2,567 | 2,338 | 2,282 | 2,438 |
| Sewage treated (million gallons) | 2,173 | 2,027 | 2,098 | 2,277 | 1,940 | 2,035 | 1,957 | 2,048 | 1,648 | 1,651 |
| Sanitation operations | | | | | | | | | | |
| Landfill usage (tons) | 17,775 | 17,822 | 18,513 | 20,002 | 22,884 | 21,000 | 19,602 | 18,986 | 19,713 | 18,631 |
| Yard waste hauled (tons) | 1,329 | 1,050 | 960 | 961 | 1,198 | 1,183 | 1,135 | 1,002 | 1,403 | 1,021 |
| Community Center operations | | | | | | | | | | |
| Admissions | 90,386 | 71,328 | 77,404 | 107,228 | 104,129 | 118,310 | 130,141 | 131,202 | 118,082 | 132,251 |
| Airport Operations | | | | | | | | | | |
| Operations (avg month) | 4,897 | 4,945 | 5,267 | 5,912 | 6,292 | ** | 5,976 | 4,324 | 4,994 | 4,885 |

**unavailable

- (1) changed measure of acres mowed in fiscal year 2005 to acres mowed times number of mowings.
- (2) operation of the Multi Arts programming assumed by The Friends of the Multi Arts Center, Inc. on May 1, 2012
- (3) mini bus program ended March 2010
- (4) measured in ft. in 2011
- (5) measured in lbs. in 2008
- (6) 2003-2010 includes water main repairs only. Beginning in 2011, both water main and service line repairs are included.

Sources: Various City departments

CITY OF STILLWATER, OKLAHOMA
PRINCIPAL EMPLOYERS (2)
CURRENT YEAR AND NINE YEARS AGO

| Employer | Current Year | | | Nine Years Ago | | |
|---------------------------------|--------------|------|-------------------------------------|----------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Oklahoma State University | 6,107 | 1 | 28% | 4,704 | 1 | 24% |
| Stillwater Public Schools | 797 | 2 | 4% | 625 | 4 | 3% |
| Stillwater Medical Center | 721 | 3 | 3% | 700 | 3 | 4% |
| Wal-Mart (1) | 552 | 4 | 2% | | | |
| City of Stillwater | 533 | 5 | 2% | 509 | 5 | 3% |
| Stan Clark Companies (1) | 450 | 6 | 2% | | | |
| OK State Dept. of Career Tech | 250 | 7 | 1% | 225 | 8 | 1% |
| National Standard | 192 | 8 | 1% | 255 | 7 | 1% |
| Stillwater Designs/Kicker Audio | 188 | 9 | 1% | 170 | | 1% |
| Stillwater National Bank | 182 | 10 | 1% | 220 | 9 | 1% |
| Mercury MerCruiser | 0 | | | 960 | 2 | 5% |
| Quebecor World/Quad Graphics | 0 | | | 340 | 6 | 2% |
| Creative Labs | 0 | | | 215 | 10 | 1% |
| Others: | | | | | | |
| Oncue Marketing | 166 | | | | | |
| Meridian Technology Center | 131 | | | | | |
| Armstrong World Industries | 121 | | | | | |
| Frontier Electronics | 110 | | | | | |
| Stillwater Milling | 97 | | | | | |
| Nomadics, Inc./ICX Technologies | 94 | | | | | |

(1) Although these employers were in business nine years ago, employee counts for retail employers for that time period is not readily available.

(2) Sources: Human Resource departments of various local employers

CITY OF STILLWATER, OKLAHOMA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

| Fiscal Year | Population (1) | Personal Income (in thousands of dollars) (2) | Per Capita Personal Income | Median Age (3) | Education Level in Years of Schooling (3) | | K-12 School Enrollment (4) | Post-secondary Enrollment (4) | Unemployment Rate (5) |
|-------------|----------------|---|-------------------------------|----------------|--|---|-------------------------------|----------------------------------|--------------------------|
| | | | | | Percentage high- school graduate or higher | Percentage bachelor's degree or higher | | | |
| 2003 | 40,735 | 1,564,678 | 22,168 | | | | 5,356 | 22,292 | 2.6% |
| 2004 | 41,320 | 1,623,651 | 23,399 | | | | 5,440 | 22,376 | 2.3% |
| 2005 | 41,940 | 1,759,533 | 23,966 | | | | 5,479 | 21,596 | 3.9% |
| 2006 | 45,674 | 1,925,139 | 24,911 | | | | 5,560 | 23,748 | 5.0% |
| 2007 | 46,383 | 2,102,451 | 27,050 | | | | 5,460 | 23,486 | 4.8% |
| 2008 | 46,976 | 2,306,093 | 29,290 | | | | 5,489 | 23,564 | 4.3% |
| 2009 | 47,653 | 2,314,505 | 29,030 | | | | 5,596 | 23,719 | 6.3% |
| 2010 | 45,688 | 2,402,414 | 31,021 | 23.9 | 92.5% | 46.6% | 5,780 | 24,018 | 5.8% |
| 2011 | 46,048 | ** | ** | 24.1 | 93.3% | 47.0% | 5,960 | 24,622 | 5.9% |
| 2012 | ** | ** | ** | ** | ** | ** | 6,061 | 25,623 | 5.1% |

** Data not available at time of publication

(1) Population estimates provided by the City of Stillwater Department of Community Development and the U.S. Census Bureau.
 2005 population estimate reflects the acceptance of the City's estimate challenge by the U.S. Census Bureau.
 2007 population estimate reflects the acceptance of the City's estimate challenge by the U.S. Census Bureau.

(2) 2003 through 2005 personal income estimates provided by Oklahoma Department of Commerce. "Total Personal Income for Counties and MSAs: 2000 - 2005"
 2006 through 2010 personal income estimates provided by U.S. Department of Commerce.

(3) Median Age and educational attainment provided by U.S. 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 and include Pre-k full-time students beginning in 2004.
 Post-secondary enrollment includes enrollment at Oklahoma State University-Stillwater, Northern Oklahoma College-Stillwater,
 and full/half-time students at Meridian Technology Center.

(5) Unemployment rate provided by Bureau of Labor Statistics and is for Payne County.