

City of Stillwater, Oklahoma

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011*

CITY OF
stillwater

CITY OF STILLWATER, OKLAHOMA

Comprehensive Annual Financial Report

And Accompanying

Independent Accountants' Report

For the Fiscal Year Ended June 30, 2011

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, 2011
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*Introductory
Section*



December 2, 2011

To the Honorable Mayor Nathan Bates, 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, 2011, is submitted herewith. This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, 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 2011, the independent accountants' report on the internal control and compliance with applicable laws, is presented in a separate document which is available upon request.

Governmental Structure, Local Economic Conditions and Outlook

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

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

The economic outlook for the City of Stillwater and its residents is one of cautious optimism. Even with the recession, this area of the country has fared better than most. Stillwater's economy lagged behind the downturn and the recovery will lag respectively. 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. In 2008 and 2009, Stillwater experienced significant retail growth 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 is consistently among the lowest in the U.S. for Stillwater and the surrounding county. The unemployment rate for Stillwater increased slightly to 5.9% from 5.8% in the prior 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 Stillwater Convention and Visitors Bureau is reported as a discretely presented governmental component unit. The reporting entity is described in Note 1 to the combined financial statements in the financial section of this report.

FINANCIAL INFORMATION

Internal Controls

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

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

Budgetary Control

The administrative level of budgetary control is maintained at the character classification level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. The legal level of control at which expenditures and encumbrances may not exceed appropriations is at the

category levels for personal services, materials and supplies, other services and charges, capital outlay and debt service for each department within each fund. The method of budget adoption and amendment process is described in Note 1 to the financial statements in the financial section of this report.

Accounting System

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

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

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

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

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

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

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

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

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

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

General Fund Operations

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

Enterprise Fund Operations & Similar Component Units

The SUA, the Airport Fund, 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 2012.

Independent Audit

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

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

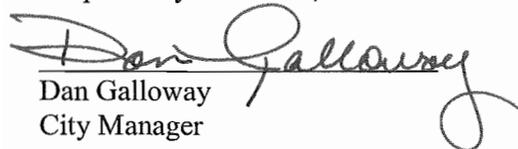
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stillwater for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

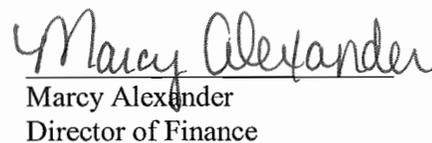
A Certificate of Achievement is valid for a period of one year only. The City of Stillwater has received a Certificate of Achievement for the last twenty-nine consecutive years. We believe that our current report continues to meet the Certificate of Achievement Program requirements and we are submitting 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 and Christy Cluck and the professional assistance of the City's independent accountants, John M. Arledge & Associates, P.C. In addition, thanks are extended to the members of the Audit Committee for their review and oversight of the audit process and to the members of the City Council for their interest and support in strengthening and improving the fiscal policies of the City of Stillwater.

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

Respectfully submitted,


Dan Galloway
City Manager


Marcy Alexander
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Stillwater
Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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. Dandison

President

Jeffrey R. Emer

Executive Director

CITY OF STILLWATER, OKLAHOMA
CITY OFFICIALS AND AUDIT COMMITTEE

JUNE 30, 2011

Mayor and City Council

Nathan Bates	Mayor
Charles Hopkins	Vice Mayor
Cody Scott	Councilor
Joe Weaver	Councilor
John Bartley	Councilor

Audit Committee

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

Administration

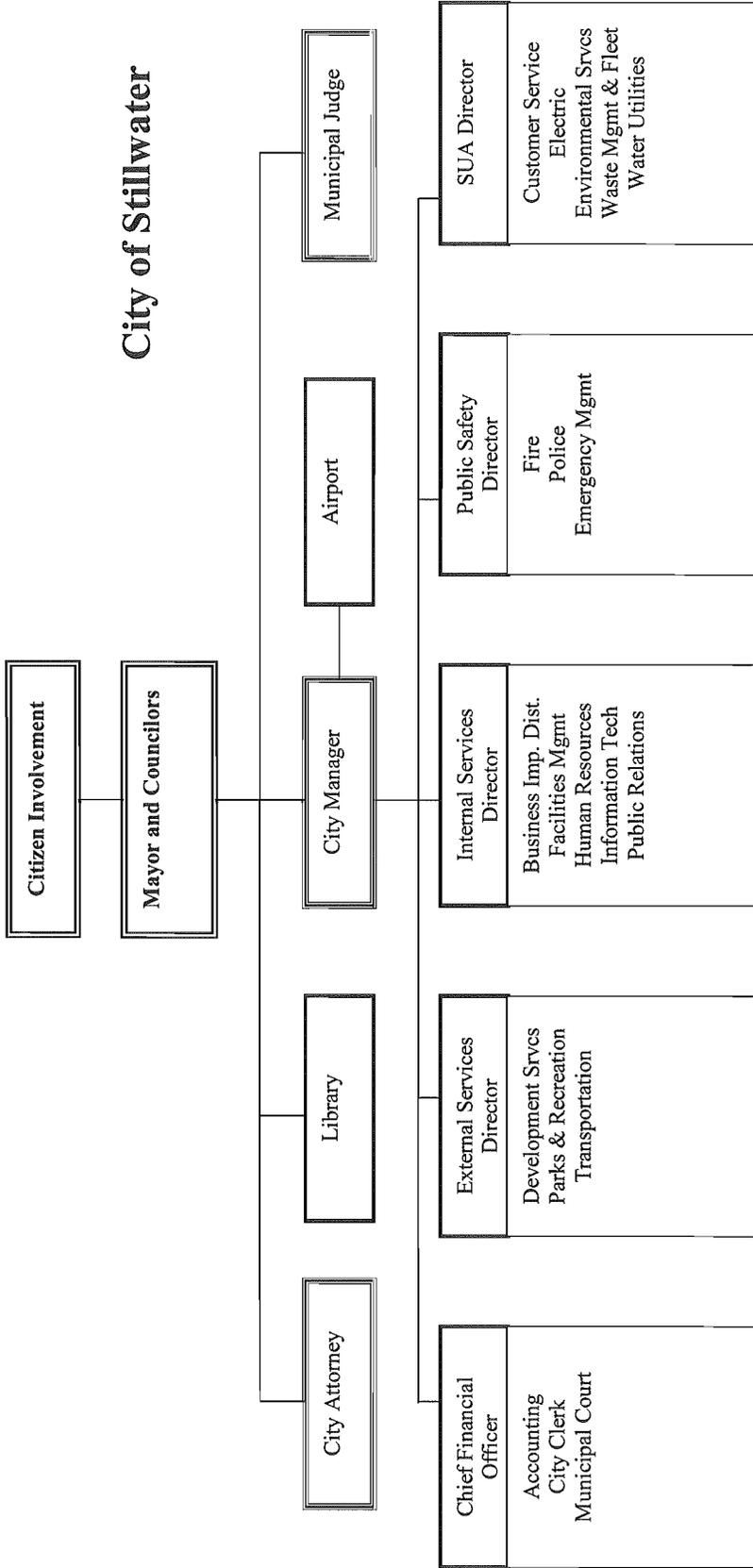
Dan Galloway	City Manager
Dan Blankenship	Director of Stillwater Utilities Authority
Marcy Alexander	Chief Financial Officer
John McClenny	Director of External Services
Robert Barker	Director of Internal Services
Norman McNickle	Director of Public Safety
Lynda Reynolds	Director of Library
Roy Lavicky	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

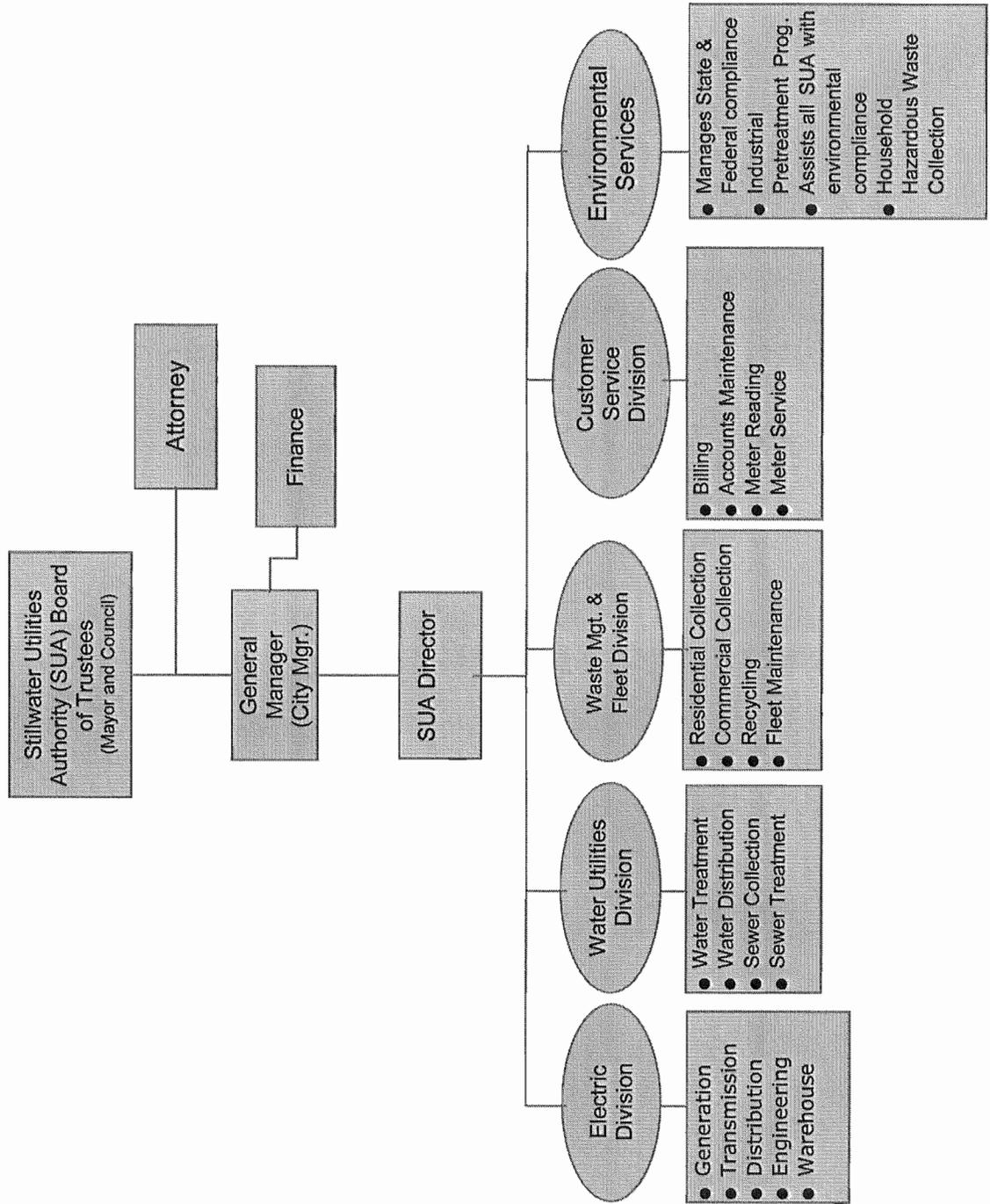
City Phone Number: (405) 372-0025

City of Stillwater



*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*



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Stillwater Medical Center Authority which the City reports as a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, 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, budgetary comparison information, and the pension plan and other post-employment benefits funding schedules, as listed in the Table of Contents, 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 financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information, as listed in the Table of Contents, is the responsibility of management and was derived from and relate 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. The introductory and statistical sections, as listed in the Table of Contents, have 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.

Arledge & Associates, P.C.
Edmond, Oklahoma
December 1, 2011



Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

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, 2011. 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 two discretely presented component units, the Stillwater Medical Authority and the Stillwater Convention and Visitors Bureau. Although they are legally separate entities, these “component units” are important because the City is financially accountable for them in some way. The Stillwater Medical Authority is a public trust of the City and the City is the beneficiary of the trust. The Stillwater Convention and Visitors Bureau receive the proceeds of the City’s Hotel/Motel tax to provide economic development by encouraging tourists and conventions to select Stillwater as a destination.

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

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

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

The General Fund’s fund balance increased by \$1,750,954 due to increased sales tax and the sale of a city owned building in the Business Improvement District #1.

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 \$2,582,661 due to a decrease in project activity and 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 \$9.5 million or 9.03%. Rate increases were implemented for electric, water, wastewater, solid waste collection and street sweeping. Operating revenues increased by \$4.8 million or 8.62%. Operating Expenditures increased by \$3.82 million or 8.58%. Transfers to the city’s general fund were reduced by \$5.4 million.

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, 2011, 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	\$ 96,368	\$ 119,794	\$ 216,162
Increase/(Decrease)	381	9,263	9,644
Ending net assets	<u>\$ 96,749</u>	<u>\$ 129,057</u>	<u>\$ 225,806</u>

The above numbers reflect an increase of .39% 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 4.27% 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	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 19,794	\$ 17,403	\$ 52,946	\$ 40,375	\$ 72,740	\$ 57,778
Capital assets	92,647	96,710	117,230	115,071	209,877	211,781
Total assets	112,441	114,113	170,176	155,446	282,617	269,559
Liabilities:						
Long-term liabilities	11,991	12,396	28,632	30,221	40,623	42,617
Other liabilities	3,701	5,348	12,487	5,431	16,188	10,779
Total liabilities	15,692	17,744	41,119	35,652	56,811	53,396
Net assets:						
Invested in capital assets	84,399	87,624	92,794	92,324	177,193	179,948
Restricted	14,005	5,207	7,630	2,443	21,635	7,650
Unrestricted	(1,655)	3,537	28,633	25,026	26,978	28,563
Total net assets	\$ 96,749	\$ 96,368	\$ 129,057	\$ 119,793	\$ 225,806	\$ 216,161

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, 78.47 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.

Net accounts receivable decreased 57% from the prior year. The allowance for doubtful accounts in the general fund includes municipal court fines and ambulance accounts that are deemed to be uncollectable. On May 1, 2011, the City discontinued its operation of the ambulance service and has received final billing information from a third party biller. Due to the age of many of the accounts and the incompleteness of some of the records, the allowance for uncollectable ambulance accounts was increased by 42% or \$497,803. Subsequent to may 1, 2011, the City's ambulance service is outsourced to the Western Payne County Ambulance Trust Authority (WPCATA). Although the City no longer provides ambulance service, we will still pursue the collection of the outstanding accounts prior to May 1st. to the fullest extent possible.

An additional portion of the City's net assets, 9.58 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 \$380,888 which contributed to a .18% 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4,124	\$ 4,981	\$62,644	\$57,825	\$66,768	\$62,801
Operating Grants & contributions	178	130	-	-	178	130
Capital grants & contributions	785	1,172	2,507	7,884	3,292	9,056
General revenues:						
Sales taxes	24,389	23,410	-	-	24,389	23,410
Other taxes	3,624	3,548	-	-	3,624	3,548
Other general revenues	105	29	278	175	383	204
Total Revenues	33,205	33,270	65,429	65,884	98,634	99,154
Program Expenses:						
General Government	3,750	4,290			3,750	4,290
Financial Administration	628	732			628	732
Public Safety	16,701	17,561			16,701	17,561
Streets & Sewers	7,485	6,780			7,485	6,780
Engineering and Public Works Administration	569	554			569	554
Recreation and Culture	6,134	5,989			6,134	5,989
Economic Development	423	481			423	481
Health and Welfare	1,535	1,793			1,535	1,793
Interest on Long-term Debt	271	463			271	463
Stillwater Utilities Authority			49,122	45,446	49,122	45,446
Stillwater Public Golf Authority			-	400	-	400
Business Area Development			240	203	240	203
Airport Operations			2,132	1,885	2,132	1,885
Total Expenses	37,496	38,643	51,494	47,934	88,990	86,577
Increase/(Decrease) in Net Assets Before Transfers	(4,291)	(5,373)	13,935	65,884	9,644	12,577
Net Transfers	4,672	11,635	(4,672)	(11,635)	-	-
Increase/(Decrease) in Net Assets	\$ 381	\$ 6,262	\$ 9,263	\$54,249	\$ 9,644	\$ 12,577

Sales and use tax received in fiscal year 2011 resulted in a increase from the prior year of \$978,938. Transfers from the SUA to the general fund decreased \$5,422,665. Property taxes increased \$71,238. Investment income increased by \$69,451. Net assets for governmental activities increased by .39%.

Business-type Activities

Business-type activities increased the City of Stillwater's net assets by \$9,263,355 which contributed a 4.29% 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 \$4,858,181 increase in charges for services in the business-type activities.

General Fund Budgetary Highlights

In fiscal year 2009-10 sales tax revenues continued a significant decline which made it necessary to institute mid-year cost cutting measures. The original adopted budget was extremely conservative with few authorized capital expenditures, no cost of living increases. It became necessary for management to initiate further reductions in the budget by not filling vacant positions, reducing travel and training expenditures and cancelling various capital expenditure authorizations that had not yet been initiated. Cost cutting across the board for all city activities reduced the amount of funds that were transferred out by the General Fund to support those services. The City Council approved a budget revision in April 2010 to meet an approximate \$1 million shortfall in the general fund.

The budget for 2010-11 was prepared with further cost cutting. There were minimal capital items approved. Vacant positions were eliminated or unfilled and no cost of living increases were approved. In addition employee compensation was frozen for the year at fiscal 2010 levels. Increases in employee contributions for health insurance were implemented in order to maintain the level of insurance and wellness benefits for employees.

The adopted revenue budget was prepared with no expectation of significant revenue increase beyond that received in fiscal 2009-10. The adopted expenditure budget reflected a decrease from the prior year original budget of 8.6%.

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 slowly begins. Although fiscal year 2010-11 revenues did not present any significant revenue growth and are still behind the level of fiscal 2008-09, it appears that revenues have stabilized. Cost increases for materials have continued to increase and management will have to continue to find ways to become more efficient in the delivery of services to preserve the health of the general fund.

Capital Asset & Debt Administration

The following is a summary of changes in capital assets and debt administration for FY2011. More detailed information on capital asset activity and long-term debt activity

is contained in the accompanying notes to the financial statements on pages 50 and 51 and pages 53 to 59, respectively.

Capital Assets

At the end of June 30, 2011, the City had \$191.3 million invested in capital assets including police and fire equipment, buildings, park facilities, water and sewer lines, electric systems and roads.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 7,312	\$ 7,354	\$ 1,715	\$ 1,673	\$ 9,027	\$ 9,027
Buildings	24,152	24,811	9,987	9,010	34,139	33,821
Other Improvements	-	-	25,249	20,264	25,249	20,264
Equipment	20,614	20,619	2,659	2,074	23,273	22,693
Infrastructure	150,858	137,836	176,094	170,317	326,952	308,153
Intangible Assets	-	-	74	74	74	74
Construction-in-progress	1,720	11,798	7,692	12,676	9,412	24,474
	204,656	202,418	223,470	216,088	428,126	418,506
Less Depreciation	112,009	105,708	124,773	119,349	236,782	225,057
Totals	\$ 92,647	\$ 96,710	\$ 98,697	\$ 96,739	\$ 191,344	193,449

Debt Administration

At year-end, the City had \$41.5 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	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 8,248	\$ 9,086	\$ -	\$ -	\$ 8,248	\$ 9,086
Capital Lease Obligations	-	-	2,128	1,904	2,128	1,904
Notes Payable	-	-	26,067	17,915	26,067	17,915
Revenue Bonds	-	-	4,878	7,989	4,878	7,989
Refundable Grant Obligations	239	281	15	171	254	452
Totals	\$ 8,487	\$ 9,367	\$33,088	\$ 27,979	\$ 41,575	\$ 37,346

Economic Factors and Next Year's Budget

With costs continuing to rise and total revenues still below the FY 2009 level, the budget approach for 2011-12 was to prepare for the "new normal". The City has provided a wide array of services to the citizens for many years and there is a commitment to continue to do so.

The focus of the budget for 2011-12 is to ensure sufficient allocation of resources to fully maintain core services related to the health, safety, and well-being of citizens and visitors. Providing water, sewer, solid waste management, electricity and public safety are quickly identified among those critical services. Extensive efforts to consolidate operations, share resources and restructure staffing have made it possible to maintain all other services, but in a different format. Operational hours, extent of services and fees may be different, but every effort has been made to assure that the needs do not go unmet.

While the economic recovery is not sufficient to return all departments of the City to pre-2009 staffing levels, there are no calculated lay-offs or furloughs included in the budget. Some positions will be phased out or reorganized through attrition. Although no cost of living increase is included, the freeze on service step increases has been removed. After severely restricting capital expenditures for the past three years, the fiscal year 2012 budget includes the replacement of several police cars, a fire department rescue unit, street maintenance equipment and needed critical equipment across the utilities operations. It should be noted that there are still a significant amount of capital equipment needs that continue to exist and this will put pressure on future budgets to regain stability. Future needs will be addressed in the capital improvement planning process. Rate increases in water and sewer rates will be dedicated to infrastructure repair, replacement and/or upgrade consistent with the Water/Sewer Capital Improvement Plan.

The Mercruiser plant is scheduled for the final phase of closing in November 2011. Mercruiser will move the Stillwater 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 has said it will sell the 700,000 square foot facility after the plant closing.

There are several positive initiatives happening locally. 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. The Henry Bellmon Research Center Building is slated for completion in the fall of 2011. Extensive renovations are underway on the Student Union and should be completed by Spring of 2012.

OSU continues to excel in the academic arena making the university attractive to students and faculty. Fall enrollment for 2011 is 24,231 and is the largest in OSU history. The freshman class enrollment represents a ten percent increase over last year. The freshman class has an ACT score of 25.1 and has a record number of 4.0 GPA students. OSU has once again been included as one of the best values in public colleges and universities by Kiplinger's Personal Finance magazine. 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 \$819 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 building permits have increased slightly while single family home building has slowed. There were 80 commercial permits issued in calendar year 2010 and 88 had been issued in the current year at the time of this report. There were 102 single family residential permits issued in calendar year 2010 and 50 so far in 2011. 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, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Stillwater Medical Center Authority	Stillwater Convention and Visitors Bureau
ASSETS					
Cash and cash equivalents	\$ 14,737,868	\$ 14,799,974	\$ 29,537,842	\$ 14,898,090	\$ 59,773
Investments	-	15,180,156	15,180,156	20,647,388	-
Accounts receivable, net	573,306	9,484,830	10,058,136	9,929,422	-
Internal balances	(86,486)	86,486	-	-	-
Interest receivable	-	68,884	68,884	-	-
Installment loans receivable	57,500	4,038	61,538	-	-
Leasehold receivable	-	239,442	239,442	-	-
Inventories	163,741	4,897,864	5,061,605	1,894,823	-
Due from other governments	4,220,612	70,642	4,291,254	-	-
Other assets	-	-	-	1,082,658	-
Restricted cash and cash equivalents	-	8,840,323	8,840,323	919,461	-
Restricted investments	-	-	-	1,718,731	-
Capital assets:					-
Land and construction in progress	9,031,737	9,406,336	18,438,073	4,817,147	-
Other capital assets, net of accumulated depreciation	83,615,362	106,434,684	190,050,046	35,038,790	-
Investments in joint ventures	-	-	-	2,318,119	-
Goodwill, net	-	-	-	5,434,776	-
Other assets	-	-	-	94,619	-
Unamortized debt issuance costs	127,468	331,254	458,722	348,542	-
Total assets	<u>112,441,108</u>	<u>169,844,913</u>	<u>282,286,021</u>	<u>99,142,566</u>	<u>59,773</u>
LIABILITIES					
Accounts payable	1,257,525	4,606,122	5,863,647	2,217,739	59,773
Accrued liabilities	2,417,883	373,035	2,790,918	5,971,585	-
Accrued interest payable	25,383	201,695	227,078	-	-
Unearned revenue	-	6,347	6,347	-	-
Long-term liabilities:					
Due within one year	874,376	7,174,379	8,048,755	1,455,218	-
Due in more than one year	9,593,436	27,824,594	37,418,030	15,127,818	-
Other post employment benefits obligations	1,523,294	601,970	2,125,264	-	-
Total liabilities	<u>15,691,897</u>	<u>40,788,142</u>	<u>56,480,039</u>	<u>24,772,360</u>	<u>59,773</u>
NET ASSETS					
Invested in capital assets, net of related debt	84,399,362	92,794,475	177,193,837	23,660,452	-
Restricted for:					
Capital projects	6,633,915	5,017,007	11,650,922	-	-
Debt service	384,409	2,609,803	2,994,212	2,573,731	-
Street improvements	5,964,692	-	5,964,692	-	-
Specific operating activities	1,022,401	2,712	1,025,113	460,414	-
Nonexpendable operating activities	-	-	-	1,173,827	-
Unrestricted	(1,655,568)	28,632,774	26,977,206	46,501,782	-
Total net assets	<u>\$ 96,749,211</u>	<u>\$ 129,056,771</u>	<u>\$ 225,805,982</u>	<u>\$ 74,370,206</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Stillwater Medical Center Authority	Stillwater Convention & Visitors Bureau
Primary Government									
Government activities									
Public safety	\$ 16,700,682	\$ 282,866	\$ 43,576	\$ 486,209	\$ (15,888,031)	\$ -	\$ (15,888,031)		
Recreation and culture	6,134,272	1,433,340	52,239	154,240	(4,494,453)	-	(4,494,453)		
General government	3,750,252	323,591	-	-	(3,426,661)	-	(3,426,661)		
Financial administration	627,877	829,461	-	-	201,584	-	201,584		
Street and sewers	7,484,979	561,452	-	-	(6,923,527)	-	(6,923,527)		
Engineering and public works administration	569,523	-	-	-	(569,523)	-	(569,523)		
Economic development	422,624	-	-	-	(422,624)	-	(422,624)		
Health and welfare	1,534,775	693,700	82,565	144,307	(614,203)	-	(614,203)		
Interest on long-term debt	271,253	-	-	-	(271,253)	-	(271,253)		
Total governmental activities	37,496,237	4,124,410	178,380	784,756	(32,408,691)	-	(32,408,691)		
Business-type activities									
Electric, water, wastewater and sanitation operations	49,122,135	61,199,054	-	2,062,617	-	14,139,536	14,139,536		
Business area development	240,027	15,671	-	144,996	-	(79,360)	(79,360)		
Airport operations	2,132,392	1,429,150	-	299,882	-	(403,360)	(403,360)		
Total business-type activities	51,494,554	62,643,875	-	2,507,495	-	13,656,816	13,656,816		
Total primary government	\$ 88,990,791	\$ 66,768,285	\$ 178,380	\$ 3,292,251	(32,408,691)	13,656,816	(18,751,875)		
Component Units									
Medical Center	\$ 85,491,721	\$ 88,703,329	\$ -	\$ -			\$ 3,211,608	\$ (169,750)	
Economic Development	485,094	315,344	-	-			\$ -	\$ (169,750)	
Total component units	\$ 85,976,815	\$ 89,018,673	\$ -	\$ -			\$ 3,211,608	\$ (169,750)	
General revenues									
Taxes:									
Sales and use taxes					24,389,442	-	24,389,442		
Property taxes					1,448,266	-	1,448,266		
Franchise and public service taxes					1,548,118	-	1,548,118		
E911 taxes					66,529	-	66,529		
Hotel/motel taxes					560,749	-	560,749		
Investment Income					104,666	114,643	219,309	3,289,304	
Miscellaneous					-	163,705	163,705		
Transfers-internal activity					4,671,809	(4,671,809)	-		
Total general revenues and transfers					32,789,579	(4,393,461)	28,396,118	3,289,304	
Change in net assets					380,888	9,263,355	9,644,243	6,500,912	(169,750)
Net assets -beginning					96,368,323	119,793,416	216,161,739	67,869,394	169,750
Net assets-ending					\$ 96,749,211	\$ 129,056,771	\$ 225,805,982	\$ 74,370,206	\$ -

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Transportation Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,407,972	\$ 5,992,515	\$ 1,149,650	\$ 14,550,137
Due from other governments	4,175,646	-	44,966	4,220,612
Accounts receivable, net of uncollectable accounts of \$2,274,261	562,363	9,796	1,147	573,306
Due from other funds	94,248	-	-	94,248
Inventories	163,741	-	-	163,741
Total assets	<u>\$ 12,403,970</u>	<u>\$ 6,002,311</u>	<u>\$ 1,195,763</u>	<u>19,602,044</u>
LIABILITIES				
Accounts payable	\$ 1,227,600	\$ 26,160	\$ 3,765	\$ 1,257,525
Accrued liabilities	1,134,433	8,929	-	1,143,362
Due to other funds	417,646	2,530	-	420,176
Deferred revenue	162,169	-	36,998	199,167
Total liabilities	<u>2,941,848</u>	<u>37,619</u>	<u>40,763</u>	<u>3,020,230</u>
FUND BALANCES				
Non-spendable: inventories	163,741	-	-	163,741
Restricted for:				
Debt service	-	-	384,409	384,409
Public safety	100,713	-	-	100,713
Capital improvements	-	5,964,692	669,223	6,633,915
Sales tax transfer	1,654,153	-	-	1,654,153
Committed to:				
Public safety	522,274	-	-	522,274
Economic development	235,673	-	-	235,673
Assigned to:				
Self insurance	828,670	-	-	828,670
Recreation and culture	150,445	-	-	150,445
Unassigned	5,806,453	-	101,368	5,907,821
Total fund balances	<u>9,462,122</u>	<u>5,964,692</u>	<u>1,155,000</u>	<u>16,581,814</u>
Total liabilities and fund balances	<u>\$ 12,403,970</u>	<u>\$ 6,002,311</u>	<u>\$ 1,195,763</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 \$112,009,146	92,647,099
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Certain long-term receivables are not available to pay for current fund liabilities and, therefore, are deferred in the funds	199,167
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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	127,468
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	187,731
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	(1,274,521)
Accrued interest payable	(25,383)
General obligation bonds payable	(8,247,737)
Accrued compensated absences	(1,980,633)
Accrued post employment obligations	(1,523,294)
Net assets of governmental activities	<u>\$ 96,749,211</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, 2011

	General	Transportation Improvement	Other Governmental Funds	Totals Governmental Funds
REVENUES				
Taxes	\$ 26,564,838	\$ -	\$ 1,459,560	\$ 28,024,398
Intergovernmental	736,264	-	226,872	963,136
Charges for services	1,449,277	-	-	1,449,277
Fines and forfeits	656,201	-	-	656,201
Fees and rentals	1,466,352	-	-	1,466,352
Investment income	56,709	42,491	4,975	104,175
Licenses and permits	187,563	-	-	187,563
Other miscellaneous revenues	774,883	15	5,000	779,898
Total revenues	31,892,087	42,506	1,696,407	33,631,000
EXPENDITURES				
Current				
Public safety	16,420,643	-	-	16,420,643
Recreation and culture	5,462,488	-	10	5,462,498
General government	2,837,873	-	-	2,837,873
Financial administration	600,203	-	-	600,203
Streets and sewers	2,093,451	287,019	-	2,380,470
Operations	589,376	-	-	589,376
Economic development	422,624	-	-	422,624
Human services	1,347,642	-	88,857	1,436,499
Debt service:				
Principal retirements	-	-	775,000	775,000
Interest and fiscal charges	-	-	385,408	385,408
Capital outlay	1,408,639	1,644,172	344,547	3,397,358
Total expenditures	31,182,939	1,931,191	1,593,822	34,707,952
Deficiency of revenues under expenditures	709,148	(1,888,685)	102,585	(1,076,952)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	575,655	-	-	575,655
Transfers in	10,685,126	6,117,321	-	16,802,447
Transfers out	(10,218,975)	(1,645,975)	(160,402)	(12,025,352)
Total other financing sources (uses)	1,041,806	4,471,346	(160,402)	5,352,750
Net change in fund balances	1,750,954	2,582,661	(57,817)	4,275,798
FUND BALANCES, beginning, restated	7,711,168	3,382,031	1,212,817	12,306,016
FUND BALANCES, ending	\$ 9,462,122	\$ 5,964,692	\$ 1,155,000	\$ 16,581,814

Reconciliation to Statement of Activities:	
Net change in fund balances	\$ 4,275,798
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	3,410,958
Donated capital assets	4,500
Assets transferred from proprietary funds	78,850
Assets transferred to proprietary funds	(184,136)
Asset disposals	(621,677)
Depreciation expense	(6,750,961)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	(426,192)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
	775,000
Internal Service Fund revenue	501
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	(12,736)
Accrued interest payable	114,155
Accrued compensated absences	(14,934)
Accrued workers' compensation claims	191,553
Accrued post employment benefits	(459,791)
Change in net assets-governmental activities	<u>\$ 380,888</u>

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF NET ASSETS- PROPRIETARY FUNDS
JUNE 30, 2011

	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	\$ 14,457,014	\$ 342,960	\$ 14,799,974	\$ 187,731
Investments	15,180,156	-	15,180,156	-
Restricted cash and cash equivalents	8,058,258	-	8,058,258	-
Accounts receivable, net of allowance for uncollectible accounts of \$226,545	9,484,016	814	9,484,830	-
Due from other funds	411,298	6,348	417,646	-
Advances to other funds	-	-	-	34,442
Interest receivable	68,884	-	68,884	-
Installment loans receivable	-	4,038	4,038	-
Leasehold receivable	-	34,442	34,442	-
Inventories	4,754,225	143,639	4,897,864	-
Total current assets	<u>52,413,851</u>	<u>532,241</u>	<u>52,946,092</u>	<u>222,173</u>
NONCURRENT ASSETS				
Advances to other funds	-	-	-	205,000
Leasehold receivable	-	205,000	205,000	-
Restricted assets:				
Cash and equivalents	782,065	-	782,065	-
Due from other governments	-	70,642	70,642	-
Capital assets, non depreciable	7,940,818	1,465,518	9,406,336	-
Capital assets, net of accumulated depreciation	94,557,979	11,876,705	106,434,684	-
Unamortized debt issuance costs	331,254	-	331,254	-
Total noncurrent assets	<u>103,612,116</u>	<u>13,617,865</u>	<u>117,229,981</u>	<u>205,000</u>
Total assets	<u>156,025,967</u>	<u>14,150,106</u>	<u>170,176,073</u>	<u>427,173</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	4,587,150	18,972	4,606,122	-
Accrued expenses	361,312	11,723	373,035	-
Accrued compensated absences	37,540	2,797	40,337	-
Accrued interest payable	201,695	-	201,695	-
Current portion of customer deposits	695,245	-	695,245	-
Current portion of long-term obligations, net	6,423,475	-	6,423,475	34,442
Due to other funds	87,054	4,664	91,718	-
Advances from other funds	-	34,442	34,442	-
Refundable grant obligations	-	15,322	15,322	-
Unearned revenue	-	6,347	6,347	-
Total current liabilities	<u>12,393,471</u>	<u>94,267</u>	<u>12,487,738</u>	<u>34,442</u>
NONCURRENT LIABILITIES				
Customer deposits	439,182	11,680	450,862	-
Compensated absences	698,276	26,906	725,182	-
Refundable grant obligations	-	-	-	205,000
Advances from other funds	-	205,000	205,000	-
Long-term obligations, net	26,648,550	-	26,648,550	-
Other postemployment benefits	601,970	-	601,970	-
Total noncurrent liabilities	<u>28,387,978</u>	<u>243,586</u>	<u>28,631,564</u>	<u>205,000</u>
Total liabilities	<u>40,781,449</u>	<u>337,853</u>	<u>41,119,302</u>	<u>239,442</u>
NET ASSETS				
Invested in capital assets, net of related debt	79,452,252	13,342,223	92,794,475	-
Restricted for debt service	2,609,803	-	2,609,803	-
Restricted donation	-	2,712	2,712	-
Restricted for capital projects	5,017,007	-	5,017,007	-
Unrestricted (deficit)	28,165,456	467,318	28,632,774	187,731
Total net assets	<u>\$ 115,244,518</u>	<u>\$ 13,812,253</u>	<u>\$ 129,056,771</u>	<u>\$ 187,731</u>

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, 2011

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Stillwater Utilities Authority	Non Major Enterprise Funds	Totals	
OPERATING REVENUES				
Charges for services	\$ 59,376,918	\$ 1,141,578	\$ 60,518,496	\$ 10
Other	1,822,136	303,243	2,125,379	-
Total operating revenues	<u>61,199,054</u>	<u>1,444,821</u>	<u>62,643,875</u>	<u>10</u>
OPERATING EXPENSES				
Operating and maintenance	41,907,410	1,660,003	43,567,413	-
Depreciation	6,450,361	711,440	7,161,801	-
Amortization	-	976	976	-
Total operating expenses	<u>48,357,771</u>	<u>2,372,419</u>	<u>50,730,190</u>	<u>-</u>
Operating income (loss)	<u>12,841,283</u>	<u>(927,598)</u>	<u>11,913,685</u>	<u>10</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	110,820	3,823	114,643	491
Interest expense	(694,623)	-	(694,623)	-
Debt issuance costs	(69,741)	-	(69,741)	-
Other income	163,705	-	163,705	-
Net nonoperating revenues	<u>(489,839)</u>	<u>3,823</u>	<u>(486,016)</u>	<u>491</u>
Income (loss) before capital contributions and transfers	<u>12,351,444</u>	<u>(923,775)</u>	<u>11,427,669</u>	<u>501</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	2,246,753	444,878	2,691,631	-
Transfers in	8,321,555	243,993	8,565,548	-
Transfers out	<u>(13,377,223)</u>	<u>(44,270)</u>	<u>(13,421,493)</u>	<u>-</u>
Net capital contributions and transfers	<u>(2,808,915)</u>	<u>644,601</u>	<u>(2,164,314)</u>	<u>-</u>
Change in net assets	9,542,529	(279,174)	9,263,355	501
NET ASSETS, beginning	<u>105,701,989</u>	<u>14,091,427</u>	<u>119,793,416</u>	<u>187,230</u>
NET ASSETS, ending	<u>\$ 115,244,518</u>	<u>\$ 13,812,253</u>	<u>\$ 129,056,771</u>	<u>\$ 187,731</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, 2011

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Stillwater Utilities Authority	Non Major Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 57,888,360	\$ 1,141,429	\$ 59,029,789	\$ -
Payments to suppliers	(31,165,879)	(1,470,745)	(32,636,624)	-
Payments to employees	(10,013,122)	(355,013)	(10,368,135)	-
Inter fund activity-payments to other funds	(1,304,690)	(43,538)	(1,348,248)	(61,862)
Other receipts (payments)	1,822,136	153,216	1,975,352	10
Net cash provided by (used for) operating activities	<u>17,226,805</u>	<u>(574,671)</u>	<u>16,652,134</u>	<u>(61,852)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(13,349,371)	344,718	(13,004,653)	-
Transfers in from other funds	6,583,900	-	6,583,900	-
Miscellaneous income	418,740	-	418,740	-
Principal paid - noncapital financing activities	(120,118)	-	(120,118)	-
Interest paid - noncapital financing activities	(4,538)	-	(4,538)	-
Net cash provided by (used for) noncapital financing activities	<u>(6,471,387)</u>	<u>344,718</u>	<u>(6,126,669)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	-	299,795	299,795	-
Purchases of capital assets	(5,947,283)	(359,764)	(6,307,047)	-
Proceeds from sale of capital assets	70,835	-	70,835	-
Proceeds from capital debt	11,196,308	-	11,196,308	-
Bond issue costs paid	(69,250)	-	(69,250)	-
Transfers in related to capital financing	1,645,975	-	1,645,975	-
Principal paid on capital debt	(5,714,735)	44,038	(5,670,697)	-
Interest paid on debt	(967,094)	-	(967,094)	-
Net cash provided by (used for) capital activities	<u>214,756</u>	<u>(15,931)</u>	<u>198,825</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(20,267,722)	-	(20,267,722)	-
Maturity of investments	9,989,136	-	9,989,136	-
Interest income	241,922	3,582	245,504	491
Net cash provided by investing activities	<u>(10,036,664)</u>	<u>3,582</u>	<u>(10,033,082)</u>	<u>491</u>
Net decrease in cash and cash equivalents	933,510	(242,302)	691,208	(61,361)
CASH AND CASH EQUIVALENTS, beginning of year	22,363,827	585,262	22,949,089	249,092
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 23,297,337</u>	<u>\$ 342,960</u>	<u>\$ 23,640,297</u>	<u>\$ 187,731</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities				
Operating income (loss)	\$ 12,841,283	\$ (927,598)	\$ 11,913,685	\$ 10
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	6,450,361	711,440	7,161,801	-
Amortization expense	-	976	976	-
Changes in assets and liabilities				
Receivables, net	(1,462,943)	7,384	(1,455,559)	-
Inventories	(784,126)	(78,229)	(862,355)	-
Accounts and other payables	(166,221)	(288,316)	(454,537)	(61,862)
Unearned revenue	-	(2,371)	(2,371)	-
Accrued expenses	151,397	2,043	153,440	-
Other postemployment benefits	197,054	-	197,054	-
Net cash provided by (used for) operating activities	<u>\$ 17,226,805</u>	<u>\$ (574,671)</u>	<u>\$ 16,652,134</u>	<u>\$ (61,852)</u>
Non cash activities				
Principal forgiveness on debt	\$ 876,551	\$ -	\$ 876,551	\$ -
Capital assets donated to the Authority	1,370,201	-	1,370,201	-
Capital assets transferred	78,850	-	78,850	-
Borrowings under capital lease	860,045	-	860,045	-
Change in fair value of investments	(142,068)	-	(142,068)	-

The accompanying notes are an integral part of this statement.

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Retiree Only Defined Benefit Plan	Agency Fund
ASSETS		
Cash and cash equivalents	-	\$ 169,131
Investments	\$ 5,715,729	260,000
Assessment receivables	-	805
 Total assets	<u>\$ 5,715,729</u>	<u>\$ 429,936</u>
 LIABILITIES		
Accounts payable	\$ -	\$ 3,237
Amounts held in escrow	-	426,699
 Total Liabilities	<u>-</u>	<u>\$ 429,936</u>
 NET ASSETS:		
Held in trust for pension benefits	<u>\$ 5,715,729</u>	

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, 2011

	<u>Retiree Only Defined Benefit Plan</u>
ADDITIONS:	
Investment Income	\$ 1,032,930
 Total Additions	 <u>1,032,930</u>
DEDUCTIONS:	
Benefits	13,338
Administrative expense	<u>16,037</u>
 Total Deductions	 <u>29,375</u>
 Net increase	 1,003,555
Net assets held in trust for pension benefits	
Beginning of year	4,712,174
End of year	<u><u>\$ 5,715,729</u></u>

City of Stillwater, Oklahoma
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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.

Stillwater Convention And Visitors Bureau

The Stillwater Convention and Visitors Bureau was created by an ordinance dated March 25, 1985. The ordinance created a 4% excise tax from the gross proceeds derived from the receipts received from occupancy of hotel rooms. These funds are to be used by the Bureau for the development of Stillwater as a visitor destination. The Bureau is administrated by an eleven member board which is appointed by the City Council. The board consists of a majority from the private sector and not less than two from the hotel industry. The city manager or his designated representative serves as ex-officio, non-voting member. The City approved the budget of the Bureau. The Stillwater Chamber of Commerce provided daily oversight of the Bureau until December 31, 2010. At that time, the operations of the bureau were incorporated into the City’s operations under the supervision of the City Manager’s office.

BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

The funds of the City are described below:

General Fund

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

Special Revenue Funds

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

Community Development Block Grant Fund
Library Materials Enhancement Fund

Debt Service Fund

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

Capital Projects Fund

The capital projects 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 (Fiduciary) | |
| Property Rehabilitation Escrow | Sanitary Sewer Assessments |
| Business Improvement District Assessments | Public Library Donations |
| Sidewalk Escrow | Bond Escheatment Escrow |
| Right Of Way Escrow | Airport Grant Escrow |
| Street Assessments | Performance Guarantee Escrow |

Discretely Presented Component Units

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

- Stillwater Medical Center Authority
- Stillwater Convention and Visitors Bureau

Major Governmental Funds:

Description

General Fund

See previous description

Transportation Improvement Fund

Accounts for the expenditures for street projects as approved by the voters in 2001 and other transportation projects. Financing is provided by the ½ cent sales tax also approved by the voters.

Major Enterprise Fund:

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:

Special Revenue Funds:

Community Development Block Grants	Accounts for funds used for the improvements in low-income portions of the community. Funding is provided by the Community Development Block Grant Small Cities Set Aside program and local matching funds.
Library Materials Enhancement	Accounts for the expenditures of the proceeds from the sale of the old library building.
Debt Service Fund	See previous description
Capital Project Fund	
Police/Municipal Building	See previous description
Enterprise Funds:	
Airport	Accounts for the operation of the Stillwater Municipal Airport including capital additions and improvements financed through federal and state grant proceeds and City contributions.
Stillwater Industrial Redevelopment Authority	Accounts for expenditures for industrial redevelopment. Financing is provided from federal grants, federal loans, city contributions and citizen participation.

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.
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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, 2011, cash and cash equivalents in the amount of \$12,035,701 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 \$2,274,261 are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, court fines and ambulance fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Non-exchange revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Proprietary fund receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable of \$226,545 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 \$4,625,000 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, and since inventories are not available spendable resources, are equally offset by a reservation of fund balance in the governmental funds. Inventories of proprietary funds consist primarily of materials, supplies and fuel oil and are reported at the lower of average cost or market.

Bond 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 \$826,717. Of this amount, \$132,093 was capitalized on construction in progress during 2011.

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. All governmental funds participated in the pooled cash account and thus the payments are funded by this account.

Deferred Revenue

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

Equity Classifications

Government-Wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, leases or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as 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. 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.

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, 2011 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.
3. Primary government and component unit activity and balances - resource flows between the primary government (the City) and the discretely presented component unit (the Stillwater Convention and Visitors Bureau) are reported as if they were external transactions.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of 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

<u>Fund</u>	<u>Required by</u>
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, 2011, 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, 2011, 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, 2011, 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, 2011, 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, 2011.

<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, 2011, available revenues plus sales tax transfer, was \$68,057,479; bond requirement is operating and maintenance excluding depreciation or \$41,907,410 plus 125% of next years principal and interest or \$6,346,366. Excess coverage was \$19,803,703 or 312% 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, 2011, the City had not incurred a fund balance deficit in any individual fund.

Special Assessments

In accordance with Statement No. 6 of the Governmental Accounting Standards Board, the capital assets pertaining to the special assessments of 1981 and 1984, for sanitary sewer improvements, have been included in the sewer plant assets. The debt that is associated with special assessments in the City is secured by liens on assessed properties, but is not backed by the full faith and credit of the City and is not backed by any other type of general government commitment. Therefore, the City is not liable under any circumstances for the repayment of this debt should the property owners default. The City is only acting as an agent for the property owners in collecting the assessment and forwarding the collections to the bondholders. At June 30, 2011, the property owners owed the bondholders \$500 for the outstanding bonds.

(3) DETAILED NOTES-TRANSACTION CLASSES/ACCOUNTS

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

DEPOSITS AND INVESTMENTS

Deposits

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

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

At June 30, 2011, the City's bank balance of \$40,069,583 was not exposed to custodial credit risk. At December 31, 2010, \$14,171,000 of the Hospital's bank balance of \$18,437,000 was uninsured and uncollateralized.

Investments

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

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

Interest Rate Risk

The City's investment policy does not address interest rate risk. The Hospital's investment policy generally limits its investment portfolio to maturities of three to five years.

At June 30, 2011 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	**	15,528,421	\$ -	\$ 15,528,421	\$ -	\$ -
FHLMC	AAA (1)	\$ 6,901,570	-	-	-	6,901,570
		\$ 22,429,991	\$ -	\$ 15,528,421	\$ -	\$ 6,901,570
Fixed income ***	Not avail.	1,175,306				
Equities		4,344,661				
Real Estate		195,762				
		\$ 28,145,720				

** 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, 2010, 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	239,540	-	145,196	94,344	-
U.S. agencies obligations	3,004,226	-	1,107,789	148,070	1,748,367
Corporate bonds	3,484,503	59,879	505,579	2,198,179	720,866
Money market mutual funds	3,800,203	3,800,203	-	-	-
	11,773,472	\$ 3,860,082	\$ 1,758,564	\$ 3,685,593	\$ 2,469,233
Corporate stocks	7,242,676				
Accrued investment income	77,967				
	\$ 19,094,115				

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 Hospital's policy is to limit its investments to a credit rating of no less than investment grade, or 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 AAA by Standard and Poor's. Certain investments, which include guaranteed investment contracts and U.S. agencies obligations, 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, 2010, the following investments exceeded 5% of the total value of all Hospital investments:

Investment	Fair Value	% of Total
JP Morgan US Treas Plus Inv 3126	\$ 1,386,086	6.0%
FGIC Capital MRK SERV GIC	\$ 1,245,000	5.4%

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, 2011. 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 Government	Component Units	Total
Deposits	\$ 31,557,461	\$ 19,149,328	\$ 50,706,789
Investments	28,145,720	19,094,115	47,239,835
	<u>\$ 59,703,181</u>	<u>\$ 38,243,443</u>	<u>\$ 97,946,624</u>

Reconciliation to Government-wide Statement of Net Assets

Included in the following balance sheet captions:

Cash and cash equivalents	\$ 29,537,842	\$ 14,957,863	\$ 44,495,705
Investments	15,180,156	20,647,388	35,827,544
Restricted cash and cash equivalents	8,840,323	919,461	9,759,784
Restricted investments	-	1,718,731	1,718,731
Fiduciary funds	6,144,860	-	6,144,860
Total	<u>\$ 59,703,181</u>	<u>\$ 38,243,443</u>	<u>\$ 97,946,624</u>

ACCOUNTS RECEIVABLE

The accounts receivable of the governmental activities consist of franchise taxes, police fines, E-911, ambulance fees, rural fire charges, and stormwater fee receivables. Ambulance fees are 22 percent of the total. Cable franchise taxes are 13 percent of the total while rural fire accounts receivable is 10 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 \$2,609,803 at June 30, 2011, 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, 2011, 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, 2011 cash and cash equivalents, classified as non-current, in the amount of \$278,827 was restricted for this purpose.

Proceeds received from the 2010 Revenue Note issue are restricted in their use to finance transportation improvement projects identified in the 2006 Transportation Sales Tax Ordinance. As of June 30, 2011, cash and cash equivalents, classified as current, in the amount of \$4,683,424 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, 2011 cash and equivalents, classified as current, in the amount of \$79,086 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, 2011, cash and cash equivalents in the amount of \$1,134,427 of which \$685,945 is classified as current and \$448,482 is classified as non-current, have been restricted for customer deposits.

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
PRIMARY GOVERNMENT:				
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 7,353,874	\$ -	\$ 41,800	\$ 7,312,074
Construction-in-progress	11,798,131	2,693,201	12,771,669	1,719,663
Total capital assets not being depreciated	<u>19,152,005</u>	<u>2,693,201</u>	<u>12,813,469</u>	<u>9,031,737</u>
Other capital assets:				
Buildings	24,810,706	-	658,397	24,152,309
Other improvements	137,835,604	13,352,646	329,828	150,858,422
Machinery and equipment	20,619,282	35,994	41,499	20,613,777
Total other capital assets at historical cost	<u>183,265,592</u>	<u>13,388,640</u>	<u>1,029,724</u>	<u>195,624,508</u>
Less accumulated depreciation for:				
Buildings	7,126,318	532,997	98,506	7,560,809
Other improvements	81,665,584	5,406,121	44,524	87,027,181
Machinery and equipment	16,916,130	811,843	306,817	17,421,156
Total accumulated depreciation	<u>105,708,032</u>	<u>6,750,961</u>	<u>449,847</u>	<u>112,009,146</u>
Other capital assets, net	<u>77,557,560</u>	<u>6,637,679</u>	<u>579,877</u>	<u>83,615,362</u>
Governmental activities capital assets, net	<u>\$ 96,709,565</u>	<u>\$ 9,330,880</u>	<u>\$ 13,393,346</u>	<u>\$ 92,647,099</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,672,795	\$ 41,800		\$ 1,714,595
Construction-in-progress	12,676,263	4,255,766	9,240,288	7,691,741
Total capital assets not being depreciated	<u>14,349,058</u>	<u>4,297,566</u>	<u>9,240,288</u>	<u>9,406,336</u>
Other capital assets:				
Buildings	9,010,351	977,114	-	9,987,465
Other improvements	20,264,301	4,984,745	-	25,249,046
Machinery and equipment	2,073,214	1,612,265	1,026,605	2,658,874
Intangible assets	74,054	-	-	74,054
Utility plant in service	170,317,316	6,062,592	285,547	176,094,361
Total other capital assets at historical cost	<u>201,739,236</u>	<u>13,636,716</u>	<u>1,312,152</u>	<u>214,063,800</u>
Less accumulated depreciation for:				
Buildings	3,072,693	323,041	-	3,395,734
Other improvements	12,945,121	546,450	-	13,491,571
Machinery and equipment	14,437,304	787,822	625,678	14,599,448
Utility plant in service	88,850,935	4,648,160	287,115	93,211,980
Less amortization for intangible assets:	<u>43,113</u>	<u>976</u>	<u>(29,965)</u>	<u>74,054</u>
Total accumulated depreciation/amortization	<u>119,349,166</u>	<u>6,306,449</u>	<u>882,828</u>	<u>124,772,787</u>
Other capital assets, net	<u>82,390,070</u>	<u>7,330,267</u>	<u>429,324</u>	<u>89,291,013</u>
Business-type activities capital assets, net	<u>\$ 96,739,128</u>	<u>\$ 11,627,833</u>	<u>\$ 9,669,612</u>	<u>\$ 98,697,349</u>

COMPONENT UNITS:

	Balance December 31, 2009	Additions	Disposals	Balance December 31, 2010
Stillwater Medical Center Authority:				
Capital assets not being depreciated				
Land	\$ 2,115,409	\$ -	\$ -	\$ 2,115,409
Construction-in-progress	2,069,150	819,861	187,273	2,701,738
Total capital assets not being depreciated	4,184,559	819,861	187,273	4,817,147
Other capital assets:				
Land improvements	\$ 1,462,807	\$ -	\$ -	\$ 1,462,807
Building, improvements and fixed equip.	46,678,376	534,396	-	47,212,772
Major moveable equipment	45,745,228	2,358,815	407,223	47,696,820
Total other at capital assets	93,886,411	2,893,211	407,223	96,372,399
Less accumulated depreciation:	56,912,189	4,770,322	348,902	61,333,609
Other capital assets, net	36,974,222	(1,877,111)	58,321	35,038,790
Capital assets, net	<u>\$ 41,158,781</u>	<u>\$(1,057,250)</u>	<u>\$ 245,594</u>	<u>\$ 39,855,937</u>

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Convention and Visitors Bureau:				
Property, plant and equipment	\$ 59,867	\$ -	\$ 59,867	\$ -
Less accumulated depreciation	55,533	-	55,533	-
Capital assets, net	<u>\$ 4,334</u>	<u>\$ -</u>	<u>\$ 4,334</u>	<u>\$ -</u>

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

Primary Government:

Governmental Activities:

General Government

Public Safety	\$ 426,780
Recreation and Culture	703,269
General Government	374,766
Financial Administration	487
Street	5,147,309
Human Services	98,350
Total depreciation expense for governmental activities	<u>\$ 6,750,961</u>

Business-type Activities:

Stillwater Utilities Authority	\$ 6,450,361
Airport (includes amortization of intangible assets)	711,480
Stillwater Industrial Redevelopment Authority	936
Total depreciation expense for business-type activities	<u>\$ 7,162,777</u>

Component Units:

Stillwater Medical Center Authority	<u>\$ 4,770,322</u>
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INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2011 were as follows:

<u>Advances from</u>	<u>Advances to</u>
	Non Major Enterprise funds
Stillwater Public Works Authority	\$ 239,442

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

<u>Due from</u>	<u>Due to</u>			
	General Fund	Stillwater Utilities Authority	Non Major Proprietary funds	
General Fund	\$ -	\$ 411,298	\$ 6,348	\$ 417,646
Transportation Improvement fund	2,530			2,530
Non Major Proprietary funds	4,664			4,664
Stillwater Utilities Authority	87,054			87,054
	<u>\$ 94,248</u>	<u>\$ 411,298</u>	<u>\$ 6,348</u>	<u>\$ 511,894</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. The transfers to governmental capital assets consisted of net assets transferred upon the dissolution of the Stillwater Public Golf Authority. Interfund transfers reported in the fund financial statements for the year ended June 30, 2011, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>					
	General Fund	Transportation Improvement Fund	Non major Governmental Funds	Non major Enterprise Funds	Stillwater Utilities Authority	Total
General Fund	\$ -	\$ -	\$ 160,402	\$ 44,270	\$ 10,480,454	\$ 10,685,126
Governmental capital assets	-	-	-	-	78,850	78,850
Transp. Impr. Fund	3,299,402	-	-	-	2,817,919	6,117,321
Stillwater Utilities Authority	6,675,580	1,645,975	-	-	-	8,321,555
Non Major Governmental Funds	243,993	-	-	-	-	243,993
Non Major Enterprise Funds	-	-	-	-	-	-
	<u>\$ 10,218,975</u>	<u>\$ 1,645,975</u>	<u>\$ 160,402</u>	<u>\$ 44,270</u>	<u>\$ 13,377,223</u>	<u>\$ 25,446,845</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, 2011, 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 \$775,000 to \$825,000 with a final payment of \$350,000 due June 1, 2021, interest rate of 4.00%	\$ 7,615,000
Plus Unamortized premium	<u>632,737</u>
Total general obligation Bonds	<u>\$8,247,737</u>
Current portion	\$ 825,000
Non-current portion	<u>7,422,737</u>
Total general obligation Bonds	<u>\$8,247,737</u>

Accrued Compensated Absences-Governmental Activities:

Current portion	\$ 14,934
Non-current portion	<u>1,965,699</u>
Total accrued compensated absences	<u>\$1,980,633</u>

Stillwater Public Works Authority

Refundable Grant Obligations,

Grant from Oklahoma Department of Commerce in the original amount of \$325,000 with 0% interest per annum. The final installment will be December 2011. This obligation is collateralized by a lease between SIRA and Esker US, Inc.	\$ 14,442
Grant from Oklahoma Department of Commerce in the original amount of \$400,000 with 0% per annum. The final installment will be October 31, 2023. This obligation is collateralized by a lease between SIRA and Nomadics, Inc.	<u>225,000</u>
Total refundable grant obligations	<u>\$ 239,442</u>
Current portion	\$ 34,442
Non-current portion	<u>205,000</u>
Total refundable grant obligations	<u>\$ 239,442</u>

Business-type Activities:

As of June 30, 2011 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.	\$1,792,075
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.	2,803,750
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.	5,809,188
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	4,200,000
2009 BancFirst Note dated September 16, 2009, original amount of \$240,236, 2.5% interest, semiannual interest and annual principal installments commencing April 1, 2010 through October 1, 2011	120,118
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%	4,729,462
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%	1,137,147
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	<u>5,475,000</u>
Total notes payable	<u>\$26,066,740</u>
Current portion	\$ 2,560,344
Non-current portion	<u>23,506,396</u>
Total notes payable	<u>\$26,066,740</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.	4,775,000
Plus Unamortized premium	122,453
Less Unamortized loss on defeasance	<u>(19,863)</u>
Total revenue bonds	<u>\$4,877,590</u>
Current portion	\$3,271,982
Non-current portion	<u>1,605,608</u>
Total revenue bonds payable	<u>\$4,877,590</u>

Capital Lease Obligations:

Total machinery and equipment financed by capital lease obligations	\$2,546,515
Less accumulated depreciation	<u>(500,591)</u>
Net assets financed by leases	<u>\$2,045,924</u>

Borrowings have been advanced pursuant to a credit agreement with Banc of America Leasing and Capital LLC that provided, until October 31, 2011, for the purchase of equipment. Total borrowings are limited to \$2.3 million with a fixed interest rate determined at the time of funding. Total borrowings under this credit agreement at June 30, 2011 was \$2.1 million.

\$553,307 capital lease with Bank of America for equipment; fixed interest rate of 4.09%, semiannual installments commencing December 15, 2006, through June 15, 2014.	\$ 228,732
\$96,543 capital lease with Bank of America for equipment, fixed interest rate of 2.4412%, monthly installments commencing April 15, 2010 through March 15, 2013	57,173
\$20,161 capital lease with Bank of America for equipment, fixed interest rate of 3.0902%, monthly installments commencing April 15, 2010 through March 15, 2015	15,408
\$391,032 capital lease with Bank of America for equipment, fixed interest rate of 3.1942%, monthly installments commencing April 30, 2010 through March 30, 2015	299,041
\$29,700 capital lease with Bank of America for equipment, fixed interest rate of 2.5322%, monthly installments commencing April 30, 2010 through March 30, 2013	17,598
\$481,057 capital lease with Bank of America for equipment, fixed interest rate of 3.2397%, monthly installments commencing May 15, 2010 through April 15, 2015	375,668

\$201,802 capital lease with Bank of America for equipment, fixed interest rate of 3.1617%, monthly installments commencing June 15, 2010 through June 15, 2015	161,440
\$54,783 capital lease with Bank of America for equipment, fixed interest rate of 3.1487%, monthly installments commencing June 15, 2010 through May 15, 2015	43,561
\$12,524 capital lease with Bank of America for equipment, fixed interest rate of 2.9342%, monthly installments commencing July 30, 2010 through June 30, 2015	10,163
\$245,932 capital lease with Bank of America for equipment, fixed interest rate of 2.8172%, monthly installments commencing August 30, 2010 through July 30, 2015	203,396
\$223,024 capital lease with Bank of America for equipment, fixed interest rate of 2.6612%, monthly installments commencing September 30, 2010 through August 30, 2015	187,881
\$43,166 capital lease with Bank of America for equipment, fixed interest rate of 2.6677%, monthly installments commencing October 15, 2010 through September 15, 2015	37,053
\$313,375 capital lease with Bank of America for equipment, fixed interest rate of 2.6612%, monthly installments commencing January 15, 2011 through December 15, 2015	283,878
\$15,000 capital lease with Bank of America for equipment, fixed interest rate of 2.9082%, monthly installments commencing April 30, 2011 through March 30, 2016	14,301
\$19,548 capital lease with Bank of America for equipment, fixed interest rate of 2.6612%, monthly installments commencing July 30, 2011 through June 30, 2016	19,548
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.	92,940
\$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>79,914</u>
Total capital leases	<u>\$2,127,695</u>
Current portion	\$591,149
Non-current portion	<u>1,536,546</u>
Total capital leases	<u>\$2,127,695</u>

Accrued Compensated Absences – Business-type activities:

Current portion	\$ 40,337
Non-current portion	<u>725,182</u>
Total accrued compensated absences	<u>\$ 765,519</u>

Component Unit:

Stillwater Medical Center Authority

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.	\$8,990,000
Less loss on bond defeasance	(489,192)
Plus original issue premium	<u>169,955</u>
Net bond issue	<u>\$8,670,763</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>
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Total revenue bonds	<u>\$15,670,763</u>
Current portion	\$ 816,692
Non-current portion	<u>14,854,071</u>
Total revenue bonds	<u>\$15,670,763</u>

Capital lease obligations

Total capital assets financed by capital lease obligations	\$ 3,115,241
Less accumulated depreciation	<u>(1,366,609)</u>
Net assets financed by capital lease obligations	<u>\$ 1,748,632</u>
Capital lease issued for equipment, interest rate of 4.04%	<u>\$ 912,273</u>
Current portion	\$ 638,526
Non-current portion	<u>273,747</u>
Total capital lease obligations	<u>\$ 912,273</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 for the year ended June 30, 2011:

Type of Debt	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Primary Government					
Governmental Activities					
General obligation Bonds	\$ 9,085,959	\$ -	\$ 838,222	\$ 8,247,737	\$ 825,000
Refundable grant obligations	281,108	-	41,666	239,442	34,442
Accrued compensated absences	1,965,699	1,898,782	1,883,848	1,980,633	14,934
Total governmental activities	\$ 11,332,766	\$ 1,898,782	\$ 2,763,736	\$ 10,467,812	\$ 874,376
Business-type Activities					
Capital lease obligations	\$ 1,904,495	\$ 860,045	\$ 636,845	\$ 2,127,695	\$ 591,149
Notes payable	17,914,992	11,196,308	3,044,560	26,066,740	2,560,344
Revenue bonds payable; net	7,989,348	-	3,111,758	4,877,590	3,271,982
Refundable grant obligation	170,513	-	155,191	15,322	15,322
Customer deposits	1,171,722	685,170	710,785	1,146,107	695,245
Accrued compensated absences	665,539	734,831	634,851	765,519	40,337
Total business-type activities	\$ 29,816,609	\$ 13,476,354	\$ 8,293,990	\$ 34,998,973	\$ 7,174,379
Component Unit:					
Stillwater Medical Center Authority					
Revenue bonds payable; net	\$ 16,447,453	\$ -	\$ 776,690	\$ 15,670,763	\$ 816,692
Capital lease obligations	1,714,405	-	802,132	912,273	638,526
	\$ 18,161,858	\$ -	\$ 1,578,822	\$ 16,583,036	\$ 1,455,218

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, 2011, are as follows:

Year Ending June 30,	Governmental Activities			
	General Obligation		Refundable Grant Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 825,000	\$ 304,600	\$ 34,442	-
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	-
2017-2021	3,540,000	388,600	100,000	-
2022-2023	-	-	25,000	-
Total	\$ 7,615,000	\$ 1,583,600	\$ 239,442	-

Business-Type Activities						
Year Ending June 30,	Revenue Bonds		Capital leases		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 3,190,000	\$ 159,000	\$ 591,149	\$ 60,628	\$ 2,560,343	\$ 718,563
2013	1,585,000	39,625	600,232	40,621	2,744,247	653,763
2014	-	-	494,710	22,178	3,053,135	575,421
2015	-	-	387,240	7,209	3,129,471	490,417
2016	-	-	54,364	394	3,215,803	357,883
2017-2021	-	-	-	-	7,829,346	969,372
2022-2026	-	-	-	-	3,522,249	200,080
2027-2031	-	-	-	-	12,146	172
Total	<u>\$ 4,775,000</u>	<u>\$ 198,625</u>	<u>\$ 2,127,695</u>	<u>\$ 131,030</u>	<u>\$ 26,066,740</u>	<u>\$ 3,965,671</u>

Component Unit				
Year Ending December 31,	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 855,000	\$ 835,419	\$ 638,526	\$ 25,119
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	-	-
2016-2020	6,025,000	2,348,001	-	-
2021-2025	5,220,000	635,905	-	-
Total	<u>\$ 15,990,000</u>	<u>\$ 6,675,637</u>	<u>\$ 912,273</u>	<u>\$ 27,890</u>

(4) EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Nonuniformed Employees

All full-time nonuniformed City employees are provided pension benefits through a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The employee begins participation on the date of employment. Employees are required to contribute a minimum of 3% of their salary with an optional maximum of up to 100% of their salary, 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, 2011, was \$1,758,375 which consisted of \$865,666 (net of \$141,688 in forfeitures) from the City and \$892,709 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 \$1,498,000 from the Hospital and \$749,000 from employees for the year ended December 31, 2010. Forfeitures of \$137,361 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. 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.

As of January 1, 2011 the funded status of the defined benefit plan was as follows:

Actuarial accrued liability (AAL)	\$ 74,967
Actuarial value of plan assets	5,460,468
(Overfunded) actuarial accrued liability (UAAL)	<u>\$ (5,385,501)</u>
Funded ratio (actuarial value of plan assets/AAL)	7284.0%
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 605 Oklahoma City Ok 73116-7335	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Suite 265 Oklahoma City, Ok. 73105-3414

	Oklahoma Police Pension and Retirement System (continued)	Oklahoma Firefighter's Pension and Retirement System (continued)
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participants municipality hired before age 45
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's 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:	Yes	Yes
Cost of living adjustments (normal retirement)		
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%

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 \$451,450 and \$1,027,609, respectively.

Related Party Investments

As of June 30, 2011 the Systems held no related-party investments of the City or of its related entities.

(5) RISK MANAGEMENT

As of June 30, 2011, claims outstanding against the City and its public authorities were \$1,934,084 and is accrued under the heading "Accrued Liabilities" in the accompanying financial statements. Liabilities were accrued for tort claims, general liability claims and employee health insurance claims. The City is self-insured for group medical, general liability, workers compensation, unemployment, and property damage. The City has a reinsurance policy which limits the City's liability for major medical to \$100,000 per individual. The City also maintains an aggregate reimbursement policy which limits the total liability of the City for major medical to \$5,100,000. The City purchases conventional insurance for excess losses for general liability and property damage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The claims liability for health claims incurred but not reported is estimated by management using a five-month claims lag analysis. The claims liability for workers compensation claims and judgments is estimated using information provided by a third party administrator based on their opinion of probable outcome of litigation. The balance of the claim liability is expected to be paid within the next year and is included in accrued liabilities on the statement of net assets. All claims are paid from the consolidated cash account, funded by the General Fund. Changes in the balances of claims liabilities during fiscal years 2010-2011 and 2009-2010 were as follows:

	Beginning Liability Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability Balance
2010-2011	\$ 2,150,375	\$ 4,846,887	\$ 5,063,178	\$ 1,934,084
2009-2010	1,406,554	5,253,540	4,509,719	2,150,375

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 2010 and 2009 is summarized as follows

	Beginning Liability Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability Balance
2010	\$ 1,250,000	\$ 3,904,525	\$ 4,122,510	\$ 1,032,015
2009	1,258,177	5,751,081	5,759,258	1,250,000

(6) CONTINGENT LIABILITIES, LITIGATION AND COMMITMENTS

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

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

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. Plaintiffs had asked the court to order the City to pay \$54 million to the SUA. A non-jury trial took place November 1-3, 2010, in district court. On December 13, 2010, the court ruled that no diversion occurred and granted judgment to the City and the SUA. The plaintiffs filed an appeal which is pending before the Oklahoma Supreme Court. Management believes the appeal is without merit and intends to vigorously defend this action.

Included in the July 2006 purchase agreement between the Authority and Rural Water Corporation No.3, the Authority agreed to consolidate the two water distribution systems. This consolidation includes making improvements and upgrades to pump stations and adding additional water lines to specified areas within the system. The improvements and upgrades are to be completed by the Authority within five years of system acquisition.

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 more specific improvements and upgrades to be made to the system and provides a revised 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, 2010, were approximately:

2011	\$	748,000
2012		728,000
2013		669,000
2014		686,000
2015		690,000
2016-2019		<u>1,684,000</u>
	\$	<u>5,205,000</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 postretirement health care benefits to all employees who retire from the City on or after attaining age 55 with at least 10 years of service. The election to participate must be made at the time of separation from service. At June 30, 2011, 10 retiree-related participants (retirees, and/or spouses, and/or families) were participating in the City health care plan. There were no retirees who met the eligibility requirements at June 30 who did not choose to participate. The City requires a monthly premium based on City-wide claim trends of the previous fiscal year. The premium rate for retirees is adjusted each July 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, 2011, expenditures of \$95,264 were attributable to postretirement health care (excluding prescription coverage).

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 2011 range from \$0 to \$240 for active employees, \$366 to \$1,304 for retired participants, and \$374 to \$1,330 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	\$ 859,081
Interest on prior year net OPEB obligation	70,484
Adjustment to annual required contribution	<u>(139,565)</u>
Annual OPEB cost	790,000
Employer contributions	<u>103,155</u>
Increase in net OPEB obligation	686,845
Beginning OPEB obligation	<u>1,468,419</u>
Ending OPEB obligation	<u><u>\$ 2,155,264</u></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:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Net Employer</u> <u>Contribution</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2011	\$ 790,000	\$ 103,155	14.0%	\$ 2,125,264
6/30/2010	887,362	77,985	8.7%	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 level dollar amortization over 30 years, beginning July 1, 2008. As of July 1, 2010, the funded status of the retiree health plan was as follows:

Actuarial accrued liability (AAL)	\$ 6,237,065
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 6,237,065</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ 24,045,000
UAAL as a percentage of annual covered payroll	25.9%

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 6% in 2010 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 note is payable solely from sales tax revenue equal to one half of the one-half cent transportation sales tax collected by the City and transferred to SUA by way of the Sales Tax Agreement. Sales taxes are projected to produce 100 percent of the debt service requirements over the life of the note. Total principal and interest remaining on the 2007 note is \$4,679,228, payable semiannually commencing December 2008 and concluding December 2016. Total principal and interest remaining on the 2010 note is \$5,868,828 payable semiannually commencing December 2010 and concluding December 2016. For the current year, total sales tax revenues were \$1,645,975.

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 \$6,583,900 and net revenues were \$19,291,644.

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 \$9,198,600. Ad valorem taxes received in the current year were \$1,457,534. Debt service payments of \$1,160,408 in the current fiscal year were 80% 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	\$ 4,973,625	\$ 3,344,500
2007 Revenue Bonds	6,010,000	Dec 2007	Dec 2016	4,679,228	843,144
2010 Revenue Bonds	6,075,000	Sept 2010	Dec 2016	5,868,828	1,042,267
2002 OWRB SRF Note	3,413,483	Feb 2002	Sept 2021	1,842,250	180,267
2002 OWRB SRF Note	4,876,086	Dec 2002	Sept 2022	2,889,352	258,727
2005 OWRB Fixed Rate Note	7,620,000	Jun 2005	Mar 2025	7,229,937	513,520
2009 OWRB DWSRF Note	11,645,000	Nov 2009	Sept 2032	5,808,250	68,234
2009 OWRB CWSRF Note	1,875,000	Nov 2009	Sept 2030	1,390,107	55,308
2010 Refunding General Obligation Bonds	8,390,000	June 2011	June 2021	9,198,600	1,160,408

(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 8% ownership in Heartland Healthcare Reciprocal Risk Retention Group which is accounted for using the equity method of accounting; a 60% 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 \$208,000 to purchase its professional liability (medical malpractice) and general liability insurance from Heartland during the year ended December 31, 2010. The Hospital's investment in Heartland was \$686,127 at December 31, 2010.

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 payable of the Hospital is approximately \$539,600 at December 31, 2010 due to the joint venture. During the year ended December 31, 2010, the Hospital earned approximately \$1,030,000 in fees from billing and collection services related to SMI. The Hospital's investment in SMI was \$1,276,287 at December 31, 2010.

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, 2010 due to the joint venture. During the year ended December 31, 2010, Women First reimbursed the Hospital approximately \$198,000 for expenses the Hospital incurred to manage its operations. The Hospital's investment in Women First was \$120,210 at December 31, 2010.

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, 2010. The Hospital's investment in Fresenius was \$235,495 at December 31, 2010.

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

(11) RESTATEMENT OF BEGINNING FUND BALANCE

Governmental Accounting Standards Board (GASB) Statement No. 54: "Fund Balance Reporting and Governmental Fund Type Definitions" has, as its objective, the improvement of the usefulness, including the understandability of fund balance information by providing more clearly defined fund balance categories and by clarifying fund type definitions in order to provide users a clearer picture of the purposes that the government has chosen to use particular reported fund balances. As a result of the application of this statement, the Stormwater fund of the City, which had previously been classified as a Special Revenue Governmental fund type, is now classified as a part of the General Fund of the City. Beginning fund balance of \$724,479 was thus reclassified from a Special Revenue Nonmajor Governmental Fund to the General Fund.

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, 2011

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Sales tax	\$ 22,942,879	\$ 22,942,879	\$ 24,789,397	\$ 1,846,518
Other taxes	2,094,800	2,094,800	2,452,386	357,586
Intergovernmental	51,250	1,089,446	477,824	(611,622)
Charges for Services	1,341,000	1,341,000	1,421,633	80,633
Fines and forfeits	814,500	814,500	870,172	55,672
Fees and rentals	1,377,300	1,377,300	1,450,161	72,861
Investment income	-	-	46,900	46,900
Licenses and permits	169,000	169,000	187,563	18,563
Other miscellaneous revenue	578,400	1,163,055	1,307,241	144,186
Total revenues	<u>29,369,129</u>	<u>30,991,980</u>	<u>33,003,277</u>	<u>2,011,297</u>
EXPENDITURES				
Current				
Public Safety:				
Police:				
Personal services	9,329,541	9,288,797	8,651,656	637,141
Materials and supplies	675,139	647,739	579,010	68,729
Contract services	405,700	475,227	270,436	204,791
Fire:				
Personal services	6,673,886	6,683,249	6,185,031	498,218
Materials and supplies	297,017	293,017	204,320	88,697
Contract services	423,117	379,117	338,637	40,480
Total public safety	<u>17,804,400</u>	<u>17,767,146</u>	<u>16,229,090</u>	<u>1,538,056</u>
Recreation and culture:				
Parks and recreation:				
Personal services	3,402,777	3,397,961	3,153,204	244,757
Materials and supplies	741,226	744,096	598,936	145,160
Contract services	551,225	474,180	359,083	115,097
Library:				
Personal services	1,084,582	1,081,135	1,018,227	62,908
Materials and supplies	198,589	210,049	203,059	6,990
Contract services	130,145	135,091	129,979	5,112
Total recreation and culture	<u>6,108,544</u>	<u>6,042,512</u>	<u>5,462,488</u>	<u>580,024</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, 2011
(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General Government:				
Personal services	6,139,654	5,953,871	1,374,486	4,579,385
Materials and supplies	154,400	153,030	137,139	15,891
Contract services	3,212,194	3,230,048	1,326,248	1,903,800
Total General government	<u>9,506,248</u>	<u>9,336,949</u>	<u>2,837,873</u>	<u>6,499,076</u>
Financial administration:				
Personal services	579,561	575,191	526,387	48,804
Materials and supplies	72,600	58,400	54,727	3,673
Contract services	30,180	46,880	19,089	27,791
Total financial administration	<u>682,341</u>	<u>680,471</u>	<u>600,203</u>	<u>80,268</u>
Public works administration:				
Personal services	490,559	505,157	471,745	33,412
Materials and supplies	101,206	101,206	90,514	10,692
Contract services	35,000	48,564	27,117	21,447
Total public works administration	<u>626,765</u>	<u>654,927</u>	<u>589,376</u>	<u>65,551</u>
Street and sewers:				
Personal services	1,573,654	1,561,786	1,377,971	183,815
Materials and supplies	645,178	655,787	565,846	89,941
Contract services	577,800	613,998	149,634	464,364
Total street and sewers	<u>2,796,632</u>	<u>2,831,571</u>	<u>2,093,451</u>	<u>738,120</u>
Human services:				
Health:				
Personal services	-	-	-	-
Materials and supplies	129,959	122,959	77,879	45,080
Contract services	69,618	72,618	56,657	15,961
Community Development:				
Personal services	1,194,720	1,180,298	1,099,829	80,469
Materials and supplies	32,475	33,875	28,522	5,353
Contract services	103,500	113,100	84,755	28,345
Total human services	<u>1,530,272</u>	<u>1,522,850</u>	<u>1,347,642</u>	<u>175,208</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, 2011
(continued)

	Original Budget	Final Budget	Actual	Variance from Final Budget
Economic development:				
Personal services	17,040	96,082	93,185	2,897
Materials and supplies	-	26,250	2,996	23,254
Contract services	1,130,000	1,024,432	326,443	697,989
Total economic development	<u>1,147,040</u>	<u>1,146,764</u>	<u>422,624</u>	<u>724,140</u>
Capital Outlay:				
Police	68,381	88,381	16,106	72,275
Fire	-	572,810	447,655	125,155
Recreation and culture	-	501,551	164,340	337,211
General Government	-	70,000	67,699	2,301
Public works operation	-	-	-	-
Human Services	-	-	-	-
Economic development	-	22,952	-	22,952
Street and sewers	450,000	1,290,767	712,839	577,928
	<u>518,381</u>	<u>2,546,461</u>	<u>1,408,639</u>	<u>1,137,822</u>
Total expenditures	<u>40,720,622</u>	<u>42,529,651</u>	<u>30,991,386</u>	<u>11,538,264</u>
Excess (deficiency) of revenues over (under) expenditures	(11,351,493)	(11,537,671)	2,011,890	13,549,561
OTHER FINANCING SOURCES(USES):				
Transfers in	18,527,757	18,552,757	10,685,126	(7,867,631)
Transfers out	(13,469,011)	(13,559,011)	(10,218,975)	3,340,036
Total other financing sources (uses)	<u>5,058,746</u>	<u>4,993,746</u>	<u>466,151</u>	<u>(4,527,595)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(6,292,747)	(6,543,925)	2,478,041	9,021,966
FUND BALANCES, beginning	3,310,849	3,310,849	3,310,849	-
FUND BALANCES, ending	<u>\$ (2,981,898)</u>	<u>\$ (3,233,076)</u>	<u>\$ 5,788,890</u>	<u>\$ 9,021,966</u>

CITY OF STILLWATER, OKLAHOMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -- BUDGET AND ACTUAL (BUDGET BASIS) -- TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Investment income	\$ -	\$ -	\$ 42,491	\$ 42,491
Miscellaneous	-	-	15	15
Total revenues	-	-	42,506	42,506
EXPENDITURES				
Street and sewers:				
Personal services	217,481	217,481	209,655	7,826
Materials and supplies	43,800	44,800	32,495	12,305
Contract services	2,000	2,000	-	2,000
Total street and sewers	263,281	264,281	242,150	22,130
Capital outlay				
Street and sewers	-	13,304,239	1,644,172	11,660,067
Total expenditures	263,281	13,568,520	1,886,322	11,682,197
Excess (deficiency) of revenues over (under) expenditures	(263,281)	(13,568,520)	(1,843,816)	11,724,702
OTHER FINANCING SOURCES(USES):				
Transfers in	5,728,536	11,470,765	6,109,869	(5,360,896)
Transfers out	(1,597,716)	(1,597,716)	(1,638,523)	(40,807)
Total other financing sources (uses)	4,130,820	9,873,049	4,471,346	(5,401,703)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	3,867,539	(3,695,471)	2,627,530	6,323,000
FUND BALANCES, beginning	3,382,031	3,382,031	3,382,031	-
FUND BALANCES, ending	<u>\$ 7,249,570</u>	<u>\$ (313,440)</u>	<u>\$ 6,009,561</u>	<u>\$ 6,323,000</u>

CITY OF STILLWATER, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011

BUDGETARY COMPLIANCE

Budget Law

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

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

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

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

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

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

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

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

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

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

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

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

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

Budgetary Compliance

For the year ended June 30, 2011 the City complied, in all material respects, with the applicable budget laws.

Reconciliation of budgetary basis and GAAP basis amounts

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

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

	General Fund	Transportation Improvement
Revenues on budget basis	\$ 33,003,277	\$ 42,506
Revenues received during fiscal year and measurable and available at June 30, 2010	(5,327,032)	-
Revenues received during fiscal year and measurable and available at June 30, 2011	4,738,009	-
Revenues on GAAP basis	<u>\$ 32,414,254</u>	<u>\$ 42,506</u>

CITY OF STILLWATER
 Required Supplementary Information
 June 30, 2011

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
7/1/2010	\$ 6,237,065	\$ -	\$ 6,237,065	0.0%	\$ 24,045,000	26%
7/1/2008	5,535,944	-	5,535,944	0.0%	25,600,000	22%

CITY OF STILLWATER
 Required Supplementary Information
 June 30, 2011

DEFINED BENEFIT (RETIREE) PLAN

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
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

NONMAJOR GOVERNMENTAL FUNDS

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

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

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 STILL WATER, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds		Debt Service	Capital Projects Fund		Total Nonmajor Governmental Funds
	Community Development Block Grant	Library Materials Enhancement		Sinking Fund	Police/Municipal Building	
ASSETS						
Cash and cash equivalents	\$ 103,165	\$ -	\$ 378,409	\$ 668,076	\$ 1,149,650	
Due from other governments	1,968	-	42,998	-	44,966	
Accounts receivable	-	-	-	1,147	1,147	
Total assets	<u>\$ 105,133</u>	<u>\$ -</u>	<u>\$ 421,407</u>	<u>\$ 669,223</u>	<u>\$ 1,195,763</u>	
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 3,765	\$ -	\$ -	\$ -	\$ 3,765	
Deferred revenue	-	-	36,998	-	36,998	
Total liabilities	<u>3,765</u>	<u>-</u>	<u>36,998</u>	<u>-</u>	<u>40,763</u>	
FUND BALANCES						
Restricted for:						
Debt Service	-	-	384,409	-	384,409	
Capital Projects	-	-	-	669,223	669,223	
Unassigned	101,368	-	-	-	101,368	
Total fund balances	<u>101,368</u>	<u>-</u>	<u>384,409</u>	<u>669,223</u>	<u>1,155,000</u>	
Total liabilities and fund balances	<u>\$ 105,133</u>	<u>\$ -</u>	<u>\$ 421,407</u>	<u>\$ 669,223</u>	<u>\$ 1,195,763</u>	

CITY OF STILLWATER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		Debt Service	Capital		Total Nonmajor Governmental Funds
	Community Development Block Grant	Library Materials Enhancement		Projects Fund	Police/Municipal Building	
REVENUES						
Taxes	\$ -	\$ -	\$ 1,459,560	\$ -	\$ -	\$ 1,459,560
Intergovernmental	226,872	-	-	-	-	226,872
Miscellaneous	5,000	-	-	-	-	5,000
Investment income	-	-	-	4,975	-	4,975
Total revenues	231,872	-	1,459,560	4,975	-	1,696,407
EXPENDITURES						
Current operating						
Recreation and culture	-	10	-	-	-	10
Human services	88,857	-	-	-	-	88,857
Debt service						
Principal retirements	-	-	775,000	-	-	775,000
Interest and fiscal charges	-	-	385,408	-	-	385,408
Capital outlay	304,888	-	-	39,659	-	344,547
Total expenditures	393,745	10	1,160,408	39,659	-	1,593,822
Excess (deficiency) of revenues over (under) expenditures	(161,873)	(10)	299,152	(34,684)	-	102,585
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(160,402)	-	-	(160,402)
Total other financing sources (uses)	-	-	(160,402)	-	-	(160,402)
Net change in Fund Balances	(161,873)	(10)	138,750	(34,684)	-	(57,817)
FUND BALANCES, beginning	263,241	10	245,659	703,907	-	1,212,817
FUND BALANCES, ending	\$ 101,368	\$ -	\$ 384,409	\$ 669,223	\$ -	\$ 1,155,000

CITY OF STILLWATER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE				SPECIAL REVENUE			
	COMMUNITY DEVELOPMENT				LIBRARY MATERIALS ENHANCEMENT			
	Budgeted Amount	Actual	Variance From		Budgeted Amounts	Actual	Variance From	
Original	Final	Final Budget		Original	Final	Final Budget		
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intergovernmental	-	413,989	323,034	(90,955)	-	-	-	
Miscellaneous	-	-	5,000	5,000	-	-	-	
Investment income	-	-	-	-	-	-	-	
Total revenues	-	413,989	328,034	(85,955)	-	-	-	
EXPENDITURES								
Current operating								
Recreation and culture	-	-	-	-	-	-	10	(10)
Streets and sewers	-	551,324	311,930	239,394	-	-	-	
Human services	-	140,853	89,729	51,124	-	-	-	
Debt service	-	-	-	-	-	-	-	
Principal retirements	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	
Total expenditures	-	692,177	401,659	290,518	-	-	10	(10)
Excess (deficiency) of revenues over (under) expenditures	-	(278,188)	(73,625)	204,563	-	-	(10)	(10)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	
Transfers out	-	-	-	-	-	-	-	
Total other financing sources (uses)	-	-	-	-	-	-	-	
Net change in Fund Balances	-	(278,188)	(73,625)	204,563	-	-	(10)	(10)
FUND BALANCES, beginning	330,705	330,705	330,705	-	10	10	10	-
FUND BALANCES, ending	\$ 330,705	\$ 52,517	\$ 257,080	\$ 204,563	\$ 10	\$ 10	\$ -	\$ (10)
Reconciliation of budget to GAAP:								
Revenues on budget basis		\$ 328,034				\$ -		
Revenues received during fiscal year measurable and available at June 30, 2010		(98,130)				-		
Revenues received during fiscal year measurable and available at June 30, 2011		1,968				-		
Revenues on GAAP basis		\$ 231,872				\$ -		

continued

CITY OF STILLWATER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011
 (continued)

	DEBT SERVICE				CAPITAL PROJECTS FUND			
	Budgeted Amounts	Final	Actual	Variance From Final Budget	Budgeted Amounts	Final	Actual	Variance From Final Budget
REVENUES:								
Taxes	\$ 1,321,410	\$ 1,321,410	\$ 1,456,428	\$ 135,018	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	4,975	4,975
Total revenues	<u>1,321,410</u>	<u>1,321,410</u>	<u>1,456,428</u>	<u>135,018</u>	<u>-</u>	<u>-</u>	<u>4,975</u>	<u>4,975</u>
EXPENDITURES:								
Current operating								
Recreation and culture	-	-	-	-	-	-	-	-
Streets and sewers	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Debt service								
Principal retirements	775,000	775,000	775,000	-	-	-	-	-
Interest and fiscal charges	386,008	386,008	385,408	600	-	-	-	-
Capital outlay	-	-	-	-	703,223	703,223	39,659	663,564
Total expenditures	<u>1,161,008</u>	<u>1,161,008</u>	<u>1,160,408</u>	<u>600</u>	<u>703,223</u>	<u>703,223</u>	<u>39,659</u>	<u>663,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>160,402</u>	<u>160,402</u>	<u>296,020</u>	<u>135,618</u>	<u>(703,223)</u>	<u>(703,223)</u>	<u>(34,684)</u>	<u>(658,589)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(160,402)	(160,402)	(160,402)	-	-	-	-	-
Total other financing sources (uses)	<u>(160,402)</u>	<u>(160,402)</u>	<u>(160,402)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Fund Balances	-	-	135,618	135,618	(703,223)	(703,223)	(34,684)	(658,589)
FUND BALANCES, beginning	249,559	249,559	249,559	-	703,907	703,907	703,907	-
FUND BALANCES, ending	<u>\$ 249,559</u>	<u>\$ 249,559</u>	<u>\$ 385,177</u>	<u>\$ 135,618</u>	<u>\$ 684</u>	<u>\$ 684</u>	<u>\$ 669,223</u>	<u>\$ (658,589)</u>
Reconciliation of budget to GAAP:								
Revenues on budget basis			\$ 1,456,428				\$ 4,975	
Revenues received during fiscal year measurable and available at June 30, 2010			(51,159)				-	
Revenues received during fiscal year measurable and available at June 30, 2011			54,291				-	
Revenues on GAAP basis			<u>\$ 1,459,560</u>				<u>\$ 4,975</u>	

continued

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
STATEMENT OF NET ASSETS--NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2011

ASSETS	Airport	Stillwater Industrial Redevelopment Authority	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 66,024	\$ 276,936	\$ 342,960
Accounts receivable, net of allowance	477	337	814
Due from other funds	-	6,348	6,348
Installment loans receivable	-	4,038	4,038
Leasehold receivable	-	34,442	34,442
Inventories	143,639	-	143,639
Total current assets	210,140	322,101	532,241
NONCURRENT ASSETS			
Leasehold receivable	-	205,000	205,000
Due from other governments	70,642	-	70,642
Capital assets, nondepreciable	1,465,518	-	1,465,518
Capital assets, depreciable, net	11,868,753	7,952	11,876,705
Total noncurrent assets	13,404,913	212,952	13,617,865
Total assets	13,615,053	535,053	14,150,106
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	14,401	4,571	18,972
Accrued expenses	9,677	2,046	11,723
Accrued compensated absences	2,308	489	2,797
Due to other funds	2,246	2,418	4,664
Advances from other funds	-	34,442	34,442
Refundable grant obligations	-	15,322	15,322
Unearned revenue	-	6,347	6,347
Total current liabilities	28,632	65,635	94,267
NONCURRENT LIABILITIES			
Advances from other funds	-	205,000	205,000
Compensated absences	25,255	1,651	26,906
Customer deposits	11,680	-	11,680
Total noncurrent liabilities	36,935	206,651	243,586
Total liabilities	65,567	272,286	337,853
NET ASSETS			
Invested in capital assets, net of related debt	13,334,271	7,952	13,342,223
Restricted Donation	-	2,712	2,712
Unrestricted (deficit)	215,215	252,103	467,318
Total net assets	\$ 13,549,486	\$ 262,767	\$ 13,812,253

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS -NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Airport	Stillwater Industrial Redevelopment Authority	Total
OPERATING REVENUES			
Charges for services	\$ 1,141,578	\$ -	\$ 1,141,578
Other	287,572	15,671	303,243
Total operating revenues	<u>1,429,150</u>	<u>15,671</u>	<u>1,444,821</u>
OPERATING EXPENSES			
Operating and maintenance	1,420,912	239,091	1,660,003
Depreciation	710,504	936	711,440
Amortization	976	-	976
Total operating expenses	<u>2,132,392</u>	<u>240,027</u>	<u>2,372,419</u>
Operating income (loss)	<u>(703,242)</u>	<u>(224,356)</u>	<u>(927,598)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,357	1,466	3,823
Net nonoperating revenues	<u>2,357</u>	<u>1,466</u>	<u>3,823</u>
Income (loss) before capital contributions and transfers	<u>(700,885)</u>	<u>(222,890)</u>	<u>(923,775)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	299,882	144,996	444,878
Transfers in	100,000	143,993	243,993
Transfers out	<u>(19,270)</u>	<u>(25,000)</u>	<u>(44,270)</u>
Net capital contributions and transfers	<u>380,612</u>	<u>263,989</u>	<u>644,601</u>
Change in net assets	(320,273)	41,099	(279,174)
NET ASSETS, beginning	<u>13,869,759</u>	<u>221,668</u>	<u>14,091,427</u>
NET ASSETS, ending	<u>\$ 13,549,486</u>	<u>\$ 262,767</u>	<u>\$ 13,812,253</u>

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CASH FLOWS --NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Airport	Stillwater Industrial Redevelopment Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,141,429	\$ -	\$ 1,141,429
Payments to suppliers	(1,277,657)	(193,088)	(1,470,745)
Payments to employees	(293,312)	(61,701)	(355,013)
Inter activity-payments to other funds	(1,891)	(41,667)	(43,558)
Other receipts (payments)	147,520	5,696	153,216
Net cash provided by (used for) operating activities	<u>(283,911)</u>	<u>(290,760)</u>	<u>(574,671)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	80,730	263,988	344,718
Net cash provided by (used for) noncapital financing activities	<u>80,730</u>	<u>263,988</u>	<u>344,718</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	299,795	-	299,795
Purchases of assets	(359,764)	-	(359,764)
Principal (paid) received on capital debt	(4,000)	48,038	44,038
Net cash provided by (used for) capital activities	<u>(63,969)</u>	<u>48,038</u>	<u>(15,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	2,357	1,225	3,582
Net cash provided by (used for) investing activities	<u>2,357</u>	<u>1,225</u>	<u>3,582</u>
Net increase (decrease) in cash and cash equivalents.	(264,793)	22,491	(242,302)
CASH AND CASH EQUIVALENTS, beginning of year	330,817	254,445	585,262
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 66,024</u>	<u>\$ 276,936</u>	<u>\$ 342,960</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities			
Operating income (loss)	\$ (703,242)	\$ (224,356)	\$ (927,598)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	710,504	936	711,440
Amortization expense	976	-	976
Changes in assets and liabilities			
Receivables, net	(149)	7,533	7,384
Inventories	(78,229)	-	(78,229)
Accounts and other payables	(215,130)	(73,186)	(288,316)
Change in deferred operating revenues	-	(2,371)	(2,371)
Accrued expenses	1,359	684	2,043
Net cash provided by (used for) operating activities	<u>\$ (283,911)</u>	<u>\$ (290,760)</u>	<u>\$ (574,671)</u>

CITY OF STILLWATER, OKLAHOMA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
ASSETS				
Cash and cash equivalents	\$ 74,263	\$ 239,784	\$ 271,577	\$ 42,470
Pooled investments	131,218	-	4,557	126,661
Other investments	260,000	70,000	70,000	260,000
Assessment receivable	5,524	166,353	171,072	805
	<u>471,005</u>	<u>476,137</u>	<u>517,206</u>	<u>429,936</u>
Total assets	<u>\$ 471,005</u>	<u>\$ 476,137</u>	<u>\$ 517,206</u>	<u>\$ 429,936</u>
LIABILITIES				
Accounts payable	\$ 2,900	\$ 30,914	\$ 30,577	\$ 3,237
Amounts held in escrow	468,105	475,800	517,206	426,699
	<u>471,005</u>	<u>506,714</u>	<u>547,783</u>	<u>429,936</u>
Total liabilities	<u>\$ 471,005</u>	<u>\$ 506,714</u>	<u>\$ 547,783</u>	<u>\$ 429,936</u>

*Statistical
Section*

CITY OF STILLWATER, OKLAHOMA
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS (1)

	As of June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Restricted for capital projects	553,894	311,827	227,641	182,859	156,719	99,216	14,093	703,907	6,633,915
Restricted for debt service	613,449	761,585	696,375	168,999	96,746	129,488	279,996	245,659	384,409
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
Restricted for specific operating activities	-	-	536,641	615,844	558,210	630,646	745,814	876,105	1,022,401
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)
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
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
Restricted for capital projects	-	-	-	-	-	54,756	54,756	1,827,220	5,017,007
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
Restricted for specific operating activities	-	-	-	-	-	-	-	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
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
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
Restricted for capital projects	553,894	311,827	227,641	182,859	156,719	153,972	68,849	2,531,127	11,650,922
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
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
Restricted for specific operating activities	-	-	536,641	615,844	558,210	630,646	745,814	876,105	1,025,113
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
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

(1) Data for years prior to 2003 is not readily available.

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
Public Safety	\$ 12,030,274	\$ 12,681,613	\$ 13,483,558	\$ 14,091,743	\$ 15,590,805	\$ 17,238,579	\$ 16,473,868	\$ 17,560,992	\$ 16,700,682
Recreation and culture	4,766,960	4,652,366	5,176,504	5,185,248	5,428,234	5,645,050	5,778,583	5,989,071	6,134,272
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
Financial administration	616,804	569,047	604,803	751,577	635,329	648,327	614,382	732,379	627,877
Street and sewers	5,161,605	5,401,003	5,520,360	5,726,635	6,454,425	7,009,091	7,393,163	6,779,917	7,484,979
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
Tourism	269,786	280,485	331,483	370,356	-	-	-	-	-
Economic development	386,524	509,066	605,611	602,346	1,004,617	1,035,287	1,056,928	481,197	422,624
Health and welfare	1,339,060	1,227,161	1,613,431	1,441,499	1,593,649	1,669,649	1,786,891	1,793,027	1,534,775
Interest on long-term debt	803,198	740,282	681,061	628,333	578,703	528,335	478,827	463,252	271,233
Total governmental activities expenses	28,624,995	29,168,761	31,503,375	32,235,589	35,519,629	38,216,522	38,804,489	38,643,425	37,496,237
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
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	0
Stillwater Industrial Redevelopment Authority	71,315	49,797	101,129	-	-	-	-	-	-
Business area development	-	-	-	-	-	45,740	208,731	203,470	240,027
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	2,132,392
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
Total primary government expenses	\$ 65,325,118	\$ 66,836,406	\$ 72,481,424	\$ 78,951,740	\$ 85,821,256	\$ 87,788,877	\$ 88,122,431	\$ 86,577,866	\$ 88,990,791
Program Revenues									
Governmental activities:									
Charges for services:									
Public safety	\$ 211,099	\$ 112,999	\$ 118,593	\$ 171,172	\$ 164,246	\$ 189,049	\$ 261,425	\$ 416,131	\$ 282,866
Recreation and culture	556,394	584,684	632,614	831,725	757,084	765,242	781,810	1,170,983	1,433,340
General government	12,820	15,219	5,908	30,738	277,421	393,280	1,030,075	419,156	323,591
Financial administration	785,127	768,888	923,756	834,381	1,116,601	890,515	1,065,196	1,162,439	829,461
Streets and sewers	256,111	413,023	413,023	523,616	449,124	445,976	547,636	920,188	561,432
Engineering and public works administration	-	-	5,405	-	-	-	-	-	-
Economic Development	-	-	-	-	3,261	-	-	-	-
Health and welfare	903,458	888,583	956,444	1,257,203	1,412,587	1,408,365	1,235,782	891,780	693,700
Operating grants and contributions	467,172	321,587	725,092	178,129	119,845	120,693	213,327	129,901	178,380
Capital grants and contributions	176,310	214,198	102,907	822,889	2,166,742	853,309	783,066	1,171,658	784,756
Total governmental activities program revenues	3,368,491	3,319,181	3,883,742	4,649,853	6,466,429	5,066,429	5,918,317	6,282,236	5,087,546

continued

(1) Data for years prior to 2003 is not readily available.

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Stillwater Public Golf Authority	811,516	796,669	775,913	820,232	697,495	730,872	724,559	280,237	0
Stillwater Industrial Redevelopment Authority	1,571	1,181	932	751	-	-	-	-	-
Business area development	0	0	0	0	-	2,712	10,480	22,766	15,671
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
Operating grants and contributions	17,050	22,138	255,892	100,640	-	-	-	-	-
Capital grants and contributions	2,194,428	1,619,051	3,926,570	1,276,045	2,185,284	2,155,469	3,288,383	7,884,246	2,507,495
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
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

Net (Expense)/Revenue									
Governmental activities	\$ (25,256,504)	\$ (25,849,580)	\$ (27,619,633)	\$ (27,585,736)	\$ (29,052,718)	\$ (33,150,093)	\$ (32,886,172)	\$ (32,361,189)	\$ (32,408,691)
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
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)

General Revenues and Other Changes in Net Assets

	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
Franchise and public service taxes	1,249,009	1,322,018	1,380,775	1,437,986	1,350,835	1,502,845	2,047,096	1,595,344	1,548,118
E911 taxes	113,610	117,167	98,792	93,739	84,444	81,681	81,928	81,621	66,529
Hotel/motel taxes	277,307	294,015	332,727	368,826	406,552	439,953	437,781	494,145	560,749
Investment income	93,243	75,000	284,037	382,339	616,842	464,024	105,909	29,969	104,666
Miscellaneous	277,565	212,258	139,247	514,193	532,498	587,117	-	-	-
Transfers-internal activity	6,982,099	2,178,317	2,299,435	4,758,359	5,679,621	4,115,538	5,147,735	11,634,966	4,671,809
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	32,789,579
Business-type activities:									
Investment income	330,530	166,447	461,770	908,708	1,212,709	847,390	232,822	144,148	114,643
Miscellaneous	608,826	743,816	202,682	237,068	329,107	599,887	429,018	31,263	163,705
Transfers-internal activity	(6,982,100)	(2,178,317)	(2,299,435)	(4,758,359)	(5,679,621)	(4,115,538)	(5,147,735)	(11,634,966)	(4,671,809)
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)
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

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
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
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

(1) Data for years prior to 2003 is not readily available.

CITY OF STILLWATER, OKLAHOMA
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST NINE FISCAL YEARS (1)
 (modified accrual basis of accounting)

	As of June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund									
Non-spendable: inventories	\$ 144,293	\$ 179,414	\$ 171,519	\$ 196,965	\$ 178,914	\$ 215,927	\$ 270,012	\$ 332,316	\$ 163,741
Restricted for public safety	110,863	109,045	110,373	111,150	102,174	103,845	105,158	104,082	100,713
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
Committed to public safety	167,177	207,097	228,212	236,210	230,006	259,093	323,533	379,648	522,274
Committed to economic development	-	43,034	40,930	28,797	47,115	51,781	47,111	60,059	235,673
Assigned to self insurance	951,031	855,704	855,704	1,072,554	1,484,580	855,704	855,704	606,958	828,670
Assigned to recreation and culture	528,444	165,246	169,065	99,291	76,976	105,920	111,504	125,484	150,445
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
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
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
Restricted for capital improvements	553,894	311,827	227,641	182,859	156,719	99,216	14,093	703,907	6,633,915
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
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

(1) Data for years prior to 2003 is not readily available.

(2) 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 NINE FISCAL YEARS (1)
 (modified accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Intergovernmental	495,483	292,990	742,105	245,939	308,548	422,028	373,768	493,720	963,136
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
Fines and forfeits	756,362	845,093	889,850	877,165	807,431	789,481	810,280	786,164	656,201
Fees and rentals	429,325	498,198	526,700	642,259	802,179	816,051	932,655	1,220,295	1,466,352
Investment income	90,865	73,414	192,169	377,479	609,562	458,761	103,463	29,323	104,175
Licenses and permits	88,583	113,460	182,293	222,355	303,354	246,636	242,593	207,401	187,563
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
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
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
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
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
Financial administration	523,328	488,920	525,900	614,774	612,413	578,968	578,460	703,529	600,203
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
Operations	731,566	807,442	902,206	882,005	741,181	583,597	872,035	553,600	589,376
Economic development	386,524	509,066	937,095	972,702	1,004,617	1,035,287	1,056,929	481,197	422,624
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
Debt service:									
Principal retirements	790,000	790,000	790,000	790,000	790,000	790,000	790,000	790,000	775,000
Interest and fiscal charges	808,465	745,265	685,465	632,465	582,865	532,525	483,045	432,225	385,408
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
Total expenditures	28,407,503	27,031,290	31,558,995	30,239,978	36,718,380	38,885,889	41,460,575	41,257,426	34,707,952
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)
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
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)
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
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
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%

(1) Data for years prior to 2003 is not readily available.

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			E911 Taxes	Hotel/Motel Taxes	Other Taxes	Total Taxes	Sales Tax as Percentage of Total Taxes
			Service Taxes							
2002 (1) (2)	16,654,826	1,795,054			127,647	236,755	1,024,380	19,838,662	83.95%	
2003	17,058,712	2,087,520	1,519,948		113,610	277,307		21,057,097	81.01%	
2004	18,598,176	2,130,193	1,322,018		117,167	294,015		22,461,569	82.80%	
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%	

(1) Fiscal year 2002 (pre-GASB 34) includes all taxes of General, Special Revenue, and Debt Service Funds.

(2) For fiscal year 2002, taxes are classified to the extent the information is readily available.

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

Fiscal Year	Public Service Property			Total Valuation	Homestead Exemption	Net Total Valuation	Total Direct Tax Rate	Total Estimated Actual Value	Ratio of Total Assessed to Actual Value
	Real Property	Personal Property	Property						
2002	122,299	30,969	6,833	160,101	5,303	154,798	11.54	1,404,395	11.02%
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%

The assessed value of the taxable property as certified by the Payne County Assessor to be used for the 2010-2011 fiscal year is as follows:

2012	Public Service Property			Total Valuation	Homestead Exemption	Net Total Valuation	Total Direct Tax Rate	Total Estimated Actual Value		
	Real Property	Personal Property	Property							
\$	237,228	\$	28,578	\$	5,199	\$	270,051	4.95	\$	2,414,474

(1) Source: 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)

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

The direct and overlapping tax rates for FY 2011-2012 are as follows:

Fiscal Year	City of Stillwater	Independent School	Meridian Technology	Payne County	Total
	Debt Service Fund	District No. 16	Center		
2012	4.95	68.96	15.47	16.43	105.81

(1) Source: Payne County Assessor

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

Taxpayer	Type of Business	2011			2002		
		2011 Assessed Valuation	Percentage of Total Assessed Valuation	Rank	2002 Assessed Valuation	Percentage of Total Assessed Valuation	Rank
Brunswick Corporation	Manufacturer of stern-drive boat motors	5,094,184	1.89%	1	11,121,344	6.88%	1
Quad Graphics	Printer of magazines and advertising inserts	2,952,611	1.09%	2	2,595,774	1.61%	4
Links at Stillwater	Apartments/golf/fitness development	2,647,727	0.98%	3			
Southwestern Bell Telephone, LP	Telephone utility	2,528,897	0.94%	4	4,401,494	2.72%	3
Wal-Mart Real Estate	Discount supercenter	2,487,633	0.92%	5	1,692,951	1.05%	6
Armstrong World Industries, Inc.	Manufacturer of floor coverings	2,462,889	0.91%	6	6,380,994	3.95%	2
AT&T Mobility LLC	Telephone utility	2,419,300	0.90%	7			
Lakeview Pointe	Shopping Center	2,393,520	0.89%	8			
National Standard Co.	Manufacturer of steel cord for radial tires	1,977,684	0.73%	9	1,791,965	1.11%	5
Oklahoma Natural Gas	Gas Utility	1,698,081	0.63%	10	1,238,644	0.77%	8
Lowe's Home Center, Inc.	Home improvement store				1,298,189	0.80%	7
Apple Creek Apartments, Inc.	Apartment Complex				1,067,619	0.66%	10
Jefferson Commons	Apartment Complex				1,121,456	0.69%	9
		<u>\$26,662,526</u>	<u>9.87%</u>		<u>\$32,710,430</u>	<u>20.24%</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)
		Amount		Amount
2002	1,786	1,727	97%	3
2003	2,214	2,087	94%	3
2004	2,149	2,084	97%	78
2005	1,982	1,942	98%	15
2006	1,417	1,433	101%	18
2007	1,320	1,286	97%	19
2008	1,344	1,294	96%	64
2009	1,436	1,281	89%	151
2010	1,389	1,365	98%	21
2011	1,456	1,420	98%	40

(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, 2011 are \$3 thousand in current taxes and \$9 thousand in delinquent taxes.

CITY OF STILLWATER, OKLAHOMA
TAXABLE SALES BY CATEGORY (1) (2)
LAST NINE FISCAL YEARS
(in thousands of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010
General merchandise stores	\$119,431	\$123,633	\$128,097	\$ 141,576	\$144,281	\$165,326	\$168,961	\$163,369
Eating and drinking places	57,980	60,824	68,314	79,720	84,125	88,711	95,953	95,055
Miscellaneous retail	46,129	49,969	52,776	53,655	59,973	63,590	60,811	58,989
Building material, hardware, garden supply	34,248	41,593	48,395	52,357	51,659	58,193	56,626	48,296
Food stores	49,366	49,339	42,733	38,049	35,924	34,492	35,269	35,101
Electric, gas, and sanitary services	30,008	30,326	31,763	36,563	39,310	38,680	39,300	39,922
Wholesale trade - durable goods	17,784	20,511	23,857	28,128	25,108	26,072	27,365	23,481
Apparel & accessory stores	25,924	26,172	26,549	25,996	35,824	34,128	32,717	33,376
Furniture, home furnishings & equipment	18,406	19,749	21,611	24,266	24,478	26,142	26,924	23,240
Communications	24,067	24,607	24,831	22,357	23,368	23,531	22,948	23,564
Automotive dealers & gasoline service	13,119	13,509	14,544	13,862	15,227	14,103	13,847	13,765
Education services	8,832	12,582	10,580	10,947	12,768	10,555	19,021	16,804
Business services	9,984	9,445	9,237	10,125	14,276	13,639	13,604	11,122
All other outlets	37,426	39,326	40,427	47,200	14,811	51,539	53,009	49,662
Total	\$492,704	\$521,585	\$543,714	\$584,801	\$581,132	\$648,701	\$666,355	\$635,746
City general sales tax rate	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%
Dedicated sales tax - transportation projects (3)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Total tax rate	3.5%							

(1) Source: Oklahoma Tax Commission

(2) Data for years prior to 2003 is not readily available.

(3) 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)
2002	2.00%/2.50%	4.50%	0.50%
2003	2.50%	4.50%	0.50%
2004	2.50%	4.50%	0.50%
2005	2.50%	4.50%	0.50%
2006	2.50%	4.50%	0.50%/0.75%
2007	2.50%	4.50%	0.75%
2008	2.50%	4.50%	0.75%
2009	2.50%	4.50%	0.75%
2010	2.50%	4.50%	0.75%
2011	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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Commercial										
Ave monthly customers	1,495	1,527	1,544	1,665	1,740	1,801	1,873	1,920	1,956	1,958
Annual Sales	3,770,360	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
Percentage of Total Annual Sales	13%	13%	13%	14%	14%	13%	14%	15%	15%	14%
Residential										
Ave monthly customers	15,307	15,708	16,056	16,182	16,760	16,690	16,874	17,060	17,280	17,434
Annual Sales	12,069,428	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
Percentage of Total Annual Sales	43%	44%	44%	43%	45%	44%	45%	45%	46%	46%
Industrial/Institutional										
Ave monthly customers	208	209	205	206	212	220	225	237	237	250
Annual Sales	12,246,100	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
Percentage of Total Annual Sales	44%	43%	43%	43%	41%	43%	41%	40%	39%	40%

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

Legal Debt Margin Calculation for Fiscal Year 2011:

Net assessed valuation \$ 270,051

Allowable debt of nonpublic utility bonds, limited by State Constitution, Article 10, Section 26, to 10% of net assessed valuation \$ 27,005

Less- Debt applicable to debt limit: (7,615)

Municipal/police building general obligation bonds \$ 19,390

Legal debt margin

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 16,159	\$ 17,490	18,426	19,723	21,511	23,381	24,971	26,522	27,825	27,005
Less - Total net debt applicable to limit	(14,570)	(13,780)	(12,990)	(12,200)	(11,410)	(10,620)	(9,830)	(9,040)	(8,390)	(7,615)
Legal debt margin	\$ 1,589	\$ 3,710	\$ 5,436	\$ 7,523	\$ 10,101	\$ 12,761	\$ 15,141	\$ 17,482	\$ 19,435	\$ 19,390

Total net debt applicable to the limit as a percentage of debt limit

	90.2%	78.8%	70.5%	61.9%	53.0%	45.4%	39.4%	34.1%	30.2%	28.2%
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CITY OF STILLWATER, OKLAHOMA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1) (2)
 AS OF JUNE 30, 2011
 (in thousands of dollars)

<u>Governmental Unit:</u>	Bonds Outstanding		Debt Service Cash Available (3)		Net Bonds Outstanding		Percentage Applicable to City of Stillwater Property Owners / Patrons		Estimated Share of Overlapping Debt
	\$		\$		\$				
Debt repaid with property taxes									
Stillwater Independent School District #16 (4)	\$	38,190	\$	5,471	\$	32,719	83.39%	\$	27,285
Debt repaid with sales taxes									
Payne County Facilities Authority (4)	\$	15,320	\$	2,263	\$	13,057	67.51%		8,815
Subtotal - overlapping debt								\$	36,100
City of Stillwater direct debt	\$	7,615	\$	378	\$	7,237	100.00%		7,237
Total direct and overlapping debt								\$	<u>43,337</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	Business-type Activities									
	Governmental Activities					Debt as				
	General	Revenue Bonds	General Obligation Bonds	Bonds	Capital Leases	Total Primary Government	Personal Income (in thousands of dollars)	Percentage of Personal Income	Population	Total Debt Per Capita
2002	14,570,000	11,825,000	1,940,000	1,336,402	26,641,747	56,313,150	1,516,716	3.7%	40,409	1,393.58
2003	13,780,000	11,490,000	1,485,000	1,253,010	30,178,762	58,186,773	1,564,678	3.7%	40,735	1,428.42
2004	12,990,000	9,900,000	1,010,000	1,349,741	29,253,384	54,503,125	1,623,651	3.4%	41,320	1,319.05
2005	12,200,000	21,250,000	505,000	1,018,953	14,702,699	49,676,652	1,759,533	2.8%	41,940	1,184.47
2006	11,410,000	18,945,000	-	1,563,305	14,009,350	45,927,655	1,925,139	2.4%	45,674	1,005.55
2007	10,620,000	16,320,000	-	1,663,711	13,307,167	41,910,878	2,102,451	2.0%	46,383	903.58
2008	9,830,000	13,590,000	-	1,030,812	18,606,464	43,057,276	2,306,093	1.9%	46,976	916.58
2009	9,040,000	10,735,000	-	938,198	17,390,784	38,103,982	2,314,505	1.6%	47,653	799.61
2010	8,390,000	7,805,000	-	1,904,495	17,914,992	36,014,487	**	**	45,688	788.27
2011	7,615,000	4,775,000	-	2,127,695	26,066,740	40,584,435	**	**	**	**

** Data not available at time of publication

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

General Obligation Bonds

Fiscal Year	Governmental		Business -Type Activities	Total Primary Government	Population	Total Bonded Debt Per Capita	Total Estimated	
	Activities	Activities					Actual Value (in thousands)	Bonded Debt per \$1,000 of assessed value
2002	14,570,000	1,940,000	1,940,000	16,510,000	40,409	408.57	1,404,395	11.76
2003	13,780,000	1,485,000	1,485,000	15,265,000	40,735	374.74	1,464,140	10.43
2004	12,990,000	1,010,000	1,010,000	14,000,000	41,320	338.82	1,580,044	8.86
2005	12,200,000	505,000	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	**	**	2,487,570	3.06

** Data not available at time of publication

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

Oklahoma Water Resources Board (OWRB) Notes and 2002 and 2005 Revenue Bonds										2007 and 2010 Revenue Notes (2)				
Fiscal Year	Utility			Debt Service			Debt Service			Pledged		Debt Service		
	Operating Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Principal	Interest	Coverage	Sales Tax	Transportation	Principal	Interest	Coverage
2002	36,113	26,633	9,480	1,410	1,021	3.90	-	-	-	-	-	-	-	-
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	

(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 NINE FISCAL YEARS (1)

<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>
Governmental activities:									
Public safety	178	182	189.5	189.5	188	193	193	199	196
Recreation and culture	97.0	98	101	91.6	102	93.75	87.8	75.5	67.0
General government	23	28	24.5	27.8	25	38	40.5	38.0	33.0
Financial administration	12.5	12.5	13	13	13.5	15	15	15	13
Street and sewers	28	25	28	28	22	33	35	38	35
Engineering and public works administration	21	22	25.5	22.5	28	17	14.5	9.5	6.0
Health and welfare	19	19.5	18	19	18	23	15	22	19
Business-type activities:									
Electric, water and wastewater operations	127	132	136	137.8	130	138.5	132.1	137.3	128.0
Sanitation operations	35.5	36	35	35	30	34.5	31.0	37.5	31.0
Stillwater Public Golf Authority (2)	21	25	22	21	19.5	21	20	20	0
Airport Operations	4.5	5	5	5	5	5	6	6	5
Total	566.5	585	597.5	590.1	581.0	611.75	589.9	596.8	533.0

(1) Data for years prior to 2003 is not readily available.

(2) 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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	21	24	24	24	24	24	24
Tennis Courts	14	14	14	14	14	14	10	10	10	10
Neighborhood/community parks	22	22	22	22	24	24	22	22	22	22
Lakeside Golf Course - acreage	160	160	160	160	160	160	160	160	160	160
Street and sewers										
Streets (miles)	255	255	295	295	297	230	230	526	531	526
Traffic signals	50	50	51	51	53	61	61	61	61	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	19.5	20.9	20.9	20.9	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	4	5	5	5	5	5
Wastewater										
Wastewater Plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	8	9	11	13	15	15	15	15	15	15

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Public safety										
Traffic citations	5,999	5,769	6,252	5,621	5,700	5,075	5,010	4,196	4,018	3,468
Parking tickets	6,914	10,161	10,645	12,967	14,000	13,662	11,601	13,682	16,493	17,076
Police calls for service	42,104	39,691	41,924	42,721	44,697	39,841	33,810	43,713	42,136	44,683
Animals handled by Animal Welfare	2,959	2,607	2,951	2,411	4,034	738	2,434	2,208	2,434	2,530
Fire calls for service	1,704	1,682	1,463	1,390	1,517	1,632	1,447	1,520	1,544	1,948
Ambulance calls for service	3,470	3,501	3,502	3,486	3,512	3,971	3,574	4,026	3,939	4,268
Recreation and culture										
Acres mowed (1)	935	950	950	12,229	8,532	11,552	11,240	8,296	7,493	5,735
Program participants	6,073	5,734	5,638	6,154	6,303	7,490	2,296	6,030	4,765	5,046
Senior Center daily average attendance	68	57	62	73	67	60	70	42	34	40
Multi Arts participants	694	886	1,100	1,341	2,978	2,236	6,000	6,000	6,000	6,200
Swimming pool admissions	22,018	20,071	22,000	29,148	17,342	18,094	18,056	15,280	16,759	12,859
Lakeside golf course - rounds of golf	33,665	31,268	28,339	28,735	31,218	25,717	25,088	24,515	25,577	29,247
Mini bus rides (2)	20,923	20,123	20,500	17,284	15,554	9,699	4,390	1,974	516	0
Volumes in library	95,840	95,179	95,286	89,059	**	**	91,674	95,219	97,555	100,119
Total circulation of library materials	**	348,121	363,696	352,258	372,998	349,502	340,421	364,243	370,043	369,340
General government										
Supported micro-computers by IT	396	415	403	418	411	407	430	421	468	511
Helpdesk/trouble calls by IT	2,016	2,323	2,067	1,624	2,122	1,858	2,547	2,084	2,429	2,785
Ordinances drafted	29	37	42	71	**	35	35	36	32	35
Financial administration										
Computer generated accounts payable checks	10,801	10,198	10,387	5,995	4,262	4,123	2,963	2,888	3,382	3,945
Budget revisions/amendments processed	437	448	464	478	430	325	328	388	428	325
Requisitions reviewed	10,801	9,207	8,444	3,427	1,902	1,608	1,709	1,794	1,541	1,355
Municipal court cases	10,113	10,213	10,826	11,000	11,000	10,008	10,318	9,289	7,815	8,165
Street and sewers										
Blocks of striping (3)	238	70	144	150	89	96	82	103	76	8,755
Signs made	**	458	439	450	270	305	159	346	571	251
Crack sealant (blocks) (4)	8,723	71	59	62	68	252	10,765	143	117	216
Slurry sealant (blocks)	138	200	107	175	74	72	23	8	39	29
Concrete replacement (cu. yds.)	**	636	914	900	900	758	834	1,162	1,207	1,714
Engineering and public works administration										
Developments reviewed	121	127	149	166	201	140	95	69	39	80
Permits issued	742	1,856	2,217	3,730	3,494	3,478	3,047	2,650	2,963	3,406
Vehicles maintained	278	280	283	285	293	323	340	346	271	305
Fleet job orders completed	3,406	3,070	3,272	3,686	3,085	3,388	3,619	3,789	3,721	3,754
Health and welfare										
Code enforcement inspections	4,736	5,045	3,636	4,400	7,584	8,595	3,163	4,722	4,975	5,574
High grass and weed cases	602	600	604	592	593	490	746	373	1,055	1,076
Trees and shrubs planted	203	217	210	210	197	54	22	94	56	0

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:										
Electric, water and wastewater operations										
Electric connections	17,592	18,480	18,754	19,113	19,800	18,338	19,605	20,580	20,338	20,208
Water connections	12,943	13,337	13,709	14,067	14,932	15,274	16,200	16,654	16,766	16,578
Water line repairs (5)	138	189	144	126	292	281	272	176	85	900
Water treated (million gallons)	2,263	2,886	2,951	2,768	3,079	**	2,604	2,567	2,338	2,282
Sewage treated (million gallons)	2,337	2,173	2,027	2,098	2,277	1,940	2,035	1,957	2,048	1,648
Sanitation operations										
Landfill usage (tons)	19,131	17,775	17,822	18,513	20,002	22,884	21,000	19,602	18,986	19,713
Yard waste hauled (tons)	N/A	1,329	1,050	960	961	1,198	1,183	1,135	1,002	1,403
Community Center operations										
Admissions	102,789	90,386	71,328	77,404	107,228	104,129	118,310	130,141	131,202	118,082
Airport Operations										
Operations (avg month)	4,500	4,897	4,945	5,267	5,912	6,292	**	5,976	4,324	4,994

**unavailable

- (1) changed measure of acres mowed in fiscal year 2005 to acres mowed times number of mowings.
- (2) mini bus program ended March 2010
- (3) measured in ft. in 2011
- (4) measured in lbs. in 2002 and in 2008
- (5) 2002-2010 includes water main repairs only. Beginning in 2011, both water main and service line repairs are included.

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

Employer	Current Year			Nine Years Ago		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Oklahoma State University	6,819	1	31%	4,803	1	25%
Stillwater Medical Center	869	2	4%	655	4	3%
Stillwater Public Schools	766	3	4%	703	3	4%
Wal-Mart (1)	548	4	3%			
City of Stillwater	533	5	2%	513	5	3%
Stan Clark Companies (1)	484	6	2%			
OK State Dept. of Career Tech	270	7	1%	275	7	1%
Quebecor World/Quad Graphics	240	8	1%	375	6	2%
Stillwater National Bank	213	9	1%	175		1%
Stillwater Designs/Kicker Audio	182	10	1%	158		1%
National Standard	175		1%	260	8	1%
Armstrong World Industries	135		1%	212	10	1%
Mercury MerCruiser (2)	0			950	2	5%
Creative Labs	0			215	9	1%
Others:						
Oncue Marketing	162					
Nomadics, Inc./ICX Technologies	156					
Lowes	138					
Frontier Electronics	136					
Meridian Technology Center	120					
Stillwater Milling	92					

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

(2) Mercury MerCruiser closed the local manufacturing plant in December 2011.

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

Fiscal Year	Education Level in Years of Schooling (3)								
	Population (1)	Personal Income (in thousands of dollars) (2)	Per Capita Personal Income	Median Age (3)	Percentage high-school graduate or higher	Percentage bachelor's degree or higher	K-12 School Enrollment (4)	Post-secondary Enrollment (4)	Unemployment Rate (5)
2002	40,409	1,516,716	21,858				5,513	21,963	1.8%
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	**	**	23.9	92.5%	46.6%	5,780	24,018	5.8%
2011	**	**	**				5,960	24,622	5.9%

** 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.

2007 population estimate reflects the acceptance of the City's estimate challenge by the U.S. Census Bureau.

2005 population estimate reflects the acceptance of the City's estimate challenge by the U.S. Census Bureau.

(2) 2002 through 2005 personal income estimates provided by Oklahoma Department of Commerce. "Total Personal Income for Counties and MSAs: 2000 - 2006 through 2009 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 Oklahoma Employment Commission and is for Payne County

CITY OF STILLWATER, OKLAHOMA

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES**

June 30, 2011

CITY OF STILLWATER, OKLAHOMA

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stillwater, Oklahoma (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2011. We did not audit the Stillwater Medical Center Authority which the City reports as a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing body, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orledge & Associates, P.C.

Edmond, Oklahoma
December 1, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Stillwater, Oklahoma (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a

reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. 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 basic financial statements and certain additional procedures, including comparing and reconciling 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 basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Andeche & Associates, P.C.

Edmond, Oklahoma
December 1, 2011

CITY OF STILLWATER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Title	Federal C.F.D.A Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		\$ 16,327
Pass-through from Oklahoma State Bureau of Investigation Forensic Recovery of Evidence - Internet Crimes Against Children	16.543	2009 ICAC Grant	12,249
Total U.S. Department of Justice			<u>28,576</u>
U. S. DEPARTMENT OF TRANSPORTATION:			
Airport Improvement Program	20.106	3-40-0090-019-2010	31,127
Total U.S. Department of Transportation			<u>31,127</u>
U. S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from Oklahoma Department of Emergency Management:			
Fire Management Assistance Grant	97.046	EMW-2009-FO-01232	438,584
Emergency Management Performance Grant	97.042		17,500
Pass-through from Oklahoma Office of Homeland Security Fire Management Assistance Grant	97.046		10,800
Total U.S. Department of Homeland Security			<u>466,884</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from Oklahoma Housing Finance Agency:			
Home Investment Partnerships Program	14.239	1330 HOME 10	55,939
Pass-through from Oklahoma Department of Commerce:			
Community Development Block Grant (CDBG)	14.228	13435 CDBG 08	74,571
Community Development Block Grant (CDBG)	14.228	13902 CDBG 09	58,756
Emergency Shelter Grant	14.231	14204 ESG 2010	26,627
Total U.S. Department of Housing and Urban Development			<u>215,893</u>
ENVIRONMENTAL PROTECTION AGENCY:			
Pass-through from Oklahoma Water Resources Board:			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468		876,551
Capitalization Grants for Drinking Water State Revolving Funds	66.468		1,270,556
Capitalization Grants for Clean Water State Revolving Funds	66.458		401,358
Total Environmental Protection Agency			<u>2,548,465</u>
U. S. DEPARTMENT OF ENERGY			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-EE0001847	154,240
Total U.S. Department of Energy			<u>154,240</u>
TOTAL FEDERAL AWARDS			\$ <u>3,445,185</u>

NOTES TO SCHEDULE OF FEDERAL EXPENDITURES:

NOTE A - Summary of Significant Accounting Policies - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Stillwater and is presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF STILLWATER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Reportable condition(s) identified
not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
OMB Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.046	Fire Management Assistance Grant
81.128	ARRA-Energy Efficiency and Conservation Block Grant
66.468	ARRA-Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

CITY OF STILLWATER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None