

STILLWATER UTILITIES AUTHORITY
FINANCIAL STATEMENTS AND REPORTS
OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2007

Prepared by:
Department of Finance

Marcy Alexander
Director of Finance

STILLWATER UTILITIES AUTHORITY
A Component Unit of the City of Stillwater, Oklahoma

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Stillwater Utilities Authority
Stillwater, Oklahoma

We have audited the accompanying basic financial statements of the Stillwater Utilities Authority, a component unit of the City of Stillwater, Oklahoma as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stillwater Utilities Authority as of June 30, 2007, and its changes in financial position and cash flows 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 October 22, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "BKD, LLP". The letters are stylized and slanted to the right.

October 22, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Stillwater Utilities Authority's (SUA) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

Net Assets: The Authority's net assets increased by \$2.9 million or 3.2%. This increase indicates a level of activity is being maintained that is currently adequate to replace depreciating assets as needed.

Unrestricted Net Assets: Unrestricted net assets of the Authority decreased by \$2.7 million or 10.9%.

Revenues: The Authority's operating revenues increased by \$3.1 million or 6.4%. Non-operating revenues increased by \$0.4 million dollars. A full year of implemented rate increase for electric services along with an increased water and sewer customer count contributed to the operating revenue increase. An increase in interest rates resulted in the non-operating revenue increase.

Expenses: The Authority's operating expenses increased 8.5% from the previous year. Debt service interest and fees decreased by 5.4% from the previous year. Increased cost of purchased power primarily contributed to the increase in operating expenses. The decrease in debt service interest and fees is due to the pay off of outstanding debt.

Transfers Out: The Authority transferred \$0.9 million less to other funds in the current year or a decrease of 7.6%.

USING THIS ANNUAL REPORT

Statement of Net Assets and Statement of Revenues, Expenses and Change in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Assets includes all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These statements provide information about whether the entity is better or worse off as a result of the year's activities.

Net assets are the difference between the Authority's assets and liabilities. Over time, increases or decreases in the Authority's net assets provide one indicator of the financial health of the Authority.

FINANCIAL ANALYSIS

Net Assets

A comparative overview of the major components of the Statement of Net Assets as of June 30 is shown below.

(in millions)	2006	2007	Percentage Change 2006 to 2007
Current and other assets	\$ 35.0	\$ 29.9	-14.6%
Capital assets	97.6	99.7	2.2%
Total assets	132.6	129.6	-2.3%
Total current liabilities	10.9	8.4	-22.9%
Total noncurrent liabilities	32.2	28.7	-10.9%
Total liabilities	43.1	37.1	-13.9%
Net assets -			
Invested in capital assets, net of related debt	63.3	68.6	8.4%
Restricted for debt service	1.6	1.9	18.8%
Unrestricted	24.7	22.0	-10.9%
Total net assets	\$ 89.6	\$ 92.5	3.2%

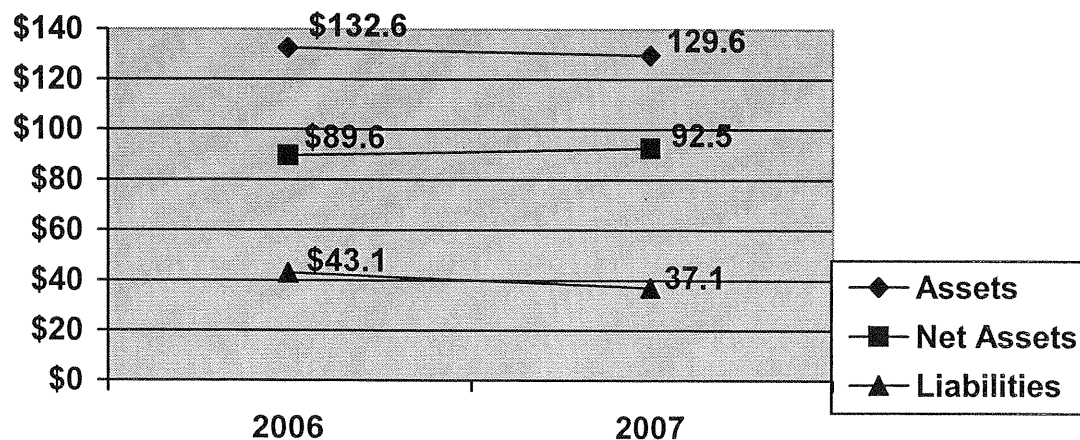
Net assets may serve over time as a useful indicator of an entities financial position. The SUA's assets exceeded liabilities by \$92.5 million at the close of 2007.

The largest portion of the SUA's net assets (74.2%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The SUA uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the SUA's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the SUA net assets (2.1%) represents resources that are subject to restrictions as to how they may be used. The remaining balance (23.7%) is unrestricted.

At the end of the current and previous fiscal year, the SUA is able to report positive balances in each of its net asset classifications.

Assets, Liabilities, and Net Assets at June 30 (in millions)



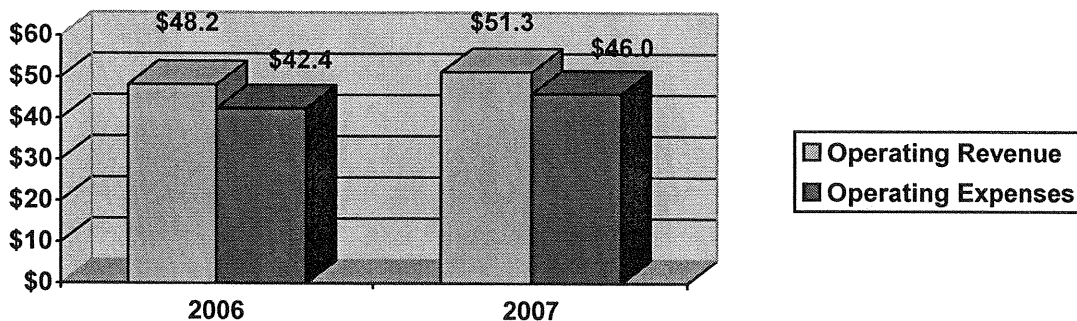
Changes in Net Assets

A comparative overview of the major components of the Statement of Revenues, Expenses, and Change in Net Assets for each of the years ended June 30 is shown below.

(in millions)	<u>2006</u>	<u>2007</u>	Percentage Change <u>2006 to 2007</u>
Operating revenues	\$ 48.2	\$ 51.3	6.4%
Operating expenses	42.3	45.9	8.5%
Operating income	<u>5.9</u>	<u>5.4</u>	-8.5%
Non-operating revenues (expenses)	<u>0.0</u>	<u>0.4</u>	400.0%
Net income before contributions and transfers	5.9	5.8	-1.7%
Capital contributions	0.7	2.0	185.7%
Transfers in	6.3	6.1	-3.2%
Transfers out	<u>(11.9)</u>	<u>(11.0)</u>	-7.6%
Increase (decrease) in net assets	<u>\$ 1.0</u>	<u>\$ 2.9</u>	190.0%

Capital contributions increased \$1.3 million due to utility assets accepted from developers for new residential development and large commercial developments including Lakeview Pointe Shopping Center and a new Wal-Mart. Transfers out decreased by 7.6% due to less supplemental funds needed by the primary government in fiscal year 2007 as compared to fiscal year 2006.

Operating Revenues and Expenses Comparison (in millions)



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital Assets, Net of Accumulated Depreciation – (in millions)

	<u>2006</u>	<u>2007</u>
Land	\$ 0.6	\$ 0.7
Water plant	31.6	32.3
Electric plant	31.7	32.3
Wastewater plant	29.1	29.7
Construction work in progress	4.2	4.4
General plant	0.4	0.3
Totals	<u>\$ 97.6</u>	<u>\$ 99.7</u>

This year's major changes in capital assets included several contributions of water and sewer lines by developers and the addition of a rural water system with 1,100 customers.

Debt Administration

At June 30, 2007, the Authority had \$31.5 million in bonds, notes, and long-term leases outstanding versus \$34.8 million last year, a decrease of 9.2%. The decrease is due to scheduled annual debt service payments.

Outstanding Debt, at fiscal year end - (in millions)

	<u>2006</u>	<u>2007</u>
2002 revenue bonds	6.4	4.6
2005 revenue bonds	12.8	12.0
2002A&B notes-water treatment plant	2.7	2.5
2002C note - wastewater treatment plant	4.0	3.8
2005 OWRB fixed rate note	7.3	7.0
Long-term equipment leases	1.6	1.6
Totals	<u>\$ 34.8</u>	<u>\$ 31.5</u>

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The customer base remains strong for the Stillwater Utilities Authority. Since June 30, 2006, while the number of electric customers has decreased 7.38%, the number of water customers has increased 2.3%. The acquisition of 13 square blocks of residential property by Oklahoma State University to expand University facilities has contributed to the decrease in customer count, but housing starts, commercial construction, and industrial expansions during fiscal year 2007 would indicate the recovery of lost customers in fiscal year 2008.

Budgeting for the Authority is done in conjunction with budgeting for the City of Stillwater as a whole. Increases in operational costs led to the need for rate increases for all utilities effective July 1, 2007.

CONTACTING THE STILLWATER UTILITIES AUTHORITY MANAGEMENT

This financial report is designed to provide our citizens, customers, taxpayers, bondholders and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. Financial information for the Authority is also presented in the Comprehensive Annual Financial Report (CAFR) of the primary government, the City of Stillwater, Oklahoma. If you have questions about this report or need additional financial information, contact the Finance Department of the City of Stillwater, 723 S. Lewis St., P.O. Box 1449, Stillwater, Oklahoma 74076.

STILLWATER UTILITIES AUTHORITY
A Component Unit of the City of Stillwater, Oklahoma
Statement of Net Assets
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 14,508,305
Cash and cash equivalents - internally designated	3,682,650
Restricted cash and cash equivalents	2,488,237
Accounts receivable, net of allowance for uncollectible accounts of \$105,482	7,026,898
Due from other funds	21,223
Inventories	1,010,772
Total current assets	<u>28,738,085</u>

Noncurrent assets:

Restricted cash and cash equivalents	777,141
Unamortized bond expense	366,571
Capital assets: non depreciable	
Land	669,169
Construction work in progress	4,421,179
Capital assets: depreciable	
Water plant	66,430,990
Electric plant	71,407,504
Sewer plant	43,162,407
General plant assets	2,108,284
Less-accumulated depreciation	<u>(88,467,675)</u>
Total noncurrent assets	<u>100,875,570</u>
Total assets	<u>129,613,655</u>

LIABILITIES

Current liabilities:

Accounts payable	3,273,928
Accrued liabilities	222,049
Current portion of compensated absences	34,533
Accrued interest payable	218,417
Current portion of customer deposits payable	575,610
Current portion of long-term debt obligations, net	4,076,123
Total current liabilities	<u>8,400,660</u>

Noncurrent liabilities:

Noncurrent portion of compensated absences	546,134
Noncurrent portion of customer deposits payable	722,385
Noncurrent portion of long-term debt obligations, net	27,452,252
Total noncurrent liabilities	<u>28,720,771</u>
Total liabilities	<u>37,121,431</u>

NET ASSETS

Invested in capital assets, net of related debt	68,570,054
Restricted for debt service	1,912,627
Unrestricted	22,009,543
Total net assets	<u>\$ 92,492,224</u>

See Notes to Financial Statements

STILLWATER UTILITIES AUTHORITY
A Component Unit of the City of Stillwater, Oklahoma
Statement of Revenues, Expenses and Change in Net Assets
For the Year Ended June 30, 2007

Operating revenues - pledged as security for revenue bonds:	
Charges for services, net of bad debt expense	\$ 50,118,396
Other	1,196,641
Total operating revenues	51,315,037
Operating expenses:	
Operations and maintenance	40,426,601
Depreciation	5,480,111
Total operating expenses	45,906,712
Operating income	5,408,325
Nonoperating revenues (expenses):	
Investment income	1,210,936
Miscellaneous	329,107
Bond issuance costs	(86,495)
Interest expense and fiscal charges	(1,000,219)
Total nonoperating revenues (expenses)	453,329
Income before contributions and transfers	5,861,654
Capital contributions	2,040,242
Transfers in	6,069,461
Transfers out	(11,061,217)
Change in net assets	2,910,140
Total net assets, beginning of year	89,582,084
Total net assets, end of year	\$ 92,492,224

See Notes to Financial Statements

STILLWATER UTILITIES AUTHORITY
A Component Unit of the City of Stillwater, Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 50,789,535
Payments to suppliers	(30,161,310)
Payments to employees	(9,090,005)
Internal activity-payments to other funds	(1,102,491)
Other receipts (payments)	1,180,236
Net cash provided by operating activities	<u>11,615,965</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating subsidies and transfers to other funds	<u>(13,926,550)</u>
Net cash used in noncapital financing activities	<u>(13,926,550)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from sale of capital assets	16,405
Transfers in related to capital financing	6,069,461
Purchases of capital assets	(5,014,673)
Principal paid on capital debt	(3,471,675)
Interest paid on capital debt	(1,014,954)
Net cash used in capital and related financing activities	<u>(3,415,436)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>1,210,936</u>
Net cash provided by investing activities	<u>1,210,936</u>

Net decrease in cash and cash equivalents	(4,515,085)
Cash and cash equivalents, beginning of year	25,971,418
Cash and cash equivalents, end of year	<u>\$ 21,456,333</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 5,408,325
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,480,111
Gain on disposal of assets	(16,405)
Changes in assets and liabilities:	
Receivables, net	611,899
Inventories	(23,983)
Accounts and other payables	117,531
Accrued liabilities	38,487
Net cash provided by operating activities	<u>\$ 11,615,965</u>

Noncash investing, capital and financing activities:

Borrowings under capital lease	574,005
Capital assets contributed to the Authority	2,040,242

See Notes to Financial Statements

STILLWATER UTILITIES AUTHORITY
A Component Unit of the City of Stillwater, Oklahoma
Notes to Financial Statements
June 30, 2007

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The Stillwater Utilities Authority (the "Authority") is a public trust operating under a Trust Indenture dated April 1, 1979, which was created by an ordinance of the City of Stillwater, Oklahoma (the "City"). The City is the beneficiary of the trust. The Authority was created to operate and maintain a utilities system that provides electric, water and wastewater services to residents, businesses and industries located in the Stillwater area. Operations of the Authority commenced July 1, 1979. The City's five councilors who serve as trustees govern the Authority. The Authority is a component unit of the City's reporting entity and is reported as an enterprise fund in the City's Comprehensive Annual Financial Report.

The Trust Indenture that established the Authority provides for transfers of surplus funds to the City at the sole discretion of the trustees. Surplus revenues generated by the transferred sales tax (see Note 8) may be used only for purchasing or redeeming bonds or other indebtedness of the City or the Authority prior to maturity, or any other lawful purpose of the Authority; however, proceeds from the transferred sales tax cannot be returned to the City's General Fund.

The Trust Indenture limits the amount of bonds or notes that the Authority may issue in any fiscal year to 10% of its gross revenues (as defined) recorded in the preceding year. Per the trust indenture, the 10% limitation can be exceeded only upon approval by a majority of the City's qualified voters, voting on such question. However, no election is required for the issuance of:

- a. Indebtedness incurred to refund all or part of the Authority's outstanding indebtedness.
- b. Project completion bonds or notes authorized to be issued pursuant to the provisions of any indenture or other instrument securing the initial indebtedness to fund such project.
- c. Indebtedness incurred which is necessary to ensure the timely payment of outstanding Authority indebtedness and to operate in accordance with good utility practice as may be required by any indenture or other instrument securing any indebtedness of the Authority.

Proprietary Accounting Methodology

The Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The Authority 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.

Accounts Receivable

Substantially all accounts receivable relate to electric, water, and wastewater services provided to residents, businesses and industries located in the Stillwater area. Unbilled, but earned, revenues are accrued as accounts receivable and recognized as revenue at year end.

Inventories

Inventories of materials and supplies are valued at the lower of average cost or market.

Utility Plant

The cost of utility plant includes direct material, labor and indirect costs such as engineering fees. Assets are recorded at historical cost except for donated assets which are recorded at fair market value at the time of donation. Assets transferred to the Authority at its inception in 1979 were recorded at estimated historical cost of \$12,999,188. The cost of routine maintenance and repairs to property is expensed. For depreciation purposes, the Authority uses the composite method for certain types of assets, principally meters, wire, poles and electrical transformers. All other fixed assets are depreciated over their estimated useful lives (ranging from 3 to 50 years) using the straight-line method. Gains and losses are included in operations in the period the asset is retired or removed from service.

Capitalized Interest

The Authority capitalizes net interest costs during the construction period on funds borrowed to finance the construction of significant property, plant and equipment projects. Total interest expense incurred by the Authority during the year ended June 30, 2007 was \$1,000,219. This amount related to projects that were completed in prior years. No interest was capitalized for the year ended June 30, 2007.

Unamortized Bond Discount, Premium and Issue Costs

Bond discount, premium and issue costs are amortized using the straight-line method over the life of the applicable bonds. Bond discount and premium amortized are reported as a component of interest expense, while amortized bond issue costs are reported separately as non-operating expense.

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.

Operating and Nonoperating Revenues

Operating revenues are those that result from providing services to customers. All revenues not meeting this definition are reported as nonoperating revenues.

Transfers

Permanent transfers of funds between the Authority and the City or between the Authority and other Authorities of the City are recorded as transfers.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and money market accounts with brokers.

Assets Internally Designated

Assets internally designated consist of cash and cash equivalents set aside by the 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, 2007, cash and cash equivalents in the amount of \$3,682,650 have been internally designated by the Authority for this purpose.

Restricted Assets

Proceeds from debt and related sinking fund accounts are classified as restricted assets, since their use is restricted by applicable bond indentures. Customer utility deposits held by the Authority are also classified as restricted assets.

Compensated Absences

Full-time employees of the Authority accumulate vacation and sick leave benefits each pay period at various rates depending upon tenure with the Authority. Employees may accumulate and carry over to subsequent years up to 25 days of vacation. Upon termination, employees are paid for unused vacation. Employees may accrue up to a maximum of 1,000 hours of sick leave. An employee with five or more years of service who retires or resigns receives 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 years of service receive a percentage payment of their unused sick leave ranging from 12.5% to 30%. The liability for these compensated absences is recorded as noncurrent liabilities. The current portion of this liability is estimated based on historical trends using the amounts that would be payable if termination occurred at the end of the fiscal year.

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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period; accordingly, actual results could differ from those estimates.

Equity Classifications

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

- Invested in capital assets, net of related debt – This component consists of capital assets including restricted assets, net of accumulated depreciation and reduced by the outstanding balance of bonds, notes, or long-term leases or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – This component consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through resolution or other enabling legislation.
- Unrestricted net assets – This component consists of all other net assets that do not meet the definitions of either “invested in capital assets, net of related debt” or “restricted”.

When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first.

(2) DEPOSITS AND INVESTMENTS

It is the Authority's policy to use state statutes (as they relate to municipal deposits and investments) as the Authority's deposit and investment guide. Therefore, the Authority 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 Authority prefers and requests U.S. government securities as collateral.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law. At June 30, 2007, the Authority was not exposed to custodial credit risk.

Investments

Oklahoma Statutes authorize municipalities to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposits and other evidences of deposits at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposits at banks, savings banks, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed 270 days' maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

As of June 30, 2007, the Authority had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money market mutual funds	\$ 19,646,287	\$ 19,646,287	\$ -	\$ -	\$ -

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to comply with the Oklahoma statutes listed above. Money market mutual funds are presented as an investment with a maturity of less than one year, because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2007, the Authority's money market mutual funds were rated AAA by Standard & Poors. The Authority's investment policy does not address credit risk.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk for Investments – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Authority's investment policy does not address custodial credit risk. As of June 30, 2007, the Authority's investments were not exposed to custodial credit risk as all of the Authority's investments were registered in the name of the Authority and held by a counterparty.

Deposits and investments presented in the statement of net assets are as follows:

Carrying amount:	
Deposits	\$ 1,810,046
Investments	19,646,287
	<u>\$ 21,456,333</u>

Statement of Net Assets amounts:	
Cash and cash equivalents:	
Unrestricted	\$ 14,508,305
Internally designated	\$ 3,682,650
Restricted-current	2,488,237
Restricted-noncurrent	777,141
	<u>\$ 21,456,333</u>

(3) LONG-TERM LIABILITIES

As of June 30, 2007, the Authority's outstanding debt consisted of the following:

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 15, 2021.	\$ 2,474,775
2002 OWRB SRF Note Payable dated December 19, 2002, original amount of \$4,876,086 with no interest plus an administrative fee of 0.5%, semiannual installments of principal commencing March 15, 2003 through September 15, 2022.	3,778,967
2005 OWRB Fixed Rate Note Payable dated June 29, 2005, original amount of \$7,620,000 with 2.6% interest plus an administrative fee of 0.5%, semiannual installments of principal and interest commencing September 15, 2005 through March 15, 2025	<u>7,053,425</u>
Total Notes Payable	<u>\$13,307,167</u>
Current portion	\$ 710,702
Non-current portion	<u>12,596,465</u>
Total Notes Payable	<u>\$13,307,167</u>

Revenue Bonds

2002 Refunding Series bonds dated September 16, 2002, original issue amount of \$11,825,000, secured by utility revenues, interest rates range from 2.1% to 3.2%, semiannual interest and annual principal installments commencing December 1, 2002 through December 1, 2009	\$ 4,765,000
Less: Unamortized discount	(403)
Unamortized loss on defeasance	<u>(191,945)</u>
Net 2002 Revenue Bonds Payable	<u>4,572,652</u>
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 and annual principal installments commencing October 1, 2005 through October 1, 2012.	11,555,000
Plus: Unamortized premium	513,072
Less: Unamortized loss on defeasance	<u>(83,227)</u>
Net 2005 Revenue Bonds Payable	<u>11,984,845</u>
Total Revenue Bonds Payable	<u>\$16,557,497</u>
Current portion	\$ 2,732,522
Non-current portion	<u>13,824,975</u>
Total Revenue Bonds Payable	<u>\$16,557,497</u>

Capital Lease Obligations

Total cost of capital assets financed by capital lease obligations	\$ 2,748,409
Less: accumulated depreciation	(848,284)
Net capital assets financed by leases	<u>\$ 1,900,125</u>
\$771,000 capital lease with Banc of America for equipment, fixed interest rate of 3.244%, semiannual installments commencing April 4, 2003 through October 4, 2007.	\$ 82,801
\$400,880 capital lease with Banc of America for equipment, fixed interest rate of 2.804%, semiannual installments commencing September 8, 2004 through March 8, 2009.	167,078
\$102,148 capital lease with Banc of America for equipment fixed interest rate of 3.116%, semiannual installments commencing June 10, 2005 through December 10, 2009	53,047
\$212,061 capital lease with Banc of America for equipment fixed interest rate of 3.454%, semiannual installments commencing March 9, 2006 through September 9, 2010	152,210
\$184,633 capital lease with Banc of America for equipment fixed interest rate of 4.0%, semiannual installments commencing November 12, 2006 through May 12, 2011	150,572
\$553,307 capital lease with Banc of America for equipment fixed interest rate of 4.09%, semiannual installments commencing December 15, 2006 through June 15, 2014	493,539
\$104,420 capital lease with Banc of America for equipment fixed interest rate of 3.9803%, semiannual installments commencing February 24, 2007 through August 24, 2011	94,879
\$57,950 capital lease with Banc of America for equipment fixed interest rate of 3.9535%, semiannual installments commencing September 2, 2007 through March 2, 2011	57,950
\$411,635 capital lease with Dell Government Leasing for equipment fixed interest rate of 7.522%, annual installments commencing July 1, 2007 through June 1, 2009	<u>411,635</u>
Total Capital Leases	<u>\$ 1,663,711</u>
Current portion	\$ 632,899
Non-current portion	<u>1,030,812</u>
Total Capital Leases	<u>\$ 1,663,711</u>
<u>Accrued Compensated Absences</u>	
Current portion	\$ 34,533
Non-current portion	<u>546,134</u>
Total Accrued Compensated Absences	<u>\$ 580,667</u>

