

***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***

**Table of Contents**

	Page No.
Independent Accountants' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	2
Statement of Net Assets	6
Statement of Revenues, Expenses, and Change in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19



## 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'.

October 22, 2007

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The logo for Praxity, featuring the word 'Praxity' in a bold, sans-serif font with a registered trademark symbol, and 'MEMBER' in a smaller font below it. To the right of the text is a circular graphic composed of small dots.  
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INDEPENDENT FIRMS

## 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.

