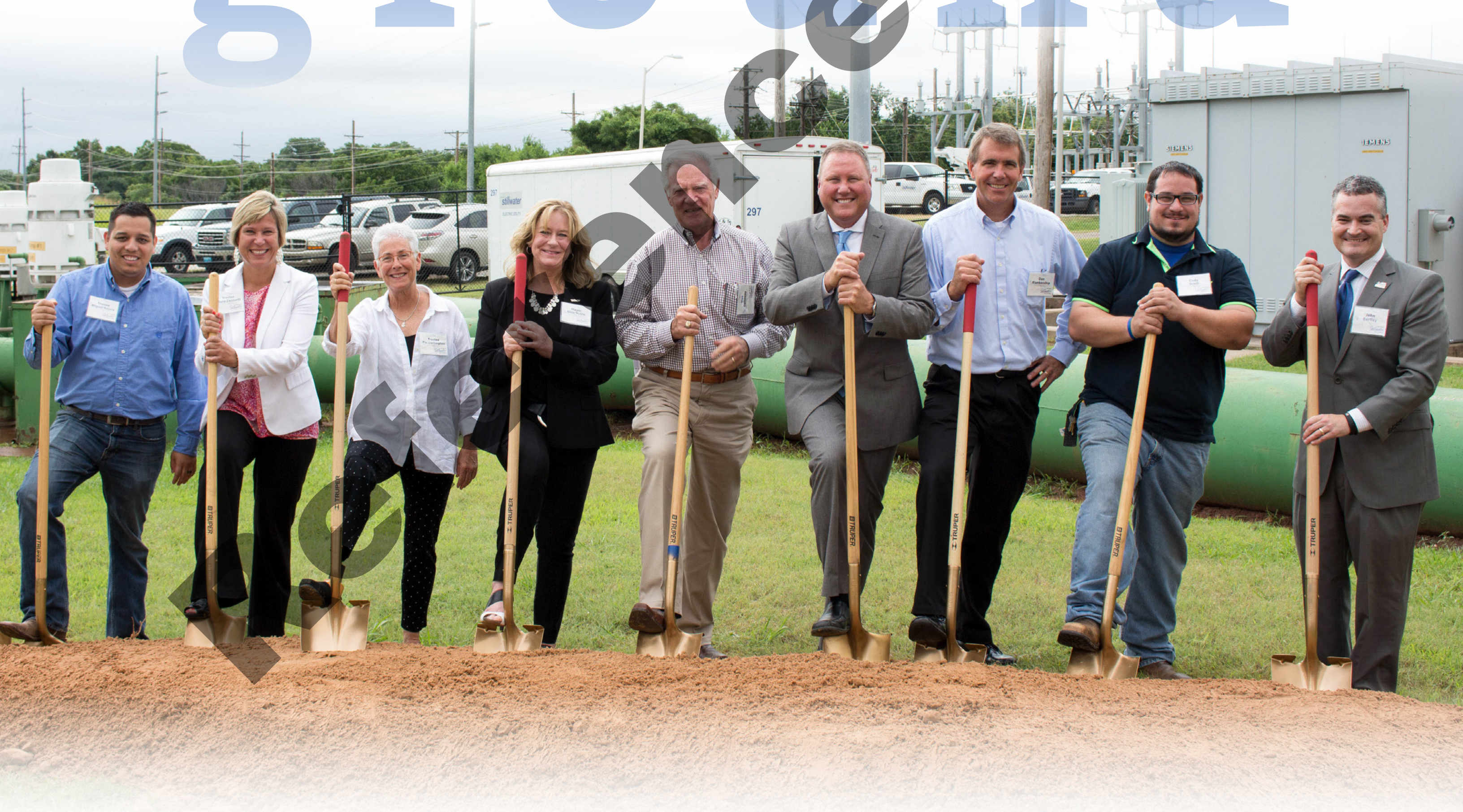
The City of Stillwater OKLAHOMA

STILL PIONEERING

BREAKING ground



STILLWATER UTILITIES AUTHORITY

Financial Statements and Reports of Independent Auditors

Fiscal Year Ended June 30, 2015

COVER / BREAKING NEW GROUND

Construction of the Stillwater Energy Center starts Monday, July 13, 2015, at 2000 E. Airport Road. The electric plant will have an electrical output of 56,277 kW for the Stillwater community. The estimated project cost is just under $70 million and will open for commercial operation June 30, 2016.

Cover Photo / Left to Right

Councilor Miguel Najera

Councilor Alane Zannotti

Vice Mayor Pat Darlington

Mayor Gina Noble

City Manager Dan Galloway

Generation and Transmission Division Manager Loren Smith

SUA Director Dan Blankenship

Councilor Emeritus Cody Scott

Mayor Emeritus John Bartley

STILL PIONEE

Designed by the Office of Marketing and Public Relations

The City of Stillwater OKLAHOMA

STILL PIONEERING

STILLWATER UTILITIES AUTHORITY

Financial Statements and Reports of Independent Auditors

Fiscal Year Ended June 30, 2015

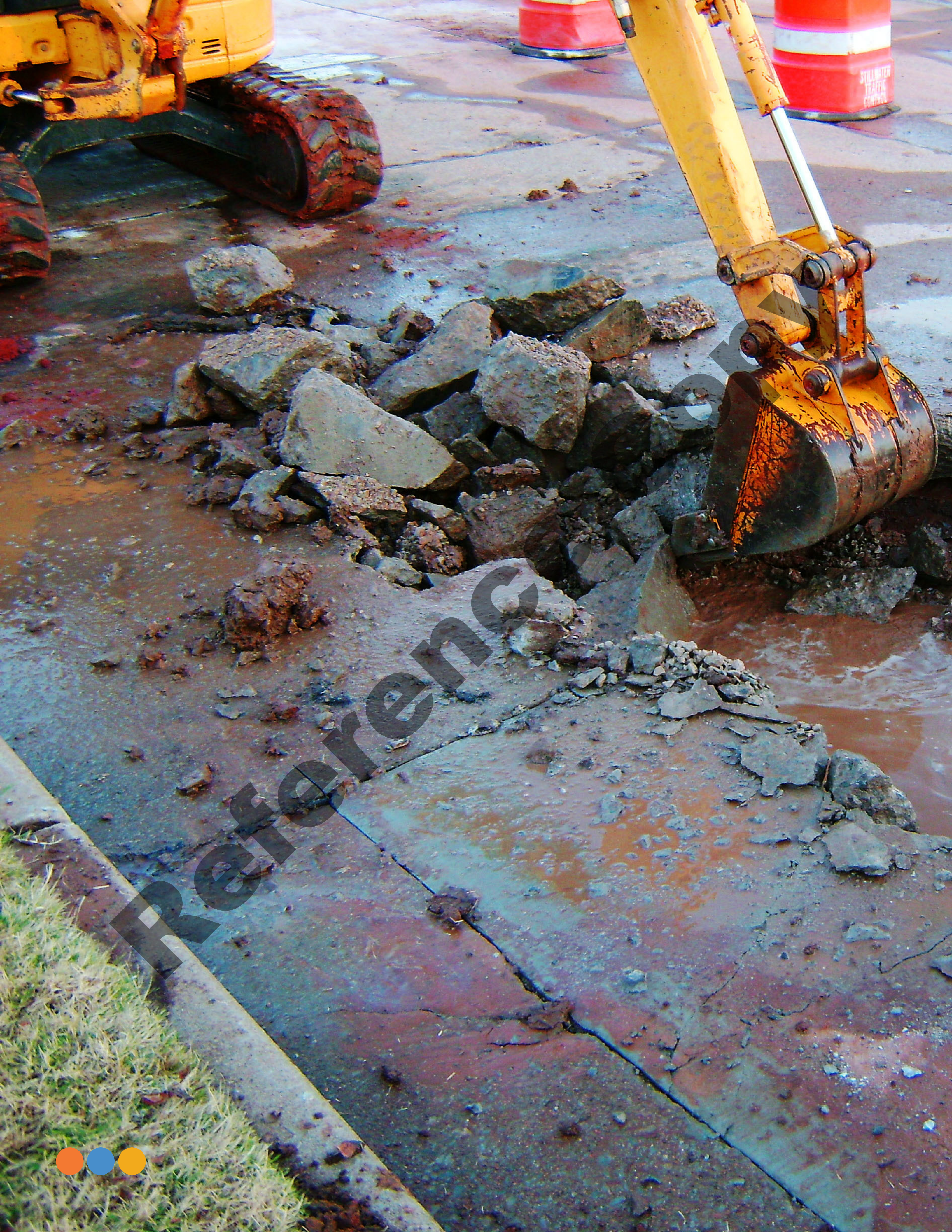
Prepared by

Department of Finance

Melissa Reames

Chief Financial Officer

RING



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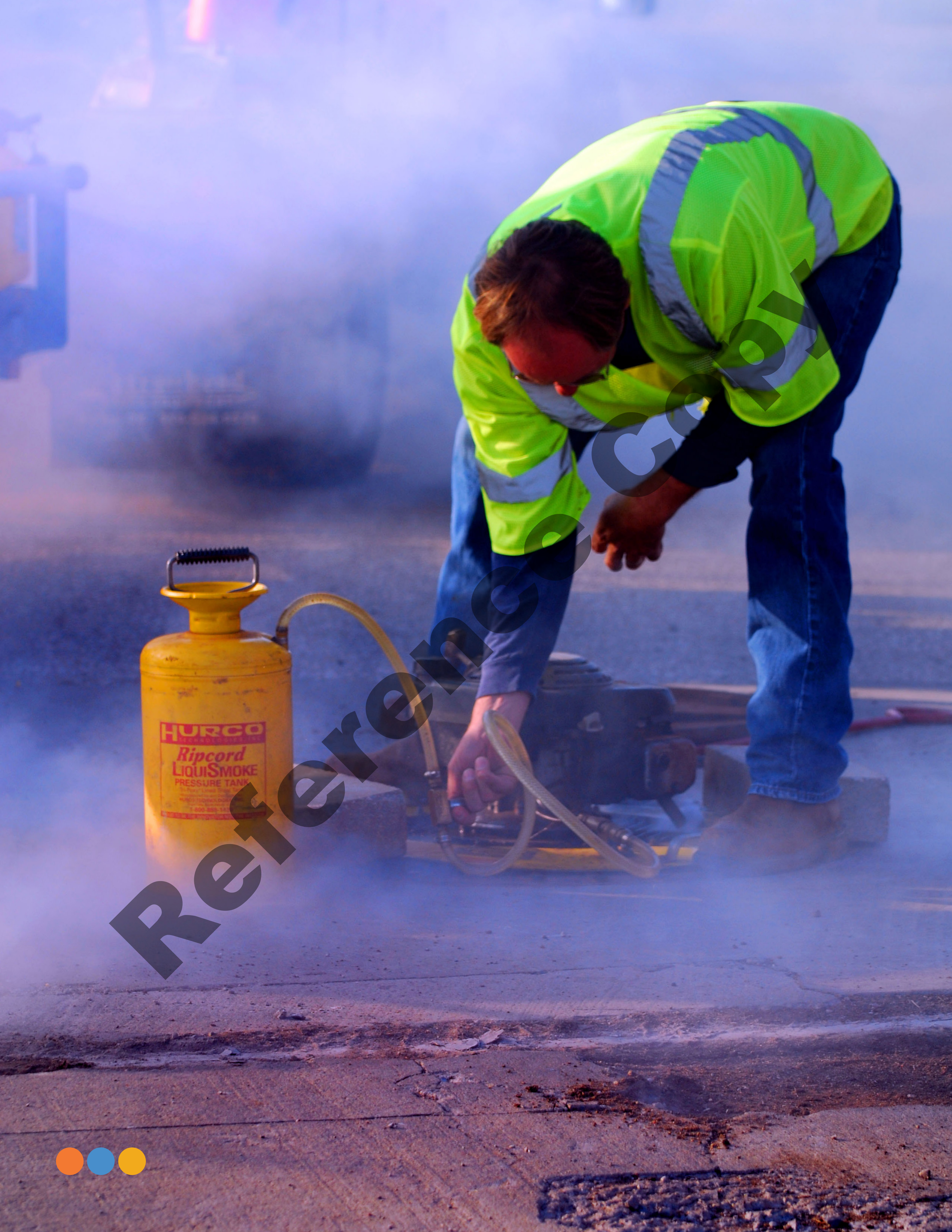
STILLWATER UTILITIES AUTHORITY
A Component Unit of the City of Stillwater, Oklahoma


HURCO
Ripcord
LiquiSmoke
PRESSURE TANK

STILLWATER UTILITIES AUTHORITY

Independent Auditor's Report

BT&Co.
BERBERICH TRAHAN & CO. P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Stillwater Utilities Authority
Stillwater, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Stillwater Utilities Authority (the Authority), a component unit of the City of Stillwater, Oklahoma (the City), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 t 785.234.3427 toll free 800.530.5526 f 785.233.1768 btandcocpa.com

STILLWATER UTILITIES AUTHORITY

Independent Auditor's Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 6 and the Schedule of Funding Progress on page 31 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Berberich Trahan & Co., P.A.

October 26, 2015
Topeka, Kansas

STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma
Management's Discussion and Analysis

The following discussion and analysis of the Stillwater Utilities Authority (the "Authority") provides our readers an overview of the Authority's financial activities for the year ended June 30, 2015 in comparison with the prior year financial results. Please consider the information presented here in conjunction with the financial statements, which begin on page 7.

USING THE FINANCIAL STATEMENTS IN THIS ANNUAL REPORT

The basic financial statements presented in this report consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements.

The Statements of Net Position include 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. The Statements of Revenues, Expenses and Changes in Net Position report all of the Authority's revenues and expenses for the period regardless of when cash is received or paid. Together, the two statements report the Authority's net position and the changes from the prior year. Net position is the difference between assets and liabilities and is one way to measure the Authority's financial condition or position. Over time, increases or decreases in the Authority's net position are indicators of the financial health of the Authority.

The Statements of Cash Flows report the cash provided and used by operating, investing, and financing activities of the Authority during the reporting period.

The Notes to Financial Statements provide additional explanation and details about the financial information reported in the financial statements.

FINANCIAL ANALYSIS

Net Position

A comparative overview of the major components of the Statements of Net Position as of June 30 is shown below.

(in millions)	**2015**	**2014**	**2013**
Current Assets	$138.4	$78.7	$64.2
Noncurrent assets	131.2	108.6	108.8
Total assets	**269.6**	**187.3**	**173.0**
Current liabilities	12.2	10.3	10.8
Noncurrent liabilities	90.4	24.5	27.0
Total liabilities	**102.6**	**34.8**	**37.8**
Net position -			
Net investment in capital assets	94.8	86.0	85.0
Restricted for debt service	1.1	0.3	0.2
Restricted for capital projects	2.3	0.6	0.6
Unrestricted	68.8	65.6	49.4
Total net position	**$167.0**	**$152.5**	**$135.2**

At the end of the current and previous fiscal years, the Authority is able to report positive balances in each of its net position classifications.

The largest portion of the Authority's net position (56.7% in 2015 and 56.4% in 2014) 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 Authority uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Authority'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 Authority's net position (2.0% in 2015 and 0.6% in 2014) represents resources that are subject to restrictions as to how they may be used. The remaining balance (41.2% in 2015 and 43.0% in 2014) is unrestricted.

The increase in current assets of $59.7 million or 75.9% in 2015 represents the balance of bond proceeds from the issuance of Series 2014A Revenue Bonds on August 12, 2014. The bond proceeds will be used for the purpose of designing and constructing a 56 MW reciprocating engine power plant and associated 69kV to 12.47 kV electrical substation. The $22.6 million increase in noncurrent assets is in part due to a $4.1 million increase in restricted investments funded by the Series 2014A revenue bond proceeds and serving as a debt service reserve fund for the repayment of the bonds. The increase in noncurrent assets is also due the addition of power plant assets currently under construction and funded by the bond proceeds. Construction of the power plant is anticipated to be complete in the summer of 2016.

The increase in current assets of $14.5 million or 22.6% in 2014 is in large part due to the increase in internally designated cash and cash equivalents set aside by the Authority's Trustees in anticipation of future potential operating cost increases and/or future substantial capital expenditure requirements. Internally designated assets are categorized as unrestricted net position in the Statements of Net Position and account for the increases of 32.8% in 2014.

Changes in Net Position

For the year ended June 30, 2015 and 2014, the Authority's net position increased by $14.5 million or 9.5% and $17.2 million or 12.7%, respectively. Detail of the increase in net position is presented below in a comparative overview of the major components of the Statement of Revenues, Expenses and Changes in Net Position for each of the years ended June 30:

(in millions)	**2015**	**2014**	**2013**
Operating revenues	$75.5	$72.9	$65.5
Operating expenses	56.6	52.8	49.9
Operating income	18.9	20.1	15.6
Nonoperating revenues (expenses)	(5.0)	(3.0)	(3.9)
Net income before contributions	**13.9**	**17.1**	**11.7**
Capital contributions	0.6	0.1	1.5
Increase in net position	**$14.5**	**$17.2**	**$13.2**

In 2015, operating expenses increased $3.8 million due to a $2.4 million increase in purchased power, increases in employee health insurance costs and increases in utility system repair costs. The $2.6 million increase in operating revenues is due to increases in the rates of the electric, water, and wastewater utilities. The increase in nonoperating expenses during 2015 is due to $0.9 million in debt issuance costs associated with the 2014 bond issuance as well as an increase in the transfer to the City of Stillwater in the amount of $1.1 million.

In 2014, operating expenses increased by $2.9 million due to the increase in purchased power as a result of increased customer demand as well as billing under the new Power Purchase and Sale Agreement with the Grand River Dam Authority dated September 1, 2013. Also as part of the new Power Purchase and Sale Agreement as well as a Capacity Purchase Agreement with the Grand River Dam Authority, the Authority began receiving capacity payments and energy payments which account for $1.9 million of the $7.4 million increase in operating revenues. The remaining $5.5 million increase in operating revenues is a result of increases in the consumption billed to electric customers as well as increases in the rates of the electric, water, and wastewater utilities. There were no donations of capital assets by developers during 2014 causing the decrease of $1.4 million in capital contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of changes in capital assets and debt administration for the years ended June 30, 2015 and 2014. More detailed information on capital asset activity and long-term debt activity is contained in the accompanying notes to the financial statements on pages 16-23.

Capital Assets

At June 30, 2015 and 2014, the Authority had $125.8 million and $107.4 million, respectively, invested in capital assets including water and sewer lines, electric systems, and equipment.

Capital Assets, Net of Accumulated Depreciation

(in millions)	2015	2014	2013
Land	$1.0	$1.0	$1.0
Intangible assets	1.5	1.5	1.5
Water plant	40.8	42.3	43.5
Electric plant	26.1	26.6	27.6
Wastewater plant	29.9	28.5	29.9
Construction work in progress	23.9	6.2	2.7
General plant	2.6	1.3	1.5
Totals	$125.8	$107.4	$107.7

Debt Administration

At June 30, 2015 and 2014, the Authority had $92.1 million and $26.1 million, respectively, in bonds, notes, and long-term leases outstanding. The 2015 increase of $66.0 million is due to the issuance of Series 2014A Revenue Bonds for the purpose of designing and constructing a 56 MW reciprocating engine power plant and associated 69 kV to 12.47 kV electrical substation.

Outstanding Debt, at fiscal year end

(in millions)	2015	2014	2013
2014 revenue bonds	$68.2	$0.0	$0.0
2007 revenue note	1.2	2.0	2.8
2010 revenue note	1.6	2.6	3.6
2002A&B notes-water treatment plant	1.1	1.3	1.5
2002C note - wastewater treatment plant	1.8	2.1	2.3
2005 OWRB fixed rate note	4.4	4.8	5.1
2009 OWRB DWSRF note	8.6	9.0	8.5
2009 OWRB CWSRF note	1.0	1.0	1.1
USACE note	0.9	0.9	0.9
Long-term equipment leases	3.3	2.4	3.2
Totals	$92.1	$26.1	$29.0

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

Budgeting for the Authority is done in conjunction with budgeting for the City of Stillwater as a whole. Trends in rising operational costs led to the adoption of a resolution in June 2007 providing for annual rate increases for the electric utility effective January 1 of each year equal to 3% or the most recent annual consumer price index for the south urban region as determined by the U.S. Bureau of Labor Statistics, whichever is less. Effective January 1, 2015, electric service rates were increased by 1.7%.

A water and wastewater cost of service and rate design study was completed in Fiscal Year 2015 which led to the adoption of a resolution establishing new water and wastewater rate structures for our retail, wholesale, and raw water customers. The resolution sets the rates for Fiscal Years 2016, 2017, and 2018.

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 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
Statements of Net Position
As of June 30, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	$52,009,141	$52,613,408
Restricted cash and cash equivalents	61,920,307	1,476,429
Investments	9,062,723	8,969,691
Accounts receivable, net of allowance for uncollectible accounts of $294,316 in 2015 and $243,382 in 2014	10,524,108	10,386,913
Due from City of Stillwater	0	161,828
Interest receivable	38,465	38,684
Inventories	4,916,488	5,062,750
Total current assets	138,471,232	78,709,703
Noncurrent assets:		
Restricted cash and cash equivalents	1,296,890	1,197,611
Restricted Investments	4,117,186	0
Capital assets: non depreciable		
Land	1,037,894	1,021,969
Intangible assets	1,530,403	1,530,403
Construction work in progress	23,863,632	6,179,523
Capital assets: depreciable		
Water plant	91,514,163	90,267,200
Electric plant	82,148,447	80,747,479
Sewer plant	54,717,461	51,737,135
General plant assets	5,179,814	3,509,598
Less-accumulated depreciation	(134,220,191)	(127,557,108)
Total noncurrent assets	131,185,699	108,633,810
Total assets	269,656,931	187,343,513
LIABILITIES		
Current liabilities:		
Accounts payable	5,143,871	4,500,410
Accrued liabilities	574,771	499,419
Current portion of compensated absences	51,272	64,660
Due to City of Stillwater	389,529	0
Accrued interest payable	894,571	193,821
Current portion of customer deposits payable	766,469	1,047,077
Current portion of long-term debt obligations, net	4,359,013	3,999,427
Total current liabilities	12,179,496	10,304,814
Noncurrent liabilities:		
Noncurrent portion of compensated absences	758,226	720,724
Noncurrent portion of customer deposits payable	630,049	572,155
Noncurrent portion of long-term debt obligations, net	87,776,232	22,135,635
Other postemployment benefits	1,274,733	1,087,111
Total noncurrent liabilities	90,439,240	24,515,625
Total liabilities	102,618,736	34,820,439
NET POSITION		
Net investment in capital assets	94,878,967	85,946,137
Restricted for debt service	1,056,953	344,724
Restricted for capital projects	2,282,192	637,596
Unrestricted	68,820,083	65,594,617
Total net position	$167,038,195	$152,523,074

The accompanying notes are an integral part of this statement.

STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Charges for services, net of bad debt expense	$71,914,143	$68,719,373
Other	3,577,687	4,208,063
Total operating revenues	75,491,830	72,927,436
Operating expenses:		
Operations and maintenance	49,766,394	45,766,076
Depreciation	6,818,274	7,057,762
Total operating expenses	56,584,668	52,823,838
Operating income	18,907,162	20,103,598
Nonoperating revenues (expenses):		
Investment income (loss)	369,412	176,267
Miscellaneous	503,379	584,669
Debt issuance costs	(963,859)	0
Interest expense and fiscal charges	(467,581)	(800,759)
Transfer from City of Stillwater	10,250,753	10,663,456
Transfer to City of Stillwater	(14,688,194)	(13,595,975)
Total nonoperating revenues (expenses)	(4,996,090)	(2,972,342)
Income before contributions	13,911,072	17,131,256
Capital contributions	604,049	117,059
Change in net position	14,515,121	17,248,315
Total net position, beginning of year	152,523,074	135,274,759
Total net position, end of year	$167,038,195	$152,523,074

The accompanying notes are an integral part of this statement.

STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers, including deposits	$71,554,232	$67,265,684
Payments to suppliers	(35,063,255)	(33,738,253)
Payments to employees	(12,447,956)	(11,058,607)
Payments to City of Stillwater for administrative costs	(1,178,370)	(1,178,370)
Other receipts	3,577,687	4,208,063
Net cash provided by operating activities	26,442,338	25,498,517
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from City of Stillwater	8,200,602	8,370,765
Operating subsidies and transfers to City of Stillwater	(13,671,374)	(13,222,144)
Net cash used in noncapital financing activities	(5,470,772)	(4,851,379)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	68,417,490	848,439
Proceeds from sale of capital assets	37,916	66,593
Transfers from City of Stillwater related to capital financing	2,050,151	2,292,691
Purchases of capital assets	(20,235,886)	(6,277,098)
Debt issues costs paid	(963,859)	0
Principal paid on capital debt	(4,010,464)	(4,051,018)
Interest paid on capital debt	(2,492,489)	(793,484)
Net cash provided by (used in) capital and related financing activities	42,802,859	(7,913,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(8,138,100)	(8,111,264)
Proceeds from maturities of investments	4,083,117	8,111,264
Interest received	219,448	52,982
Net cash provided by (used in) investing activities	(3,835,535)	52,982
Net increase in cash and cash equivalents	59,938,890	12,786,243
Cash and cash equivalents, beginning of year	55,287,448	42,501,205
Cash and cash equivalents, end of year	$115,226,338	$55,287,448
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$18,907,162	$20,103,598
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,818,274	7,057,762
Changes in assets and liabilities:		
Receivables, net	(137,195)	(1,441,721)
Inventories	146,262	(183,064)
Accounts and other payables	420,747	(320,492)
Accrued liabilities	99,466	94,134
Other postemployment benefits	187,622	188,300
Net cash provided by operating activities	$26,442,338	$25,498,517
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Capital assets contributed to the Authority	$604,049	$117,059
Borrowings under capital lease	1,799,556	324,915
Premium amortization	206,400	0
Change in fair value of investments	125,798	6,655

The accompanying notes are an integral part of this statement.

STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma
Notes to Financial Statements
As of and for the Years Ended June 30, 2015 and 2014

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The financial statements of the Stillwater Utilities Authority (the "Authority") are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The more significant accounting policies of the Authority are described below.

Nature of Operations and Reporting Entity

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"), and amended by an Amendment to Trust Indenture dated November 1, 1980, and further amended by a Second Amendment to Trust Indenture dated March 24, 2014. 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. Proceeds from the one cent sales tax (see Note 9) are not included in any such transfer since they are entirely exhausted on the Authority's monthly operations, maintenance, and bond payments.

The Trust Indenture limits the amount of bonds or notes that the Authority may issue in any fiscal year to 40% of its gross revenues (as defined) recorded in the preceding year. The Trust Indenture also does not allow for Trustee authorization of bonds or notes in any amount if a utility rate increase is necessary to fund such bonds or notes at the time of issuance. Per the Trust Indenture, the debt limitations 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.

d. Indebtedness to be primarily funded by the proceeds of a contract, agreement, or other collateral source that was not at the time of the issuance of such debt an existing revenue source of the Authority.

Basis of Accounting

The financial statements of the Authority are prepared on the accrual basis of accounting using the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, highly liquid investments, and time deposits with original maturities of ninety days or less.

Investments

Investments with an original maturity of one year or less are recorded at amortized cost. Long term investments are recorded at fair value in accordance with GASB Statement No. 31, "Accounting and Reporting for Certain Investments and for External Investment Pools".

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 and at the Board's discretion may subsequently be used for other purposes. As of June 30, 2015 and 2014, cash and cash equivalents in the amount of $37,843,331 and $38,729,991, respectively, have been internally designated by the Authority for this purpose.

Restricted Assets

Certain assets of the Authority are classified as restricted assets since their use is restricted by applicable bond indentures and agreements.

Accounts Receivable

Substantially all accounts receivable relate to electric, water, wastewater, and solid waste 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.

Capital Assets

The cost of utility plant includes direct material, direct labor, and indirect costs such as engineering fees. Assets are recorded at historical cost except for donated assets which are recorded at fair value at the time of donation. The cost of routine maintenance and repairs to property is expensed. For depreciation purposes, 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 capital projects. Total interest incurred by the Authority during the years ended June 30, 2015 and 2014 was $2,986,839 and $800,759 respectively. Of these amounts, $2,519,258 was capitalized during 2015 and no interest was capitalized during 2014 on construction in progress.

Unamortized Debt Discount and Premium

Debt discount and premium 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.

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 assets between the Authority and the City are recorded as nonoperating revenues and expenses.

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 35%. 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.

Other Postemployment Benefits (OPEB)

Other postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active employee health care, are taken while the employees are in active service, whereas other benefits, including postemployment health care and other OPEB, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. In accordance with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", the Authority recognizes annual OPEB costs during the periods when employees render their services and provides disclosure of the actuarially accrued liabilities related to past services and the progress of funding the benefits.

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. Actual results could differ from those estimates.

Equity Classifications

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

- Net investment in capital assets — This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted — This component of net position consists of constraints placed on net position use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through ordinance or other enabling legislation. For the year ended June 30, 2015, the statement of net position reports restricted net position in the amount of $3,339,145, of which $612,085 is restricted by enabling legislation. For the year ended June 30, 2014, the statement of net position reports restricted net position in the amount of $982,320, of which $570,700 is restricted by enabling legislation.

- Unrestricted — This component of net position consists of net positions that do not meet the definition of "net investment in capital assets" or "restricted".

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

Adoption of New Accounting Standards

During the year, the Authority adopted the following accounting standards:

- GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27" — The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement became effective for the Authority in the fiscal year ended June 30, 2015. This Statement did not have an impact on the Authority's financial statements.

- GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" — This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement became effective for the Authority in the fiscal year ended June 30, 2015. This Statement did not have an impact on the Authority's financial statements.

- GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date — an Amendment of GASB Statement No. 68" — The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions". The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 which was effective for the Authority in the fiscal year ended June 30, 2015. This Statement did not have an impact on the Authority's financial statements.

2. DEPOSITS AND INVESTMENTS

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. The Authority'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 Oklahoma county or school district of the State of Oklahoma. At June 30, 2015 and 2014, the Authority was not exposed to custodial credit risk.

Investments

It is the Authority's policy to use state statutes as the Authority's investment guide. Oklahoma Statutes authorize municipalities to invest in obligations of the U.S. government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposits at financial institutions within this state, or fully insured certificates of deposit at financial institutions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered 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.

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Authority's investment policy does not address interest rate risk.

Credit Risk — Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. 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 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 investment or collateral securities that are in the possession of an outside party. The Authority's investment policy does not address custodial credit risk. However, the Authority's investments are held in the Authority's name, thus the Authority had no exposure to custodial credit risk at June 30, 2015 and 2014.

The Authority had the following investments at June 30, 2015:

Type	Credit Rating	Fair Value	Less than 1	1–5	6–10	More than 10
Certificates of Deposit	(1)	$8,371,244	$4,254,058	$0	$4,117,186	$0
U.S. Agencies-FHLMC	AA (2)	$4,808,665	0	0	0	4,808,665
		$13,179,909	$4,254,058	$0	$4,117,186	$4,808,665

(1) not subject to rating
(2) Standard and Poor's

The Authority had the following investments at June 30, 2014:

Type	Credit Rating	Fair Value	Less than 1	1–5	6–10	More than 10
Certificates of Deposit	(1)	$4,312,571	$4,312,571	$0	$0	$0
U.S. Agencies-FHLMC	AA (2)	4,657,120	0	0	0	4,657,120
		$8,969,691	$4,312,571	$0	$0	$4,657,120

(1) not subject to rating
(2) Standard and Poor's

Deposits and investments presented in the statement of net position as of June 30, 2015 and 2014 are as follows:

	2015	2014
Cash and cash equivalents:		
Unrestricted	$52,009,141	$52,613,408
Restricted-current	61,920,307	1,476,429
Restricted-noncurrent	1,296,890	1,197,611
Investments:		
Unrestricted-current	9,062,723	8,969,691
Restricted-noncurrent	4,117,186	0
Total	$128,406,247	$64,257,139

3. RESTRICTED ASSETS

Certain assets of the Authority are restricted in their use by bond and note indentures. Cash and cash equivalents, classified as current, in the amount of $61,074,892 at June 30, 2015 and $344,724 at June 30, 2014 have been restricted in use to the service of debt. Investments, classified as noncurrent, in the amount of $4,117,186 at June 30, 2015 have been restricted for this purpose. No investments have been restricted for the year ended June 30, 2014.

Certain cash and cash equivalents of the Authority are restricted by agreement for the purpose of acquiring necessary easements related to water line upgrades for an area of service purchased from a rural water district. As of June 30, 2015 and 2014 cash and cash equivalents, classified as non-current, in the amount of $54,756 were restricted for this purpose.

Cash and cash equivalents received 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, 2015 there were no cash and cash equivalents restricted for this purpose. As of June 30, 2014 cash and cash equivalents, classified as current, in the amount of $12,140 were restricted for this purpose.

Cash and cash equivalents received from customers as a water tie-on charge for new connections to the water distribution system are restricted by an ordinance of the City for the purpose of financing future construction of extensions and improvements to the water distribution system of the City. Cash and cash equivalents, classified as non-current, in the amount of $612,085 at June, 30 2015 and $570,700 at June 30, 2014 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 Authority remits to the WPCATA on a monthly basis all money collected from said charge. As of June 30, 2015 and 2014 cash and cash equivalents, classified as current, in the amount of $78,946 and $72,488, respectively, 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, 2015 cash and cash equivalents in the amount of $1,396,518, of which $766,469 is classified as current and $630,049 is classified as non-current, have been restricted for customer deposits. As of June 30, 2014 cash and cash equivalents in the amount of $1,619,232, of which $1,047,077 is classified as current and $572,155 is classified as non-current, have been restricted for customer deposits.

4. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2015 and 2014 was as follows:

2015

	Balance at June 30, 2014	Additions, Net of Transfers	Deletions, Net of Transfers	Balance at June 30, 2015
Capital assets not being depreciated:				
Land	$1,021,969	$15,925	$0	$1,037,894
Intangible assets	1,530,403	0	0	1,530,403
Construction work in progress	6,179,523	21,286,660	3,602,551	23,863,632
Total capital assets not being depreciated	8,731,895	21,302,585	3,602,551	26,431,929
Other capital assets:				
Buildings	3,412,759	0	0	3,412,759
Improvements other than buildings	195,538,493	5,120,390	0	200,658,883
Machinery and equipment	27,310,160	2,333,274	155,191	29,488,243
Total other capital assets at historical cost	226,261,412	7,453,664	155,191	233,559,885
Less accumulated depreciation for:				
Buildings	2,105,683	433,213	0	2,538,896
Improvements other than buildings	110,304,519	4,964,784	0	115,269,303
Machinery and equipment	15,146,906	1,420,277	155,191	16,411,992
Total accumulated depreciation	127,557,108	6,818,274	155,191	134,220,191
Other capital assets, net	98,704,304	635,390	0	99,339,694
Total capital assets, net	$107,436,199	$21,937,975	$3,602,551	$125,771,623

2014				
	Balance at June 30, 2013	Additions, Net of Transfers	Deletions, Net of Transfers	Balance at June 30, 2014
Capital assets not being depreciated:				
Land	$1,021,969	$0	$0	$1,021,969
Intangible assets	1,530,403	0	0	1,530,403
Construction work in progress	2,714,309	5,435,396	1,970,182	6,179,523
Total capital assets not being depreciated	5,266,681	5,435,396	1,970,182	8,731,895
Other capital assets:				
Buildings	3,412,759	0	0	3,412,759
Improvements other than buildings	193,130,756	2,467,559	59,822	195,538,493
Machinery and equipment	26,798,266	919,903	408,009	27,310,160
Total other capital assets at historical cost	223,341,781	3,387,462	467,831	226,261,412
Less accumulated depreciation for:				
Buildings	1,943,843	161,840	0	2,105,683
Improvements other than buildings	104,806,223	5,509,152	10,856	110,304,519
Machinery and equipment	14,149,144	1,386,770	389,008	15,146,906
Total accumulated depreciation	120,899,210	7,057,762	399,864	127,557,108
Other capital assets, net	102,442,571	(3,670,300)	67,967	98,704,304
Total capital assets, net	$107,709,252	$1,765,096	$2,038,149	$107,436,199

Contributed Capital Assets

For the year ended June 30, 2015, the Authority accepted and received water and sewer lines that were installed by developers amounting to $604,049.

For the year ended June 30, 2014, the Authority received assets from the City which included sewer improvements amounting to $117,059 that were funded with Community Development Block Grants.

5. LONG-TERM LIABILITIES

As of June 30, 2015 and 2014, the Authority's outstanding debt consisted of the following:

Revenue Bonds Payable	2015	2014
Series 2014A Revenue Bonds dated August 14, 2014, original issue amount of $61,830,000, secured by utility revenues, interest rates range from 3% to 5%, semiannual interest and annual principal installments commencing October 1, 2014 through October 1, 2042	$61,830,000	$0
Plus: Unamortized Debt Premium	6,381,090	0
Total Revenue Bonds Payable	$68,211,090	$0
Current portion	$233,963	$0
Noncurrent portion	67,977,127	0
Total Revenue Bonds Payable	$68,211,090	$0

Notes Payable	2015	2014
2002 Oklahoma Water Resources Board (OWRB) SRF Note Payable dated February 28, 2002, original amount of $3,413,483, secured by utility revenues, no interest plus an administrative fee of 0.5%, semiannual installments of principal commencing March 15, 2002 through September 15, 2021	$1,109,382	$1,280,056
2002 OWRB SRF Note Payable dated December 19, 2002,original amount of $4,876,086, secured by utility revenues, no interest plus an administrative fee of 0.5%, semiannual installments of principal commencing March 15, 2003 through September 15, 2022	1,828,532	2,072,337
2005 OWRB Fixed Rate Note Payable dated June 29, 2005,original amount of $7,620,000, secured by utility revenues, 2.6% interest plus an administrative fee of 0.5%, semiannual installments of principal and interest commencing September 15, 2005 through March 15, 2025	4,399,526	4,768,716
2007 Revenue Note dated December 5, 2007, original amount of $6,010,000, secured by dedicated 1/2 cent sales tax revenues, 3.68% interest rate, semiannual installments of principal and interest commencing December 1, 2008 through December 1, 2016	1,240,000	2,025,000
2009 OWRB DWSRF Note Payable dated November 24, 2009, original amount of $11,645,000, $2,000,000 in principal forgiveness from American Recovery and Reinvestment Act grant funds, secured by utility revenues, 2.84% interest plus an administrative fee of 0.5%, semiannual principal installments commencing March 15, 2013 through September 15, 2032	8,603,368	8,958,745
2009 OWRB CWSRF Note Payable dated November 24, 2009, original amount of $1,875,000, $578,999 in principal forgiveness from American Recovery and Reinvestment Act grant funds, secured by utility revenues, 2.34% interest plus an administrative fee of 0.5%, semiannual principal installments commencing March 15, 2011 through September 15, 2030	1,008,004	1,058,971
2010 Revenue Note dated September 23, 2010, original amount of $6,075,000, secured by dedicated 1/2 cent sales tax revenues, 2.33% interest rate, semiannual installments of principal and interest commencing December 1, 2010 through December 1, 2016	1,600,000	2,620,000

United States Army Corp of Engineers Note dated September 26, 1980, original amount of $1,530,403, 3.222% interest, annual interest and principal installments commencing August 27, 1984 through August 27, 2034	877,659	908,594
Total Notes Payable	$20,666,471	$23,692,419
Current portion	$3,126,034	$3,025,949
Noncurrent portion	17,540,437	20,666,470
Total Notes Payable	$20,666,471	$23,692,419

Capital Lease Obligations

Borrowings have been advanced pursuant to a credit agreement with Bank of America, N.A. that provides for the purchase of equipment until December 31, 2015. Total borrowings are limited to $6.9 million with a fixed interest rate determined at the time of funding. Total borrowings under this credit agreement at June 30, 2015 and 2014 amounted to $4.3 million and $2.5 million, respectively, and are denoted with a (*) below.

Capital Lease Obligations	**2015**	**2014**
Total cost of capital assets financed by lease obligations	$5,904,312	$5,008,124
Less: accumulated depreciation	(1,164,214)	(1,616,794)
Net capital assets financed by lease obligations	$4,740,098	$3,391,330
$20,161 capital lease with Capital One for equipment,fixed interest rate of 3.0902%, monthly installments commencing April 15, 2010 through March 15, 2015	$0	$3,226
$391,032 capital lease with Capital One for equipment, fixed interest rate of 3.1942%, monthly installments commencing April 30, 2010 through March 30, 2015	0	62,704
$481,057 capital lease with Capital One for equipment,fixed interest rate of 3.2397%, monthly installments commencing May 15, 2010 through April 15, 2015	0	85,676
$201,802 capital lease with Capital One for equipment, fixed interest rate of 3.1617%, monthly installments commencing June 15, 2010 through June 15, 2015	0	42,291
$54,783 capital lease with Capital One for equipment, fixed interest rate of 3.1487%, monthly installments commencing June 15, 2010 through May 15, 2015	0	10,681
$12,524 capital lease with Capital One for equipment, fixed interest rate of 2.9342%, monthly installments commencing July 30, 2010 through June 30, 2015	0	2,653
$245,932 capital lease with Capital One for equipment,fixed interest rate of 2.8172%, monthly installments commencing August 30, 2010 through July 30, 2015	4,389	56,260
$223,024 capital lease with Capital One for equipment, fixed interest rate of 2.6612%, monthly installments commencing September 30, 2010 through August 30, 2015	7,921	54,721

Capital Lease Obligations (Cont.)	2015	2014
$43,166 capital lease with Capital One for equipment, fixed interest rate of 2.6677%, monthly installments commencing October 15, 2010 through September 15, 2015	2,298	11,337
$313,375 capital lease with Capital One for equipment, fixed interest rate of 2.6612%, monthly installments commencing January 15, 2011 through December 15, 2015	33,245	98,423
$15,000 capital lease with Capital One for equipment, fixed interest rate of 2.9082%, monthly installments commencing April 30, 2011 through March 30, 2016	2,391	5,499
$19,548 capital lease with Capital One for equipment, fixed interest rate of 2.6612%, monthly installments commencing July 30, 2011 through June 30, 2016	4,120	8,132
$124,760 capital lease with Capital One for equipment, fixed interest rate of 2.4337%, monthly installments commencing October 30, 2011 through September 30, 2016	32,646	58,057
$141,282 capital lease with Capital One for equipment,fixed interest rate of 2.1552%, monthly installments commencing November 15, 2011 through October 15, 2014	0	16,153
$258,550 capital lease with Capital One for equipment, fixed interest rate of 2.5442%, monthly installments commencing January 15, 2012 through December 15, 2016	81,043	133,380
$170,785 capital lease with Bank of America for equipment, fixed interest rate of 2.1422%, monthly installments commencing February 29, 2012 through January 30, 2015*	0	34,081
$123,127 capital lease with Bank of America for equipment, fixed interest rate of 2.4857%, monthly installments commencing February 29, 2012 through January 30, 2017*	40,668	65,541
$92,387 capital lease with Bank of America for equipment, fixed interest rate of 2.4597%, monthly installments commencing June 15, 2012 through May 15, 2017*	36,763	55,267
$80,244 capital lease with Bank of America for equipment, fixed interest rate of 2.3687%, monthly installments commencing September 30, 2012 through August 30, 2017*	35,964	51,952
$62,427 capital lease with Bank of America for equipment, fixed interest rate of 2.3167%, monthly installments commencing October 30, 2012 through September 30, 2017*	28,999	41,410
$412,263 capital lease with Bank of America for equipment, fixed interest rate of 2.2972%, monthly installments commencing January 30, 2013 through December 30, 2017*	212,165	293,680
$223,323 capital lease with Bank of America for equipment, fixed interest rate of 2.3882%, monthly installments commencing March 30, 2013 through February 28, 2018*	122,480	166,438
$286,920 capital lease with Bank of America for equipment, fixed interest rate of 2.3362%, monthly installments commencing April 15, 2013 through March 15, 2018*	161,940	218,298
$78,040 capital lease with Bank of America for equipment, fixed interest rate of 2.3687%, monthly installments commencing May 15, 2013 through April 15, 2018*	45,374	60,676

Capital Lease Obligations (Cont.)	**2015**	**2014**
$122,925 capital lease with Bank of America for equipment, fixed interest rate of 2.3362%, monthly installments commencing May 30, 2013 through April 30, 2018*	71,450	95,562
$524,527 capital lease with Bank of America for equipment, fixed interest rate of 2.3622%, monthly installments commencing June 30, 2013 through May 30, 2018*	313,489	416,098
$324,915 capital lease with Bank of America for equipment, fixed interest rate of 2.4792%, monthly installments commencing January 30, 2014 through December 30, 2018*	231,821	294,447
$99,988 capital lease with Bank of America for equipment, fixed interest rate of 1.5800%, monthly installments commencing March 13, 2015 through February 13, 2020*	93,565	0
$95,660 capital lease with Bank of America for equipment, fixed interest rate of 1.5036%, monthly installments commencing April 16, 2015 through March 16, 2020*	91,045	0
$1,422,942 capital lease with Bank of America for equipment, fixed interest rate of 1.4871%, monthly installments commencing July 30, 2015 through April 30, 2020*	1,422,942	0
$180,966 capital lease with Bank of America for equipment, fixed interest rate of 1.4588%, monthly installments commencing July 9, 2015 through June 9, 2020*	180,966	0
Total Capital Leases	$3,257,684	$2,442,643
Current portion	$999,016	$973,478
Noncurrent portion	2,258,668	1,469,165
Total Capital Leases	$3,257,684	$2,442,643

Accrued Compensated Absences	**2015**	**2014**
Current portion	$51,272	$64,660
Noncurrent portion	758,226	720,724
Total Accrued Compensated Absences	$809,498	$785,384

Deposits Subject to Refund	**2015**	**2014**
Current portion	$766,469	$1,047,077
Noncurrent portion	630,049	572,155
Total Deposits Subject to Refund	$1,396,518	$1,619,232

Changes in Long-Term Liabilities

Changes in the long-term liabilities for the years ended June 30, 2015 and 2014 are summarized below:

2015

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts Due Within One Year
Notes Payable	$23,692,419	$0	$3,025,948	$20,666,471	$3,126,034
Revenue Bonds Payable, net	0	68,417,490	206,400	68,211,090	233,963
Capital Lease Obligations	2,442,643	1,799,556	984,515	3,257,684	999,016
Total Long-Term Debt Obligations	26,135,062	70,217,046	4,216,863	92,135,245	4,359,013
Accrued Compensated Absences	785,384	75,386	51,272	809,498	51,272
Deposits Subject to Refund	1,619,232	828,750	1,051,464	1,396,518	766,469
Other postemployment benefits	1,087,111	220,910	33,288	1,274,733	0
Total Long-Term Liabilities	$29,626,789	$71,342,092	$5,352,887	$95,615,994	$5,176,754

2014

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts Due Within One Year
Notes Payable	$25,779,455	$848,439	$2,935,475	$23,692,419	$3,025,949
Capital Lease Obligations	3,233,271	324,915	1,115,543	2,442,643	973,478
Total Long-Term Debt Obligations	29,012,726	1,173,354	4,051,018	26,135,062	3,999,427
Accrued Compensated Absences	749,330	100,714	64,660	785,384	64,660
Deposits Subject to Refund	1,631,200	849,841	861,809	1,619,232	1,047,077
Other postemployment benefits	898,811	212,801	24,501	1,087,111	0
Total Long-Term Liabilities	$32,292,067	$2,336,710	$5,001,988	$29,626,789	$5,111,164

Applicability of Federal Arbitrage Regulations

Certain debt issuances of the 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 an 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 noncompliance including taxability of interest retroactive to the date of the issue. The Authority's management believes it is in compliance with these rules and regulations.

Maturities of Long-term Debt

The debt service maturities for long-term indebtedness in the coming years are as follows:

Year ending June 30,	REVENUE BONDS PAYABLE		NOTES PAYABLE		CAPITAL LEASES	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$0	$2,843,050	$3,126,034	$543,841	$999,016	$55,516
2017	0	2,843,050	2,234,381	458,112	857,313	33,175
2018	1,295,000	2,823,625	1,302,434	413,965	690,351	17,369
2019	1,330,000	2,777,600	1,331,401	382,921	400,540	7,833
2020	1,385,000	2,723,300	1,360,402	351,829	310,464	2,140
2021-2025	7,940,000	12,547,725	6,083,118	1,247,701	0	0
2026-2030	9,970,000	10,473,000	3,355,467	630,160	0	0
2031-2035	12,525,000	7,859,950	1,873,234	107,908	0	0
2036-2040	15,915,000	4,360,875	0	0	0	0
2041-2045	11,470,000	700,000	0	0	0	0
Total	$61,830,000	$49,952,175	$20,666,471	$4,136,437	$3,257,684	$116,033

6. PENSION PLAN

All full time City employees are provided pension benefits through a defined contribution plan administered by the Oklahoma Municipal Retirement Fund (OMRF). The employee begins participation at 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 IRS limitations. The City Council determines the City's contribution each year which was 6% of the employee's salary in the years ended June 30, 2015 and 2014. The City's contributions for each employee begin vesting after 5 years and are 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. The Authority reimburses the City for all related costs of the pension plan. OMRF issues an annual report that is available on the OMRF website (www.okmrf.org) or by calling 1-888-394-6673.

A summary of the Authority's pension activity and liability for the years ended June 30, 2015 and 2014 is presented below:

Fiscal Year Ended	Total Payroll	Covered Payroll	Employee Contributions	Employer Contributions	Total Contributions	Liability at June 30*
2015	$9,120,521	$9,032,334	$442,357	$542,288	$984,645	$30,072
2014	8,595,596	8,475,971	419,686	506,286	925,972	31,882

*reported as a portion of accrued liabilities

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City sponsors and administers a self-funded, single-employer defined benefit plan providing postemployment healthcare benefits. The plan is reported in the City's Comprehensive Annual Financial Report (CAFR). The plan does not issue a stand-alone financial report. All employees who retire from the City on or after attaining age 55 with at least 10 years of service are eligible to participate in the plan. The election to participate must be made at the time of separation from service. The City requires a monthly premium contribution from the retiree based on City-wide claim trends of the previous fiscal year. Upon 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 Medicare eligibility age (currently 65). If the spouse of a retiree is covered at the time the retiree becomes ineligible for the plan at age 65, the spouse becomes COBRA-eligible until age 65 or for 36 months, whichever is less.

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 administrator and the City's re-insurance agent. The required monthly contribution rates for plan members for fiscal years 2015 and 2014 range from $45 to $375 for active employees, $449 to $1,658 for retired participants, and $458 to $1,691 for COBRA participants.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost is equal to the annual required contribution (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.

As reported in the City's CAFR, the City's actuarial determined annual required contribution (ARC) for fiscal year ending June 30, 2015 was $746,704 of which $95,108 was paid on a pay-as-you-go basis. For fiscal year ending June 30, 2014, the City's ARC was $757,279 of which $70,002 was paid on a pay-as-you-go basis. The Authority's allocation of the City's total OPEB obligation is based on the percentage of eligible Authority employees at June 30, 2015 and 2014 and is presented in the table below:

	2015	2014
Annual required contribution	$261,346	$265,048
Interest on prior year net OPEB obligation	48,586	47,424
Adjustment to annual required contribution	(89,022)	(99,671)
Annual OPEB cost	220,910	212,801
Employer contributions	(33,288)	(24,501)
Increase in net OPEB obligation	187,622	188,300
Beginning OPEB obligation	1,087,111	898,811
Ending OPEB obligation	$1,274,733	$1,087,111

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$187,063	9.5%	$898,811
2014	$212,801	11.5%	$1,087,111
2015	$220,910	15.1%	$1,274,733

Funding Status and Funding Progress

The unfunded actuarial liability is being amortized using level dollar amortization on a closed basis over thirty years, beginning July 1, 2008. As of June 30, 2015 and 2014, the funded status of the retiree health plan was as follows:

	2015	2014
Actuarial accrued liability (AAL)	$2,173,063	$2,017,729
Actuarial value of plan assets (AVA)	0	0
Unfunded actuarial accrued liability (UAAL)	$2,173,063	$2,017,729
Funded ratio (AVA/AAL)	0%	0%
Annual covered payroll (active plan members)	9,032,334	8,475,971
UAAL as a percentage of annual covered payroll	24.1%	23.8%

The required supplementary information schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 annual required contribution are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the actuarial valuations as of July 1, 2014 and July 1, 2013, the projected unit credit (PUC) actuarial cost method was used to measure accruing costs. Under the principles 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 contributions were based on a 3.8% discount rate in actuarial valuations as of July 1, 2014 and a 4.4% discount rate in actuarial valuations as of July 1, 2013 and a medical trend rate beginning at 7.35% in 2014 and 4.62% in 2013 and grading to 4.87% in 2060. Additionally, it was assumed that 50% of future retired participants would opt for retiree healthcare coverage. It was also assumed that 50% of future retirees who opt for healthcare coverage would cover a spouse at retirement.

8. RELATED PARTY TRANSACTIONS

The Authority provides utility services to the City without charge, and the Authority is not assessed property taxes.

The Authority leases the electric, water, and sewer systems from the City under a 70-year lease agreement which expires in 2049, with an option to renew the lease until all Authority bond obligations are redeemed or a provision for redemption of the obligations has been made. The annual lease rental is a nominal amount. The leased utility plant is included in the Authority's financial statements, as it is the City's intent under the lease agreement for the Authority to operate the utilities indefinitely.

All personnel of the Authority are employees of the City. Payroll and related costs are reimbursed by the Authority to the City and are reflected as expenses of the Authority.

Administrative and general expenses incurred by the City benefiting the Authority in the amount of $1,178,370 for the years ended June 30, 2015 and 2014 have been proportionately allocated and reflected in the Authority's financial statements as expenses.

9. TRANSFERS IN

City General Fund

One cent of the City's three cent general-use sales tax is designated for the Authority. The sales tax transfer is received by the City monthly from the State of Oklahoma and is appropriated and transferred to the Authority. The sales tax may be used, at the Authority's discretion, for capital expenditures, operating and maintenance expenses or any other lawful purpose of the Authority including the purchase or redemption of bonds or other indebtedness of the Authority prior to maturity. It may also be transferred to the City's sinking fund for the repayment of general obligation debt of the City. For the years ended June 30, 2015 and 2014, the transfers to the Authority related to this sales tax were $8,200,602 and $8,370,765, respectively.

For the year ended June 30, 2014, the Authority recorded a transfer in of $200,000 from the City to fund the construction of capital assets.

City Transportation Improvement Fund

One half of the City's one-half cent transportation sales tax is transferred to the Authority. The sales tax transfer is received by the City monthly from the State of Oklahoma and is appropriated and transferred to the Authority. The Authority uses the sales tax transfer to meet the debt service requirements of the 2007 and 2010 Revenue Notes. For the years ended June 30, 2015 and 2014, the transfers to the Authority related to this sales tax were $2,050,151 and $2,092,691, respectively.

10. TRANSFERS OUT

City General Fund

The Authority annually transfers surplus funds in an amount determined by the Authority Trustees to the City's General Fund as provided for in the Authority's Trust Indenture. For the year ended June 30, 2015 and 2014, the transfer amount was $14,688,194 and $13,595,975, respectively.

11. RISK MANAGEMENT

The Authority, as a component unit of the City, is covered under the City's self-insurance policy 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 $120,000 per individual per year. The City purchases conventional insurance for excess losses, general liability, and property damage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

12. REVENUES PLEDGED

The Authority has pledged future sales tax revenues to repay a $6,010,000 note issued in December 2007 and a $6,075,000 note issued in September 2010 to finance transportation improvement projects identified in the 2006 Transportation Sales Tax Ordinance. The notes are payable solely from sales tax revenue equal to one half of the one-half cent transportation sales tax collected by the City and transferred to the Authority by way of the Sales Tax Agreement. Sales taxes are projected to produce 100 percent of the debt service requirements over the life of the notes. Total principal and interest remaining on the 2007 Note is $1,285,908 at June 30, 2015 and $2,138,252 at June 30, 2014, payable semiannually commencing December 2008 and concluding December 2016. Total principal and interest remaining on the 2010 Note is $1,637,455 at June 30, 2015 and $2,712,618 at

June 30, 2014, payable semiannually commencing December 2010 and concluding December 2016. For the year ended June 30, 2015 and 2014, total sales tax revenues were $2,050,151 and $2,092,691, respectively.

The Authority 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 electric construction projects, water and wastewater construction projects, and refinanced outstanding balances of notes to the OWRB. The debt obligations are payable from the one cent sales tax revenue dedicated to the Authority by City Ordinance No. 1835 and from net revenues derived from the existence and operation of the utility system. Pledged revenues are projected to produce 125 percent of the debt service requirements over the life of the debt. For the year ended June 30, 2015 and 2014, sales tax revenues were $8,200,602 and $8,370,765, respectively. Net revenues were $24,503,620 for the year ended June 30, 2015 and $26,926,930 for the year ended June 30, 2014. The following is a summary of the debt issues included in this pledge of revenues as of June 30, 2015 and 2014:

2015

Debt Issue	Issue Amount	Issue Date	Maturity Date	Remaining Principal and Interest	Current Year Principal and Interest
2002 OWRB SRF Note	$3,413,483	Feb 2002	Sept 2021	$1,129,097	$176,098
2002 OWRB SRF Note	4,876,086	Dec 2002	Sept 2022	1,865,665	252,791
2005 OWRB Fixed Rate Note	7,620,000	Jun 2005	Mar 2025	4,946,760	494,517
2009 OWRB DWSRF Note	11,645,000	Nov 2009	Sept 2032	11,476,788	655,817
2009 OWRB CWSRF Note	1,875,000	Nov 2009	Sept 2030	1,257,034	81,099
Series 2014A Revenue Bonds	61,830,000	Aug 2014	Oct 2042	111,782,175	2,843,050

2014

Debt Issue	Issue Amount	Issue Date	Maturity Date	Remaining Principal and Interest	Current Year Principal and Interest
2002 OWRB SRF Note	$3,413,483	Feb 2002	Sept 2021	$1,306,046	$176,949
2002 OWRB SRF Note	4,876,086	Dec 2002	Sept 2022	2,119,669	254,003
2005 OWRB Fixed Rate Note	7,620,000	Jun 2005	Mar 2025	5,441,308	494,548
2009 OWRB DWSRF Note	11,645,000	Nov 2009	Sept 2032	12,132,605	655,817
2009 OWRB CWSRF Note	1,875,000	Nov 2009	Sept 2030	1,338,134	81,099

13. COMMITMENTS

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

15. RECENTLY ISSUED ACCOUNTING STANDARDS

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

- GASB Statement No. 72, "Fair Value Measurement and Application" – This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement will become effective for the Authority in the fiscal year ended June 30, 2016.

- GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" – This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement will become effective for the Authority in the fiscal year ended June 30, 2016.

- GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" – The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and replaces the requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement also includes requirements for those OPEB plans in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and GASB Statement No. 50, "Pension Disclosures". This Statement will become effective for the Authority in the fiscal year ended June 30, 2017.

- GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" – The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions and replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement will become effective for the Authority in the fiscal year ended June 30, 2018.

- GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" – The objective of this Statement is to identify the hierarchy of generally accepted accounting principles and supersedes GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This Statement will become effective for the Authority in the fiscal year ended June 30, 2016.

- GASB Statement No. 77, "Tax Abatement Disclosures" – This Statement requires governments that enter into tax abatement agreements to disclose information about the nature and magnitude of the agreements to increase transparency to financial statement users. This Statement will become effective for the Authority in the fiscal year ended June 30, 2017.

The City of Stillwater OKLAHOMA

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REQUIRED SUPPLEMENTARY INFORMATION

City of Stillwater Electric Utility is one of 191 of the nation's more than 2,000 public power utilities to earn the Reliable Public Power Provider (RP3®) designation from the American Public Power Association for providing consumers with the highest degree of reliable and safe electric service.

STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma
Required Supplementary Information

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

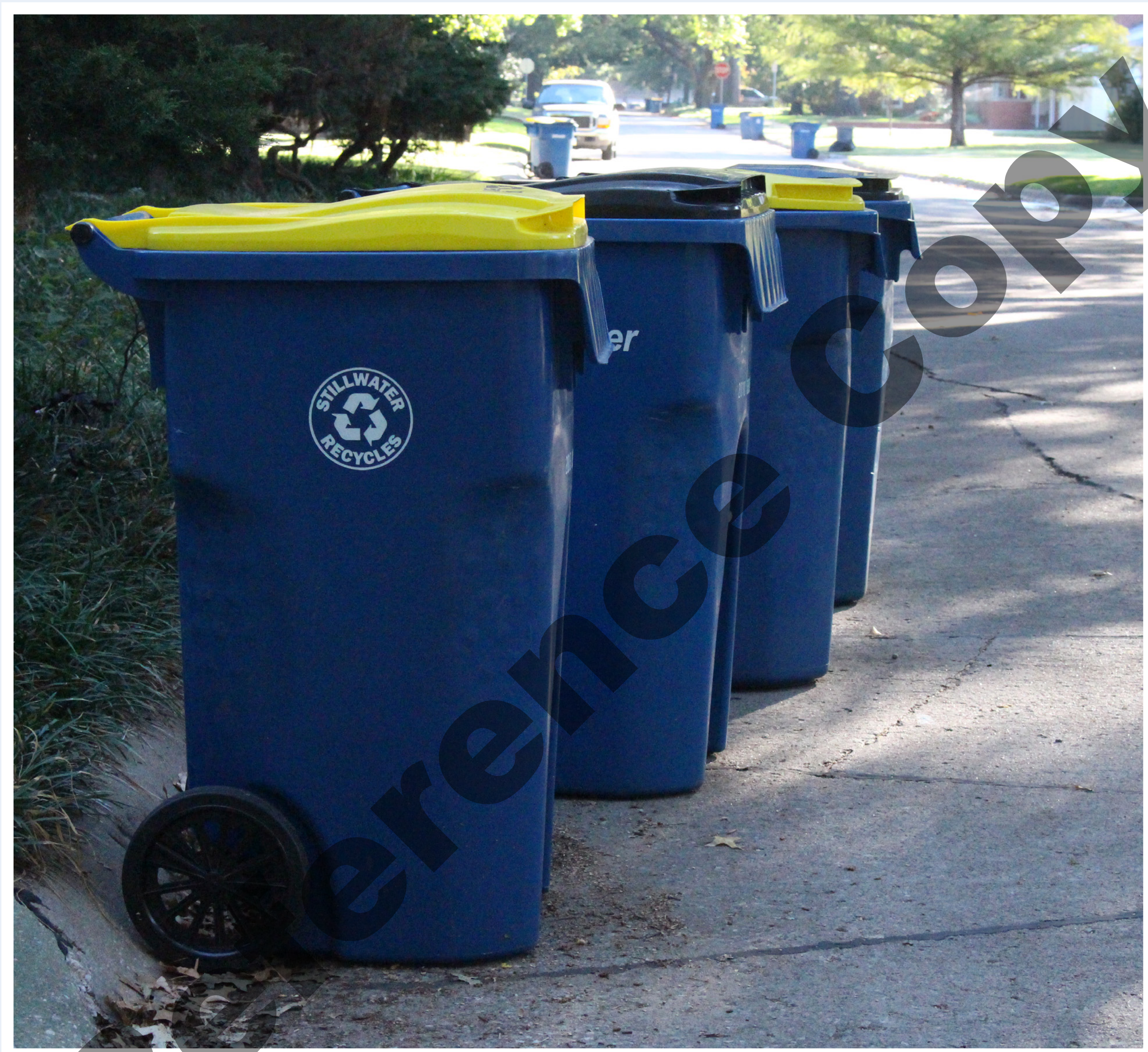
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	$2,173,063	$0	$2,173,063	0.0%	$9,032,334	24.1%
7/1/2013	2,017,729	0	2,017,729	0.0%	8,475,971	23.8%
7/1/2012	1,853,446	0	1,853,446	0.0%	8,024,054	23.1%

During Public Works Week, Stillwater Electric visited elementary schools and explained the safety measures they observe.

The City of Stillwater
OKLAHOMA
STILL PIONEERING

OTHER REPORTS



City of Stillwater successfully rolled out a pilot curbside glass recycling program. SUA trustees approved a permanent program in October 2015

Fiscal Year Ended June 30, 2015

STILLWATER UTILITIES AUTHORITY

Independent Auditor's 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 Government Auditing Standards

BT&Co.
BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 / 785.234.3427 toll free 800.530.5526 785.233.1768 btandcocpa.com

To the Board of Trustees
Stillwater Utilities Authority
Stillwater, Oklahoma

We have audited, in accordance with the 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, the financial statements of the Stillwater Utilities Authority (the Authority), a component unit of the City of Stillwater, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

STILLWATER UTILITIES AUTHORITY

Independent Auditor's 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 Government Auditing Standards

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

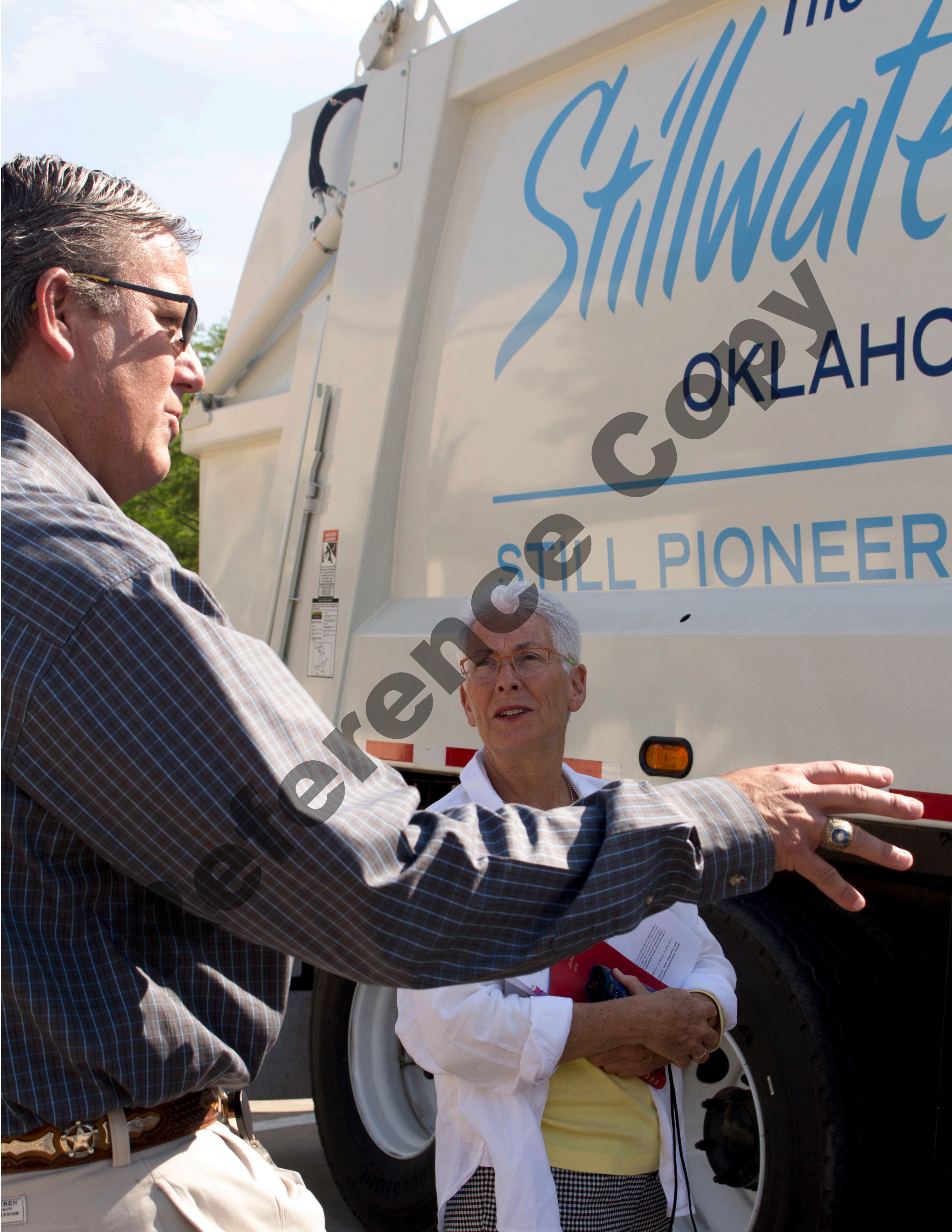
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berberich Trahan & Co., P.A.

October 26, 2015
Topeka, Kansas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The City of Stillwater OKLAHOMA

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STILLWATER UTILITIES AUTHORITY

Financial Statements and Reports of Independent Auditors
Fiscal Year Ended June 30, 2015

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