

FY23

Stillwater Utilities Authority

Financial Report

A component unit of the City of Stillwater, Oklahoma

Financial Statements and Reports of Independent Auditors
Fiscal Year Ended June 30, 2023

Fiscal Year Ended June 30, 2023

The City of *Stillwater*[®] OKLAHOMA





Stillwater Utilities Authority

Financial Report

A component unit of the City of Stillwater, Oklahoma

Financial Statements and Reports of Independent Auditors

Fiscal Year Ended June 30, 2023

Prepared by
Department of Finance



STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma

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Financial Section

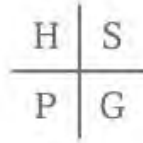




STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Stillwater Utilities Authority
Stillwater, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

HSPG & ASSOCIATES, PC

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STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma

Independent Auditor's Report

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma

Independent Auditor's Report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, 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 solely 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 effectiveness of the Authority's 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.

HSPG & Associate, P.C.

November 1, 2023

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, 2023 in comparison with the prior year financial results. Please consider the information presented here in conjunction with the financial statements, which begin on page 11.

1. USING THE FINANCIAL STATEMENTS IN THIS ANNUAL REPORT

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

The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Statement of Revenues, Expenses, and Changes in Net Position reports 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 deferred outflows and liabilities and deferred inflows and is one way to measure the Authority's financial condition or position. When considered over a period of time, increases or decreases in the Authority's net position are indicators of the financial health of the Authority.

The Statement of Cash Flows reports 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.

2. FINANCIAL ANALYSIS

Net Position

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

(in millions)	2023	2022
Current assets	\$123.5	\$119.0
Noncurrent assets	245.2	231.1
Total assets	368.7	350.1
Deferred outflows of resources	0.3	0.4
Current liabilities	21.7	20.2
Noncurrent liabilities	101.1	99.1
Total liabilities	122.8	119.3
Deferred inflows of resources	2.0	1.5
Net position:		
Net investment in capital assets	118.1	114.2
Restricted for debt service	2.1	2.0
Restricted for capital projects	1.0	1.0
Unrestricted	123.0	112.4
Total net position	\$244.2	\$229.6

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

A large portion of the Authority's net position (48.4% in 2023 and 49.7% in 2022) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; 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 (1.3% in 2023 and 1.3% in 2022) represents resources that are subject to restrictions as to how they may be used. The remaining balance (50.3% in 2023 and 49.0% in 2022) is unrestricted.

Current assets increased by \$4.5 million or 3.8% in 2023 largely due to the Authority not transferring funds to the City of Stillwater (the "City") that were included in the fiscal year 2023 budget as a transfer-out of funds to support the City's operation. More detailed information on transfers to the City is contained in the accompanying notes to the financial statements on pages 16 and 32. Noncurrent assets increased \$14.1 million or 6.1% in 2023 primarily due to a loan made to the Stillwater Economic Development Authority for development opportunities and an increase in the construction work in progress related to the South Sewer Interceptor project.

Noncurrent liabilities increased by \$2.0 million or 2.0% in 2023 due to the issuance of new debt for waste management trucks and wastewater projects.

Changes in Net Position

For the year ended June 30, 2023, the Authority's net position increased by \$14.6 million. 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)	2023	2022
Operating revenues	\$99.5	\$93.6
Operating expenses	81.6	84.2
Operating income	17.9	9.4
Nonoperating revenues (expenses)	(5.1)	(8.7)
Net income before contributions	12.8	0.7
Capital contributions	1.8	0.5
Increase in net position	\$14.6	\$1.2

Operating revenues of the Authority increased by \$5.9 million in 2023, which was the result of an increase in the electric power cost adjustment revenue and the implementation of a 3% rate increase for electric, water, and wastewater utilities effective July 1, 2022 and an additional 3% rate increase for electric utility effective January 1, 2023. The increase of \$1.3 million in capital contributions is primarily due to \$1 million in loan forgiveness provided by the Oklahoma Water Resources Board for the loan issued during 2023.

Operating expenses of the Authority decreased by \$2.6 million in 2023. This is the result of an increase in costs associated with the February 2021 Winter Storm Uri event being reflected in the 2022 operating expenses. The Authority's power provider, Grand River Dam Authority, allocated costs to its customers. The Authority's proportionate share of the costs was \$7.1 million. The Storm Uri cost decrease was partially offset by an increase in purchased power expense of \$3.5 million in 2023 compared to 2022. Finally, the Authority is continuing to see increases in cost for labor and material.

Nonoperating expense decreased by \$3.6 million in 2023 due to an increase in investment income related to increases in interest rates paid to the Authority for cash held in bank and money market accounts.

3. CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of changes in capital assets and debt administration for the years ended June 30, 2023 and 2022. More detailed information on capital asset activity and long-term debt activity is contained in the accompanying notes to the financial statements on pages 22-28.

Capital Assets

At June 30, 2023 and 2022, the Authority had \$215.8 million and \$209.6 million, respectively, invested in capital assets including water and sewer lines, electric systems, and equipment.

(in millions)	2023	2022
Land	\$1.0	\$1.0
Intangible assets	1.5	1.5
Water plant	70.6	71.2
Electric plant	88.6	91.7
Wastewater plant	23.7	23.9
Construction work in progress	26.0	15.9
General plant	4.0	4.1
Lease & subscription assets	0.4	0.3
Totals	\$215.8	\$209.6

Debt Administration

At June 30, 2023 and 2022, the Authority had \$102.7 million and \$100.0 million, respectively, in bonds, notes, and long-term leases and subscriptions outstanding. The increase of \$2.7 million in 2023 is the net effect of new debt being issued for the purchase of waste management trucks and to finance wastewater projects and payments made on other outstanding debt as indicated in the chart below.

(in millions)	2023	2022
2014 revenue bonds	\$57.8	\$59.6
2002C note - wastewater treatment plant	0.0	0.1
2005 OWRB fixed rate note	1.0	1.5
2009 OWRB DWSRF note	5.0	5.5
2009 OWRB CWSRF note	0.5	0.6
2016 OWRB DWSRF note	23.1	23.0
2017 OWRB DWSRF note	5.7	6.1
2023 OWRB CWSRF note	4.9	0.0
USACE note	0.6	0.6
Long-term equipment notes	3.3	2.7
Lease & subscription obligations	0.8	0.3
Totals	\$102.7	\$100.0

4. ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

Budgeting for the Authority is done in conjunction with budgeting for the City as a whole. While inflation and supply chain issues are beginning to stabilize, costs for labor and materials has increased significantly in the past three fiscal years and continues to be a concern in looking at future projections for capital improvement projects and potential effect on utility rates.

From spring 2019 through spring 2022, electric, water and wastewater utility rate adjustments were on hold. Initially, the rate adjustments were suspended pending completion of cost of service studies for each utility, but the suspension was continued due to the economic hardships initiated by the world-wide health crisis of 2020. On April 18, 2022, resolution SUA-2022-5 was adopted by the Trustees providing for an annual increase to electric, water and wastewater rates in an amount 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. The rate increase for electric rates is effective January 1 of each year, and the

rate increase for water and wastewater rates is effective July 1 of each year. During fiscal year 2023, a 3% rate increase was effective July 1, 2022 for the electric, water and wastewater utilities and an additional 3% rate increase was effective January 1, 2023 for the electric utility. Updated cost of service studies for the electric, water and wastewater utilities have been completed and were presented to the Trustees in September and October 2023. No action on these studies has been taken as of the date of this report.

In February 2021, the United States experienced a historical winter storm event which brought record cold temperatures and unprecedented impacts to the utility sector. The Authority's power provider, GRDA, incurred substantial costs during this time in order to provide power to its customers. Those costs and an allocation of those costs to its customers was approved by the GRDA Board of Directors on August 12, 2021. The Authority's proportionate share of the costs, as assessed by the GRDA, was \$7.1 million. The Authority approved payment to the GRDA in the amount of \$7.1 million on September 13, 2021. The Authority also approved recoupment of 50% of these costs (\$3.6 million) from its customers over a 36 month period beginning with the bills issued in November 2021. As of June 30, 2023, \$1.9 million has been billed to the customers with \$1.8 million collected.

5. 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 Annual Comprehensive 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

Statement of Net Position

As of June 30, 2023 (...continued from previous page)

	2023
ASSETS	
Current assets:	
Cash and cash equivalents	\$100,465,915
Restricted cash and cash equivalents	3,046,811
Accounts receivable, net of allowance for uncollectible accounts of \$1,211,723	13,661,038
Leases receivable, current	98,606
Prepaid items	98,280
Interest receivable	488,266
Inventories	5,660,110
Total current assets	123,519,026
Noncurrent assets:	
Restricted cash and cash equivalents	1,614,860
Investments	13,416,448
Restricted investments	4,625,745
Due from Stillwater Economic Development Authority	8,250,000
Leases receivable, noncurrent	1,495,390
Capital assets: non depreciable	
Land	1,042,994
Intangible assets	1,530,403
Construction work in progress	25,961,860
Capital assets: depreciable	
Water plant	151,837,431
Electric plant	175,532,729
Wastewater plant	61,291,618
General plant assets	6,596,378
Lease & subscription assets	413,650
Less-accumulated depreciation	(208,445,491)
Total noncurrent assets	245,164,015
Total assets	368,683,041
DEFERRED OUTFLOWS OF RESOURCES	
Other postemployment benefits	330,610

(continued...)

STILLWATER UTILITIES AUTHORITY

A component unit of the City of Stillwater, Oklahoma

Statement of Net Position

As of June 30, 2023

	2023
LIABILITIES	
Current liabilities:	
Accounts payable	8,091,072
Accrued liabilities	697,354
Due to City of Stillwater	5,608,115
Current portion of compensated absences	173,815
Accrued interest payable	913,183
Current portion of lease & subscription obligations	50,983
Current portion of customer deposits payable	878,805
Current portion of long-term debt obligations	5,271,730
Total current liabilities	21,685,057
Noncurrent liabilities:	
Noncurrent portion of compensated absences	880,983
Noncurrent portion of lease & subscription obligations	280,808
Noncurrent portion of customer deposits payable	597,017
Noncurrent portion of long-term debt obligations	96,642,461
Other postemployment benefits	2,678,281
Total noncurrent liabilities	101,079,550
Total liabilities	122,764,607
DEFERRED INFLOWS OF RESOURCES	
Leases receivable	1,546,327
Other postemployment benefits	498,285
Total deferred inflow of resources	2,044,612
NET POSITION	
Net investment in capital assets	118,141,335
Restricted for debt service	2,079,163
Restricted for capital projects	1,017,843
Unrestricted	122,966,091
Total net position	\$244,204,432

The accompanying notes are an integral part of this statement.

STILLWATER UTILITIES AUTHORITY

A component unit of the City of Stillwater, Oklahoma

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2023

	2023
Operating revenues:	
Charges for services, net of bad debt expense	\$87,160,697
Other	12,368,344
Total operating revenues	99,529,041
Operating expenses:	
Operations and maintenance	69,426,285
Depreciation	12,128,467
Total operating expenses	81,554,752
Operating income	17,974,289
Nonoperating revenues (expenses):	
Investment income	3,073,127
Interest expense and fiscal charges	(3,224,533)
Gain (loss) on sale of assets	(374,202)
Transfer from City of Stillwater	9,979,678
Transfer to City of Stillwater	(14,601,556)
Total nonoperating revenues (expenses)	(5,147,486)
Income before contributions	12,826,803
Capital contributions	1,780,525
Change in net position	14,607,328
Total net position, beginning of year	229,597,104
Total net position, end of year	\$244,204,432

The accompanying notes are an integral part of this statement.

STILLWATER UTILITIES AUTHORITY

A component unit of the City of Stillwater, Oklahoma

Statement of Cash Flows

For the Year Ended June 30, 2023 (...continued from previous page)

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers, including deposits	\$87,884,554
Payments to suppliers	(56,025,315)
Payments to employees	(16,774,377)
Payments to City of Stillwater for administrative costs	(1,431,199)
Other receipts	12,341,716
Net cash provided by (used in) operating activities	25,995,379
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from City of Stillwater	10,573,011
Transfers to Stillwater Economic Development Authority	(8,250,000)
Operating Subsidies and transfers to City of Stillwater	(9,390,907)
Net cash provided by (used in) noncapital financing activities	(7,067,896)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	9,018,331
Capital contributions	1,007,175
Proceeds from sale of capital assets	836,051
Purchases of capital, lease, and subscription assets	(18,693,432)
Principal paid on capital debt	(6,618,791)
Interest paid on capital debt	(3,472,592)
Net cash provided by (used in) capital and related financing activities	(17,923,258)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	3,206,656
Net cash provided by (used in) investing activities	3,206,656
Net increase in cash and cash equivalents	4,210,881
Cash and cash equivalents, beginning of year	100,916,705
Cash and cash equivalents, end of year	\$105,127,586

(continued...)

STILLWATER UTILITIES AUTHORITY

A component unit of the City of Stillwater, Oklahoma

Statement of Cash Flows

For the Year Ended June 30, 2023

	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$17,974,289
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,128,467
Changes in assets, liabilities, and deferred inflows and outflows of resources:	
Receivables, net	694,105
Lease liability	33,125
Lease receivables and related deferral	(26,628)
Inventories	(583,973)
Prepaid Items	(98,280)
Accounts and other payables	(4,428,978)
Accrued liabilities	197,872
Other postemployment benefits-liabilities	(79,339)
Other postemployment benefits-deferred outflows	36,869
Other postemployment benefits-deferred inflows	147,850
Net cash provided by operating activities	\$25,995,379
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital assets contributed to the Authority	\$773,353
Capital assets transferred to City of Stillwater	59,798
Premium amortization	233,963
Change in fair value of investments	(617,668)

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 Year Ended June 30, 2023

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 Annual Comprehensive 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 10) 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:

- Indebtedness incurred to refund all or part of the Authority's outstanding indebtedness.
- 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.
- 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.
- 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

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

Assets Internally Designated

Assets internally designated consist of cash and cash equivalents set aside by the Board of Trustees for the following purposes:

- operation, maintenance, and upgrade of the water system
- operation, maintenance, and upgrade of the wastewater system
- operation, maintenance, and upgrade of the solid waste collection service
- offset future potential operating cost increases and/or future substantial capital expenditure requirements

At the Board's discretion the assets may be used for other purposes. As of June 30, 2023, cash and cash equivalents in the amount of \$104,958,241 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 weighted average cost.

Capital Assets

The cost of the 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 acquisition 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.

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.

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 leave benefits each pay period at various rates depending upon tenure with the Authority and may accumulate and carry over to subsequent years up to 25 days of unused vacation leave depending upon their tenure. Upon termination, employees are paid for unused vacation. Full-time employees accumulate sick leave at a set rate each pay period and 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.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period so will not be recognized as an expense until that future period. Deferred inflows of resources are resources that are not available in the current period to pay liabilities of the current period. The Authority has deferred outflows and inflows related to other postemployment benefits (OPEB) and deferred inflows related to leases. For additional information about OPEB, see Note 8. For additional information about leases, see Note 5.

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, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. In accordance with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," the Authority recognizes annual OPEB costs during the periods when employees render their services. For additional information about OPEB, see Note 8.

Leases

The Authority is a party as lessor and lessee for various noncancellable long-term leases of land, infrastructure and equipment. The corresponding lease receivable or lease obligations are recorded in an amount equal to the present value of the expected future minimum lease payments received or paid, respectively, discounted by an applicable interest rate.

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, 2023, the statement of net position reports restricted net position in the amount of \$3,097,006, of which \$963,087 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 standard:

GASB Statement No. 96 “Subscription-Based Information Technology Arrangements”— This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement resulted in the classification of certain subscription-based information technology arrangements to be reported as subscription obligations and subscription assets, along with related accumulated amortization. The implementation of this statement had no impact on the Authority’s beginning of year net position.

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, 2023 the Authority was not exposed to custodial credit risk.

Investments

The Authority follows the investment policy adopted by the Stillwater City Council as the Authority's investment guide. The policy allows investment in securities authorized by Oklahoma Statutes which include 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; 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's investment policy requires that no more than fifty percent (50%) of the City's total investment portfolio be invested in a single financial institution with the exception of U.S. Treasury securities. Sector diversification is desired but not limited by a specific percentage.

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 investments are held in the Authority's name, thus the Authority had no exposure to custodial credit risk at June 30, 2023.

Fair Value Measurement—The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Where quoted market prices are available in an active market, investments of the Authority are classified as Level 1 within the hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified as Level 2 within the hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

For the year ended June 30, 2023 the Authority had only Level 1 and Level 2 investments which are summarized on the next page:

Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Certificates of deposit	\$1,800,642	\$0	\$1,800,642	\$0
Money market mutual funds	2,825,103	2,825,103	0	0
U.S. agencies-FHLB	13,416,448	0	13,416,448	0

The Authority had the following investments at June 30, 2023:

Type	Credit Rating	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Certificates of deposit	(1)	\$1,800,642	\$0	\$1,800,642	\$0	\$0
Money market mutual funds	AAAm (2)	2,825,103	2,825,103	0	0	0
U.S. agencies-FHLB	AA+ (2)	13,416,448	0	4,628,844	8,787,604	0
Total		\$18,042,193	\$2,825,103	\$6,429,486	\$8,787,604	\$0

(1) Not subject to rating

(2) Standard & Poor's

Deposits and investments presented in the statement of net position as of June 30, 2023 are as follows:

	2023
Cash and cash equivalents:	
Unrestricted	\$ 100,465,915
Restricted—current	3,046,811
Restricted—noncurrent	1,614,860
Investments:	
Unrestricted—noncurrent	13,416,448
Restricted—noncurrent	4,625,745
Total	\$ 123,169,779

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 \$2,079,163 at June 30, 2023 have been restricted in use to the service of debt. Investments, classified as noncurrent, in the amount \$4,625,745 at June 30, 2023, have been restricted for this purpose.

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, 2023, cash and cash equivalents, classified as noncurrent, in the amount of \$54,756 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 noncurrent, in the amount of \$963,087 at June, 30 2023, 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, 2023, cash and cash equivalents, classified as current, in the amount of \$88,843 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, 2023 cash and cash equivalents in the amount of \$1,475,822 of which \$878,805 is classified as current and \$597,017 is classified as noncurrent, have been restricted for customer deposits.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Transfers	Additions	Deletions	Balance at June 30, 2023
Capital assets not being depreciated:					
Land	\$1,042,994	\$0	\$0	\$0	\$1,042,994
Intangible assets	1,530,403	0	0	0	1,530,403
Construction work in progress	15,909,835	(4,836,783)	14,888,808	0	25,961,860
Total capital assets not being depreciated	18,483,232	(4,836,783)	14,888,808	0	28,535,257
Other capital assets:					
Buildings	91,818,702	350,464	0	0	92,169,166
Improvements other than buildings	283,784	0	0	0	283,784
Machinery and equipment	78,540,954	3,514,475	3,113,364	1,971,664	83,197,129
Infrastructure	217,448,705	971,844	1,307,341	119,813	219,608,077
Total other capital assets at historical cost	388,092,145	4,836,783	4,420,705	2,091,477	395,258,156
Less accumulated depreciation for:					
Buildings	58,604,093	0	2,084,576	0	60,688,669
Improvements other than buildings	90,727	0	7,654	0	98,381
Machinery and equipment	29,709,307	0	3,066,129	761,411	32,014,025
Infrastructure	108,777,908	0	6,908,184	119,813	115,566,279
Total accumulated depreciation	197,182,035	0	12,066,543	881,224	208,367,354
Other capital assets, net	190,910,110	4,836,783	(7,645,838)	1,210,253	186,890,802
Lease & Subscription assets:					
Land	300,086	0	0	0	300,086
Equipment	21,692	0	97,470	5,598	113,564
Total lease & subscription assets, being amortized	321,778	0	97,470	5,598	413,650
Less accumulated amortization for:					
Land	14,799	0	14,799	0	29,598
Equipment	7,012	0	47,125	5,598	48,539
Total accumulated amortization	21,811	0	61,924	5,598	78,137
Total lease assets being amortized, net	299,967	0	35,546	0	335,513
Total capital assets, net	\$209,693,309	\$0	\$7,278,516	\$1,210,253	\$215,761,572

Contributed Capital Assets

For the year ended June 30, 2023, the Authority accepted and received water and sewer lines that were installed by developers. In addition, the Authority received a vehicle from the City. These assets were valued at \$773,353.

5. LEASE RECEIVABLES

The Authority, as a lessor, has entered into lease agreements involving land and electric infrastructure as summarized below:

Leases Receivable	2023
The Authority has various land leases with terms ranging from 105 – 179 months. An initial receivable was recorded in the amount of \$1,034,249. Payments are made at interest rates between 1.527% to 2.44%. The lease terms include extension options, which are reasonably certain to be exercised.	\$963,503
The Authority has various electric pole attachment leases with terms ranging from 105 – 120 months. An initial receivable was recorded in the amount of \$698,074. Annual payments of \$20 per pole leased (3,966 poles leased at June 30, 2023) are made at interest rates between 1.527% to 3.549%. The lease terms include extension options, which are reasonably certain to be exercised.	630,493
Total Leases Receivable	\$1,593,996
Current portion	\$98,606
Noncurrent portion	1,495,390
Total Leases Receivable	\$1,593,996

The total amount of inflows of resources, including lease revenue and interest revenue recognized during the fiscal year was \$154,984.

6. LONG-TERM LIABILITIES

As of June 30, 2023, the Authority's outstanding debt consisted of the following:

Revenue Bonds Payable	2023
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	\$53,280,000
Plus: Unamortized Debt Premium	4,509,389
Total Revenue Bonds Payable	\$57,789,389
Current portion	\$1,899,604
Noncurrent portion	55,889,785
Total Revenue Bonds Payable	\$57,789,389

Notes Payable	2023
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	983,367
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	5,043,775
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	543,462
2016 OWRB SRF Note Payable dated June 27, 2016, not to exceed \$29,900,000, secured by utility revenues, 1.82% interest plus an administrative fee of 0.5%, semiannual principal installments commence the earlier of March 15, 2017 or construction completion. Construction is ongoing.	23,127,730
2017 OWRB SRF Note Payable dated September 22, 2017, not to exceed \$12,600,000, secured by utility revenues, 2.18% interest plus an administrative fee of 0.5%, semiannual principal installments commence earlier of March 15, 2019 or construction completion. Construction is ongoing.	5,689,187
2023 OWRB SRF Note Payable dated January 10, 2023, not to exceed \$10,500,000, secured by utility revenues, 2.43% interest plus an administrative fee of 0.5%, semiannual principal installments commence earlier of September 15, 2024 or construction completion. Construction is ongoing.	4,824,911
United States Army Corps 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	591,465
Total Notes Payable	\$40,803,897
Current portion	\$2,532,023
Noncurrent portion	38,271,874
Total Notes Payable	\$40,803,897

Direct Obligations – Notes Payable

Borrowings have been advanced pursuant to a credit agreement with Bank of America, N.A. that provides for the purchase of equipment. Total borrowings are limited to \$16.8 million with a fixed interest rate determined at the time of funding. Total borrowings under this credit agreement at June 30, 2023 amounted to \$16.8 million.

Direct Obligations – Notes Payable	2023
\$2,002,000 note payable with Bank of America for equipment, fixed interest rate of 1.1555%, monthly installments commencing July 15, 2021 through June 15, 2026	\$1,215,046
\$304,500 note payable with Bank of America for equipment, fixed interest rate of 1.1915%, monthly installments commencing July 30, 2021 through June 30, 2026	189,913
\$1,120,000 note payable with Bank of America for equipment, fixed interest rate of 4.2035%, monthly installments commencing January 13, 2023 through December 13, 2027.	1,035,378
\$694,482 note payable with Bank of America for equipment, fixed interest rate of 4.4885%, monthly installments commencing March 3, 2023 through February 3, 2028	663,328
\$224,000 note payable with Bank of America for equipment, fixed interest rate of 4.0535%, monthly installments commencing April 24, 2023 through March 24, 2028	217,240
Total Direct Obligations – Notes Payable	\$3,320,905
Current portion	\$840,103
Noncurrent portion	2,480,802
Total Direct Obligations – Notes Payable	\$3,320,905

Accrued Compensated Absences	2023
Current portion	\$173,815
Noncurrent portion	880,983
Total Accrued Compensated Absences	\$1,054,798

Deposits Subject to Refund	2023
Current portion	\$878,805
Noncurrent portion	597,017
Total Deposits Subject to Refund	\$1,475,822

Lease and Subscription Obligations Payable

The Authority, as a lessee, has entered into lease agreements involving land, copiers and printers as summarized on the next page:

Lease Obligations Payable	2023
On July 1, 2021, the Authority entered into a 327 month lease as lessee for the use of airport land. An initial liability was recorded in the amount of \$289,662. Semi-annual fixed payments of \$7,243 are made at an interest rate of 2.522%. The value of the right to use asset as of June 30, 2023 was \$289,662 with accumulated amortization of \$21,260. This is included with Land within the Lease Assets class shown in Note 4. The Authority has 1 extension option for 300 months. See note 9 for additional information.	\$271,234
On July 1, 2021, the Authority entered into a 30 month lease as lessee for the use of land at Kaw Lake Land. An initial liability was recorded in the amount of \$10,424. Annual fixed payments of \$5,250 are made at an interest rate of 0.727%. The value of the right to use asset as of June 30, 2023 was \$10,424 with accumulated amortization of \$8,339. This is included with Land within the Lease Assets class shown in Note 4.	0
The Authority has various copier and printer leases dated from July 1, 2021 thru October 31, 2026 with terms from 19 – 56 months. An initial liability was recorded in the amount of \$28,697. Monthly payments between \$80 and \$199 are made at interest rates between 0.514% and 3.269%. The value of the right to use assets as of June 30, 2023 was \$23,100 with accumulated amortization of \$8,457. This is included with Equipment within the Lease Assets class shown in Note 4.	14,791
Total Lease Obligations Payable	\$286,025
Current portion	\$13,142
Noncurrent portion	272,883
Total Lease Obligations Payable	\$286,025

Subscription Obligations Payable	2023
On July 1, 2022, the Authority entered into a 24 month subscription for the use of software for the electric department. An initial liability was recorded in the amount of \$60,686. Annual fixed payments of \$30,600 are made at an interest rate of 1.71%. The value of the right to use asset as of June 30, 2023 was \$66,686 with accumulated amortization of \$33,343. This is included with Equipment within the Lease & Subscriptions Assets class shown in Note 4. The Authority has 1 extension option for 12 months.	30,085
On August 29, 2022, the Authority entered into a 36 month subscription for the use of software for the water department. An initial liability was recorded in the amount of \$23,779. Annual fixed payments of \$8,098 are made at an interest rate of 2.184%. The value of the right to use asset as of June 30, 2023 was \$23,779 with accumulated amortization of \$6,649. This is included with Equipment within the Lease & Subscriptions Assets class shown in Note 4.	15,681
Total Subscription Obligations Payable	\$45,766
Current portion	\$37,841
Noncurrent portion	7,925
Total Subscription Obligations Payable	\$45,766

Changes in Long-Term Liabilities

Changes in the long-term liabilities for the years ended June 30, 2023 are summarized below:

	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Amounts Due Within One Year
Notes payable	\$37,452,467	\$6,979,849	\$3,628,419	\$40,803,897	\$2,532,023
Revenue bonds payable, net	59,613,352	0	1,823,963	57,789,389	1,899,604
Direct borrowings:					
Notes payable	2,682,795	2,038,482	1,400,372	3,320,905	840,103
Total long-term debt obligations	99,748,614	9,018,331	6,852,754	101,914,191	5,271,730
Lease obligations payable	298,666	7,005	19,646	286,025	13,142
Subscription obligations payable	0	84,465	38,699	45,766	37,841
Accrued compensated absences	990,412	238,201	173,815	1,054,798	173,815
Deposits subject to refund	1,446,070	915,715	885,963	1,475,822	878,805
Total long-term liabilities	\$102,483,762	\$10,263,717	\$7,970,877	\$104,776,602	\$6,375,333

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	REVENUE BONDS PAYABLE		NOTES PAYABLE		Direct Borrowings - Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
JUNE 30,						
2024	\$1,665,000	\$2,435,300	\$2,532,022	\$945,374	\$840,105	\$88,575
2025	1,735,000	2,358,625	2,871,340	913,691	862,037	66,642
2026	1,820,000	2,269,750	2,398,717	850,414	884,757	43,921
2027	1,910,000	2,176,500	2,419,710	788,393	436,017	22,859
2028	2,005,000	2,098,675	2,441,112	726,009	297,989	4,918
2029-2033	11,400,000	9,007,675	11,400,987	2,633,970	0	0
2034-2038	14,440,000	5,877,750	8,170,691	1,537,925	0	0
2039-2043	18,305,000	1,963,475	5,374,908	698,739	0	0
2044-2047	0	0	3,194,410	137,992	0	0
Total	\$53,280,000	\$28,187,750	\$40,803,897	\$9,232,507	\$3,320,905	\$226,915

The future minimum lease payments for lease obligations of the Authority are as follows:

YEAR ENDING JUNE 30,	LEASE OBLIGATIONS PAYABLE	
	Principal	Interest
2024	\$13,142	\$7,032
2025	13,430	6,744
2026	11,258	6,456
2027	8,926	6,196
2028	8,505	5,981
2029-2033	45,872	26,556
2034-2038	51,995	20,432
2039-2043	58,938	13,491
2044-2048	66,806	5,622
2049	7,153	90
Total	\$286,025	\$98,600

YEAR ENDING JUNE 30,	SUBSCRIPTION OBLIGATIONS PAYABLE	
	Principal	Interest
2024	\$37,841	\$857
2025	7,925	173
Total	\$45,766	\$1,030

7. 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 year ended June 30, 2023. The City's contributions for each employee begin vesting after 1 year and are fully vested after 5 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).

A summary of the Authority's pension activity and liability for the year ended June 30, 2023 is presented below:

Fiscal Year Ended	Total Payroll	Covered Payroll	Employee Contributions	Employer Contributions	Total Contributions	Liability at June 30*
2023	\$12,375,157	\$12,230,735	\$628,645	\$730,485	\$1,359,130	\$61,139

*reported as a portion of accrued liabilities

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description: The City sponsors and administers a self-funded, single-employer defined benefit plan which provides postemployment healthcare benefits. The plan is reported in the City's Annual Comprehensive Financial Report. The plan does not issue a stand-alone 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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 year 2023 ranged from \$49 to \$412 for active employees, \$607 to \$2,245 for retired participants, and \$620 to \$2,290 for COBRA participants.

Employees Covered by Benefit Terms: At June 30, 2023, the following City employees were covered by the benefit terms.

	2023
Active plan members	511
Inactive employees or beneficiaries currently receiving benefit payments	38
Total plan members	549

Total OPEB Liability: As of June 30, 2023, the City's total OPEB liability was \$7,238,596. The measurement date was as of June 30, 2022 and was determined by an actuarial valuation performed as of June 30, 2022. The Authority's allocated portion of the City's total OPEB liability was \$2,678,281.

Actuarial Assumptions and Other Inputs: The total OPEB liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	4.09% in 2022 based on the yield for 20-year municipal bonds on the measurement date (Bond Buyers' index)
Pay increases	3.00% (the inflation component of pay increases used to determine the EAN actuarial liability and service cost of the OPEB plan)
Mortality	RP 2000 Mortality with cohort mortality projection scale AA in 2017; PubG-2010 for non-public safety and PubS-2010 for police and fire beginning in 2018
Retirement rates	OkMRF 2022 experience study
Turnover	OkMRF 2022 experience study
Healthcare cost trend	Plan year dependent rates graded from 5.94% in 2022 to 3.94% in 2075. The same trend is applied to retiree contributions. Healthcare trend was developed using the Society of Actuaries Getzen healthcare economics model (2022 edition).
Participation	50% of currently covered employees are assumed to elect retiree medical coverage if they meet eligibility requirements (50% for police and firefighters). The acceptance rate for spouses of covered retirees is assumed to be 50%.
Actuarial cost method	Entry Age Normal
Cost method application	Level percentage of pay
Asset valuation method	Market value

The discount rate used to value benefits was the municipal bond yield on the measurement date as specified by GASB Statement 75. Over the twelve-month measurement period ending June 30, 2022, the 20-year bond rates increased from 2.16% to 4.09%.

Changes in the Total OPEB Liability	2022
Beginning balance	\$2,757,620
Changes for the year:	
Service cost	168,999
Interest	62,351
Changes of benefit terms	0
Differences between expected and actual experience	25,311
Change of assumptions	(255,989)
Expected net benefit payments	(80,011)
Net changes	(79,339)
Balance at June 30	\$2,678,281

The change of assumptions equals the change in the discount rate from the beginning of the measurement period to the end of the measurement period (an increase from 2.16% to 4.09% from June 30, 2021 to June 30, 2022).

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

2023			
	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB liability	\$2,942,784	\$2,678,281	\$2,443,048

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following represents the total OPEB liability of the Authority as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

2023			
	1% Decrease (4.94% Grading to 2.94%)	Healthcare Cost Trend Rates (5.94% Grading to 3.94%)	1% Increase (6.94% Grading to 4.94%)
Total OPEB liability	\$2,414,286	\$2,678,281	\$2,990,441

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended June 30, 2023, the Authority recognized OPEB expense of \$105,380. The Authority reported deferred inflows and outflows of resources related to OPEB from the following source:

2023		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial (gains)/losses	\$55,591	\$(99,176)
Changes in assumptions	196,006	(399,109)
Contributions subsequent to measurement date	79,013	0
Total	\$330,610	(\$498,285)

The \$79,013 reported as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended June 30, 2024. The remaining amounts reported as deferred (inflows) of resources and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
2024	(\$46,957)
2025	(30,914)
2026	(19,042)
2027	(29,511)
2028	(38,308)
Thereafter	(\$81,956)

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances result from the normal operations of the Authority. The Authority routinely makes payments to the City to reimburse payroll, vendor payments, health insurance costs, workers compensation costs, and other operating costs. Generally, these charges are paid within a month of their incurrence. The total amount due from the Authority to the City at June 30, 2023 was \$5,608,115.

In addition, the Authority made loans to the Stillwater Economic Development Authority (SEDA) to allow SEDA to pursue economic development opportunities for the City. These loans are not expected to be repaid in the next fiscal year. The total amount due to the Authority from SEDA at June 30, 2023 was \$8,250,000.

10. 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 lease agreement which expires on June 30, 2069, 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.

The Authority has entered into a lease with the City's Airport for the use of land. The Authority made payments totaling \$14,486 to the Airport during fiscal year 2023. The lease is set to expire on September 30, 2048 with an option to extend for an additional 25 years.

Administrative and general expenses incurred by the City benefiting the Authority in the amount of \$1,431,199 for the year ended June 30, 2023 have been proportionately allocated and reflected in the Authority's financial statements as expenses.

11. 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 year ended June 30, 2023, the transfers to the Authority related to this sales tax were \$9,979,678.

12. 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, 2023, the transfer amount was \$14,541,758.

During the year ended June 30, 2023, the Authority transferred capital assets in the amount of \$59,798 to the City.

13. 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 \$150,000 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.

14. REVENUES PLEDGED

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, 2023, sales tax revenues were \$9,979,678. Net revenues were \$31,075,893 for the year ended June 30, 2023. The following is a summary of the debt issues included in this pledge of revenues as of June 30, 2023:

Debt Issue	Issue Amount	Issue Date	Maturity Date	Remaining Principal and Interest	Current Year Principal and Interest
2002 OWRB SRF note	\$4,876,086	Dec 2002	Sept 2022	\$0	\$122,214
2005 OWRB fixed rate note	7,620,000	Jun 2005	Mar 2025	989,521	494,758
2009 OWRB DWSRF note	11,645,000	Nov 2009	Sept 2032	5,516,631	654,719
2009 OWRB CWSRF note	1,875,000	Nov 2009	Sept 2030	596,811	79,535
Series 2014A revenue bonds	61,830,000	Aug 2014	Oct 2042	81,467,750	4,098,350
2016 OWRB DWSRF note	29,900,000	Jun 2016	Sept 2046	24,198,618	1,523,777
2017 OWRB DWSRF note	12,600,000	Sept 2017	Sept 2048	6,760,075	580,912
2023 OWRB CWSRF note	10,500,000	Jan 2023	Mar 2054	5,962,775	15,315

15. COMMITMENTS AND CONTINGENCIES

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. Many of the improvements have been completed or are being addressed as part of the Water 2040 Program funded by debt issuance with the Oklahoma Water Resources Board. All remaining improvements and upgrades are subject to funding availability.

The Authority has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The estimated liability of the legally required closure costs for the wastewater utility system cannot be reasonably estimated as of June 30, 2023, since the specific legally required costs of retirement have not yet been identified.

16. 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. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62" – This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for the Authority in the fiscal year ended June 30, 2024.

GASB Statement No. 101, "Compensated Absences" – This Statement updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for the Authority in the fiscal year ended June 30, 2025.



Required Supplementary Information



STILLWATER UTILITIES AUTHORITY

A component unit of the City of Stillwater, Oklahoma

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Ten Fiscal Years¹

	2023 ²	2022 ³	2021 ⁴	2020 ⁵	2019 ⁶	2018 ⁷
Total OPEB liability:						
Service cost	\$168,999	\$160,132	\$129,942	\$356,242	\$95,575	\$107,817
Interest	62,351	63,111	91,728	88,889	67,561	53,080
Differences between expected and actual experience	25,311	21,907	(156,844)	(8,645)	46,298	
Changes of assumptions	(255,989)	(142,249)	203,817	159,239	(100,534)	(151,593)
Benefit payments	(80,011)	(81,656)	(46,256)	(44,744)	(33,059)	(30,093)
Net change in total OPEB liability	(79,339)	21,245	222,387	550,981	75,841	(20,789)
Total OPEB liability, beginning	2,757,620	2,736,375	2,513,988	1,963,007	1,887,166	1,907,955
Total OPEB liability, ending	\$2,678,281	\$2,757,620	\$2,736,375	\$2,513,988	\$1,963,007	\$1,887,166
Covered-employee payroll	\$12,230,735	\$11,091,982	\$11,107,169	\$11,363,295	\$10,624,612	\$9,994,326
Authority's total OPEB liability as a percentage of covered-employee payroll	21.90%	24.86%	24.64%	22.12%	18.48%	18.88%

Notes to Schedule:

¹ GASB 75 requires the presentation of ten years of data. Data was not available prior to fiscal year 2018. Additional years' data will be displayed as it becomes available.

² Changes of assumptions: The discount rate was changed from 2.16% to 4.09% for the end of year measurement.

³ Changes of assumptions: The discount rate was changed from 2.21% to 2.16% for the end of year measurement.

⁴ Changes of assumptions: The discount rate was changed from 3.50% to 2.21% for the end of year measurement.

⁵ Changes of assumptions: The discount rate was changed from 3.87% to 3.50% for the end of year measurement.

⁶ Changes of assumptions: The discount rate was changed from 3.58% to 3.87% for the end of year measurement.

⁷ Changes of assumptions: The discount rate was changed from 2.85% to 3.58% for the end of year measurement.



Other Reports





STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma

Independent Auditor's Report



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*

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"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 1, 2023.

Report on 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) as a basis for designing 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.

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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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*.

HSPG & ASSOCIATES, PC

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STILLWATER UTILITIES AUTHORITY

A Component Unit of the City of Stillwater, Oklahoma

Independent Auditor's Report

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 entity'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.

HSPG & Associates, P.C.

November 1, 2023





STILLWATER UTILITIES AUTHORITY

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