CITY OF GUTHRIE OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

THE CITY OF GUTHRIE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Financial Statements	5-6
Required Supplementary Information:	
Management's Discussion and Analysis	7-15
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Governmental Funds Financial Statements:	
Balance Sheet	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of Governmental Funds and Government-Wide Financial Statements	22-23
Proprietary Funds Financial Statements:	
Statement of Net Position	25
Statement of Revenues, Expenses, and Changes in Net Position	26
Statement of Cash Flows	27
Footnotes to the Basic Financial Statements	29-58
Required Supplementary Information:	
Budgetary Comparison Information (Budgetary Basis):	
Budgetary Comparison Schedule – General Fund	60
Footnotes to Budgetary Comparison Schedules	61
Post-employment Benefit Plan Information	
Pension Schedule	62
OPEB Schedule of Funding Progress	62
Other Supplementary Information:	
Nonmajor Governmental Combining Statements	
Combining Balance Sheet – Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	65
General Fund Accounts Combining Schedules	
Combining Balance Sheet – General Fund Accounts	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund Accounts	67

TABLE OF CONTENTS

Enterprise Fund Accounts Combining Schedules
Combining Schedule of Net Position..... 68
Combining Schedule of Revenues, Expenses and Changes in Net Position..... 69

State Awards Information
Schedule of Expenditures of State Awards..... 70
Footnotes to Schedule of Expenditures of State Awards..... 70

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Guthrie, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guthrie, Oklahoma (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal 2013 the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the post-employment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

May 22, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Guthrie's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2013, the City's total net position decreased by $328,700 or 1.0% from the prior year.
- During the year, the City's expenses for governmental activities were $8.5 million and were funded by program revenues of $3.1 million and further funded with taxes and other general revenues that totaled $5.9 million.
- In the City's business-type activities, such as utilities, expenses exceed program revenues by $832,241.
- Sales and use taxes increased by $304,372 or 7.3% over the prior fiscal year. Considering the City's sales tax rate of 3.00% in effect for both years, this translates into an increase in taxable sales of $10.1 million from the prior year.
- At September 30, 2013, the General Fund reported an unassigned fund balance of $601,896, which is a decrease of 57.3% from the prior year unassigned fund balance.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of $80,171 or 0.8%, while expenditures were under the final appropriations by $185,036 or 3.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Guthrie (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39 and 61. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

About the City

The City of Guthrie is an incorporated municipality with a population of approximately 10,191 located in central Oklahoma. The City is a home rule charter form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a seven-member governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Guthrie City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the primary government (City of Guthrie) and the component units as follows:

- **The City of Guthrie** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Guthrie Public Works Authority** – (blended) that operates the water, sewer, and sanitation services of the City
- **The Guthrie Industrial Development Authority** – (blended) that operates to finance, develop and promote industrial development activities.
- **The Guthrie Public Transportation Authority** – (currently inactive) that operates to finance, acquire, construct, operate and provide improvements, services or facilities of the City.
- **The Guthrie Transportation Authority** – that operates to furnish and supply facilities, property and equipment for transportation needs regarding tourism.

<u>Using This Annual Report</u>

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Supplemental** – that provide additional information about specified elements of the financial statements, such as budgetary comparison information

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets and deferred outflows and liabilities and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

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

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by approximately $31.8 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	2012		2013	Restated 2012		2013	Restated 2012	
Current assets	$ 5,326	$ 4,902	9%	$ 4,311	$ 3,241	33%	$ 9,637	$ 8,143	18%
Capital assets, net	16,213	15,871	2%	29,266	30,210	-3%	45,479	46,081	-1%
Other non-current assets	-	-	0%	166	177	-6%	166	177	-6%
Total assets	21,539	20,773	4%	33,743	33,628	0%	55,282	54,401	2%
Current liabilities	731	735	-1%	1,608	1,717	-6%	2,339	2,452	-5%
Non-current liabilities	1,242	1,031	20%	19,887	18,774	6%	21,129	19,805	7%
Total liabilities	1,973	1,766	12%	21,495	20,491	5%	23,468	22,257	5%
Net position									
Net investment in capital asse	15,618	15,364	2%	9,573	10,939	-12%	25,191	26,303	-4%
Restricted	2,627	2,699	-3%	51	-	0%	2,678	2,699	-1%
Unrestricted	1,321	944	40%	2,625	2,198	19%	3,946	3,142	26%
Total net position	$ 19,566	$ 19,007	3%	$ 12,249	$ 13,137	-7%	$ 31,815	$ 32,144	-1%

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. For 2013, this net investment in capital assets amounted to $25.2 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net position, $2.6 million, also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is available to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for both the governmental and business-type activities.

The 40% increase in governmental unrestricted net position is due to an increase in charges for services revenue.

The 33% increase in business type current assets is due to unspent revenue bond proceeds.

The 12% decrease in business type net investment in capital assets is due to the issuance of revenue bonds in the current year.

Changes in Net Position

For the year ended September 30, 2013, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	2012		2013	Restated 2012		2013	Restated 2012	
Revenues									
Charges for service	$ 1,861	$ 1,611	16%	$ 4,584	$ 4,579	0%	$ 6,445	$ 6,190	4%
Operating grants and contributions	576	687	-16%	-	-	-	576	687	-16%
Capital grants and contributions	646	370	75%	-	-	-	646	370	75%
Taxes	5,116	4,971	3%	-	1,000	-100%	5,116	5,971	-14%
Intergovernmental revenue	196	146	34%	-	-	-	196	146	34%
Investment income	148	9	1544%	-	17	-100%	148	26	469%
Special item, gain on impairment of buildings	397	-	100%	-	-	-	397	-	100%
Miscellaneous	7	212	-97%	13	17	-24%	20	229	-91%
Total revenues	8,947	8,006	12%	4,597	5,613	-18%	13,544	13,619	-1%
Expenses									
General government	1,856	2,009	-8%	-	-	-	1,856	2,009	-8%
Public safety	4,224	3,802	11%	-	-	-	4,224	3,802	11%
Streets	740	673	10%	-	-	-	740	673	10%
Culture, parks and recreation	893	824	8%	-	-	-	893	824	8%
Airport	636	576	10%	-	-	-	636	576	10%
Economic development	82	24	242%	-	-	-	82	24	242%
Interest on long-term debt	56	4	1300%	-	-	-	56	4	1300%
Water	-	-	-	2,795	2,614	7%	2,795	2,614	7%
Wastewater	-	-	-	1,354	1,062	27%	1,354	1,062	27%
Sanitation	-	-	-	1,268	1,196	6%	1,268	1,196	6%
Total expenses	8,487	7,912	7%	5,417	4,872	11%	13,904	12,784	9%
Excess (deficiency) before transfers	460	94	389%	(820)	741	-211%	(360)	835	-143%
Transfers	13	156	-92%	-	(156)	-100%	13	-	0%
Change in net position	473	250	89%	(820)	585	-240%	(347)	835	-142%
Beginning net position, restated	-	18,757	-100%	-	12,552	-100%	-	31,309	-100%
Ending net position	$ 473	$ 19,007	-98%	$ (820)	$ 13,137	-106%	$ (347)	$ 32,144	-101%

Explanations for changes in excess of 20% and $100,000 are as follows:

Governmental Activities:

Capital grants and contributions increased 75% due to a large airport grant in the current year.

Miscellaneous revenue decreased 97% due to economic development expense reimbursement.

Business-Type Activities:

Wastewater expenses – 27% increase due to an increase in wastewater indirect expenses allocation.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	2012		2013	2012	
General government	$ 1,856	$ 2,009	-7%	($1,730)	($1,434)	21%
Public safety	4,224	3,806	11%	(2,515)	(2,414)	4%
Streets	740	673	10%	(424)	(363)	17%
Culture, parks and recreation	893	770	16%	(706)	(692)	2%
Airport	636	576	10%	107	(318)	-134%
Economic development	82	24	242%	(81)	(21)	286%
Interest on long-term debt	56	4	1300%	(56)	(22)	155%
Total	8,487	$ 7,862	8%	($5,405)	($5,264)	3%

Explanations for significant changes are listed above under Table 2.

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2013	2012		2013	2012	
Water	$ 2,795	$ 2,694	4%	$ (562)	$ (465)	21%
Wastewater	1,354	1,062	27%	(278)	25	-1212%
Sanitation	1,268	1,196	6%	8	67	-88%
Total	$ 5,417	$ 4,952	9%	$ (832)	$ (373)	123%

The City's business-type activities include utility services for water, wastewater, and sanitation.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of $4.5 million or a 11.1% increase due to an increase in sales tax revenue and capital grants. The enterprise funds reported combined net position of $12.2 million or a 6.8% decrease from 2012 due to overall expenses increasing.

Other fund highlights include:

- For the year ended September 30, 2013, the General Fund's total fund balance increased by $219,414 or 10.9%.
- There was $457,182 of fund balance in the General Fund that is restricted for specific purposes.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections (including transfers in) of 11.8% or $621,842 and an increase in appropriations (including transfers out) of 22.0% or $1,515,657. Actual revenues and transfers were over estimates by $227,783 or 3.1%, while expenditures and transfers were under final appropriations by $2,044,450 or 43.2%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2013, the City had $45 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, and water lines and sewer lines. (See Table 5). This represents a net increase of approximately $1.9 million over last year.

TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 1,642	$ 1,642	$ 715	$ 715	$ 2,357	$ 2,357
Buildings	1,972	2,038	16,370	16,786	18,342	18,824
Imp. other than buildings	3,890	4,101	10	34	3,900	4,135
Machinery, furniture and equipment	1,093	1,220	790	802	1,883	2,022
Infrastructure	6,533	6,709	-	-	6,533	6,709
Utility property	-	-	11,220	11,874	11,220	11,874
Construction in progress	1,083	160	161	-	1,244	160
Totals	$ 16,213	$ 15,870	$ 29,266	$ 30,211	$ 45,479	$ 46,081

This year's more significant capital asset additions included:

Street Improvements	$204,267
2013 Dodge 4x4 Ambulance and 3 heart monitors	151,205

See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had $22.3 million in long-term debt outstanding which represents a $1,412,115 or 6.5% increase from the prior year. The City's changes in long-term debt by type of debt are as follows:

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Accrued absences	$ 385	$ 425	$ 2,975	$ 60	$ 3,360	$ 485	592.8%
Notes payable	164	-	-	-	164	-	100%
Loan payable	-	-	46	52	46	52	-11.5%
Refundable grant obligation	130	143	-	-	130	143	-9.1%
Capital leases	447	364	17,810	19,555	18,257	19,919	-8.3%
OPEB	257	259	54	59	311	318	-2.2%
Totals	$ 1,383	$ 1,191	$ 20,885	$ 19,726	$ 22,268	$ 20,917	6.5%

The City issued $3 million in Utility System & Sales Tax Revenue bonds.

See Note 5 to the financial statements for more detail information on the City's long-term debt and changes therein.

The Economic Outlook

In Fiscal Year 2013-14 the City of Guthrie and Guthrie Public Works Authority developed the budget with defined goals and conservative revenue projections. The adopted Fiscal Year 2014 budget, including all funds and transfers, is $19,424,051 compared to $18,482,988 originally budgeted in Fiscal Year 2013, an increase of $941,063. The City of Guthrie's primary sources of revenues are sales tax and utility revenues. The Fiscal Year 2014 Budget does predict a growth in sales tax over that was budgeted in Fiscal Year 2013. The challenges for Fiscal Year 2013-14 Budget included rising costs to provide utility services and future infrastructure needs of the City.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City's Treasurer at 101 North Second Guthrie, Oklahoma 73044 or telephone at 405-282-2489.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

Statement of Net Position– September 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,484,419	$ 3,452,188	$ 6,936,607
Investments	447,685	98,998	546,683
Accounts receivable, net of allowance	517,555	662,196	1,179,751
Internal balances	(97,772)	97,772	-
Due from other governmental agencies	917,066	-	917,066
Notes receivable, net of allowance (Note 3)	56,840	166,159	222,999
Capital Assets:			
Land and construction in progress	2,724,415	875,266	3,599,681
Other capital assets, net of depreciation	13,488,776	28,391,138	41,879,914
Total Assets	$ 21,538,984	$ 33,743,717	$ 55,282,701
LIABILITIES			
Accounts payable and accrued expenses	$ 588,345	$ 227,069	$ 815,414
Accrued interest payable	-	27,013	27,013
Due to depositors	-	355,444	355,444
Due to bondholders	1,275	-	1,275
Long-term liabilities			
Due within one year	141,690	998,263	1,139,953
Due in more than one year	1,241,653	19,887,279	21,128,932
Total liabilities	1,972,963	21,495,068	23,468,031
NET POSITION			
Net investment in capital assets	15,617,592	9,573,080	25,190,672
Restricted for:			
Capital projects	2,361,771	-	2,361,771
Debt Service	455	50,580	51,035
Other projects	265,198	-	265,198
Unrestricted	1,321,005	2,624,989	3,945,994
Total net position	$ 19,566,021	$ 12,248,649	$ 31,814,670

See accompanying notes to the basic financial statements.

Statement of Activities –Year Ended September 30, 2013

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Position: Governmental Activities	Net (Expense) Revenue and Changes In Net Position: Business-type Activities	Net (Expense) Revenue and Changes In Net Position: Total
Primary government								
Governmental Activities								
General Government	$ 1,856,180	$ -	$ 109,083	$ 17,209	$ -	$ (1,729,888)	$ -	$ (1,729,888)
Public Safety	4,224,261	-	1,225,605	437,081	46,552	(2,515,023)	-	(2,515,023)
Streets	739,807	-	223,134	92,846	-	(423,827)	-	(423,827)
Culture and Recreation	893,697	-	126,931	29,282	31,288	(706,196)	-	(706,196)
Airport	635,731	-	175,110	-	567,793	107,172	-	107,172
Economic Development	81,516	-	-	-	-	(81,516)	-	(81,516)
Interest on Long-term debt	55,562	-	-	-	-	(55,562)	-	(55,562)
Total governmental activities	8,486,754	-	1,859,863	576,418	645,633	(5,404,840)	-	(5,404,840)
Business-Type Activities:								
Water	1,986,912	807,310	2,232,128	-	-	-	(562,094)	(562,094)
Wastewater	768,934	585,236	1,075,871	-	-	-	(278,299)	(278,299)
Sanitation	1,022,780	245,072	1,276,004	-	-	-	8,152	8,152
General Government	514,894	(514,894)	-	-	-	-	-	-
Administration	365,519	(365,519)	-	-	-	-	-	-
Line Maintenance	707,908	(707,908)	-	-	-	-	-	-
Meter Operations	49,297	(49,297)	-	-	-	-	-	-
Total business-type activities	5,416,244	-	4,584,003	-	-	-	(832,241)	(832,241)
Total primary government	$ 13,902,998	$ -	$ 6,443,866	$ 576,418	$ 645,633	$ (5,404,840)	$ (832,241)	$ (6,237,081)
General revenues:								
Taxes:								
Sales and use taxes						$ 4,631,235	$ -	$ 4,631,235
Franchise taxes and public service taxes						484,675	-	484,675
Hotel/motel taxes						196,038	-	196,038
Intergovernmental revenue not restricted to specific programs						147,853	-	147,853
Unrestricted investment earnings						7,250	12,507	19,757
Miscellaneous						397,182	18,241	415,423
Gain on sale of assets						13,400	-	13,400
Transfers						86,419	(86,419)	-
Total general revenues and transfers						5,964,052	(55,671)	5,908,381
Change in net position						559,212	(887,912)	(328,700)
Net position - beginning, restated						19,006,809	13,136,561	32,143,370
Net position - ending						$ 19,566,021	$ 12,248,649	$ 31,814,670

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet - September 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,197,022	$ 2,287,397	$ 3,484,419
Investments	447,685	-	447,685
Receivable from other governments	909,006	8,060	917,066
Due from other funds	-	13,897	13,897
Taxes receivable, net	71,968	49,364	121,332
Court fines receivable, net	55,771	-	55,771
Ambulance receivable, net	98,988	-	98,988
Note receivable	-	95,888	95,888
Other receivables	202,416	-	202,416
Total assets	$ 2,982,856	$ 2,454,606	$ 5,437,462
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 347,105	$ 89,010	$ 436,115
Accrued payroll payable	150,906	-	150,906
Due to other funds	15,314	96,355	111,669
Due to bondholders	1,275	-	1,275
Payable to other governments	1,139	-	1,139
Other payables	184	-	184
Total liabilities	515,923	185,365	701,288
Deferred inflows of resources:			
Deferred revenue	215,278	15,259	230,537
Fund balances:			
Restricted	457,182	2,170,242	2,627,424
Committed	1,058,282	-	1,058,282
Assigned	134,296	83,740	218,036
Unassigned	601,896	-	601,896
Total fund balances	2,251,656	2,253,982	4,505,638
Total liabilities and fund balances	$ 2,982,857	$ 2,454,606	$ 5,437,463

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended September 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 5,115,910	$ 196,038	$ 5,311,948
Intergovernmental	1,394,840	110,344	1,505,184
Licenses and permits	132,872	-	132,872
Charges for services	1,197,586	249,869	1,447,455
Fees and fines	245,140	-	245,140
Investment earnings	6,139	1,112	7,251
Miscellaneous	347,803	3,168	350,971
Total revenues	8,440,290	560,531	9,000,821
EXPENDITURES			
Current:			
General government	1,808,699	-	1,808,699
Public safety	3,976,346	50,855	4,027,201
Public works	518,418	-	518,418
Culture and recreation	656,174	130,203	786,377
Economic development	78,594	-	78,594
Airport	164,831	-	164,831
Capital outlay	984,829	466,000	1,450,829
Debt service:			
Principal	-	83,427	83,427
Interest and other charges	-	10,674	10,674
Total expenditures	8,187,891	741,159	8,929,050
Excess (deficiency) of revenues over expenditures	252,399	(180,628)	71,771
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	291,931	-	291,931
Transfers in	1,642,612	756,594	2,399,206
Transfers out	(1,941,750)	(371,037)	(2,312,787)
Total other financing sources and uses	(7,207)	385,557	378,350
Net change in fund balances	245,192	204,929	450,121
Fund balances - beginning	2,006,464	2,049,053	4,055,517
Fund balances - ending	$ 2,251,656	$ 2,253,982	$ 4,505,638

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	$	4,505,638
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		16,213,191
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		230,535
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences and OPEB Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(1,383,343)
Net Position of Governmental Activities in the Statement of Net Position	$	19,566,021

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds:	$	450,121
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		1,406,928
Depreciation expense		(1,064,512)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		(41,273)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long-term debt		57,203
Proceeds of long-term debt		(291,931)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in OPEB liability		2,115
Change in accrued compensated absences		40,561
Change in net position of governmental activities	$	559,212

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

Proprietary Funds Statement of Net Position - September 30, 2013

	Guthrie Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,937,437
Restricted:	
Cash and cash equivalents	1,514,751
Investments	99,000
Due from other funds	98,387
Accounts receivable, net	592,438
Other receivables	69,758
Notes receivable	17,792
Total current assets	4,329,563
Non-current assets:	
Notes receivable	148,367
Capital assets:	
Land and construction in progress	875,266
Other capital assets, net of accumulated depreciation	28,391,138
Total non-current assets	29,414,771
Total assets	$ 33,744,334
LIABILITIES	
Current liabilities:	
Accounts payable	$ 198,604
Salaries payable	28,467
Accrued interest payable	27,013
Due to other funds	615
Deposits subject to refund	355,444
Compensated absences	4,624
Notes payable	993,639
Total current liabilities	1,608,406
Non-current liabilities:	
Compensated absences	41,616
Notes payable	19,845,663
Total non-current liabilities	19,887,279
Total liabilities	21,495,685
NET POSITION	
Net investment in capital assets	9,573,080
Restricted for debt service	50,580
Unrestricted	2,624,989
Total net position	$ 12,248,649

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended September 30, 2013

	Guthrie Public Works Authority
REVENUES	
Water	$ 2,232,128
Sewer	1,075,871
Sanitation	1,276,004
Rents and royalties	9,027
Miscellaneous	9,214
Total operating revenues	4,602,244
OPERATING EXPENSES	
General government	521,585
Administration	276,856
Water	611,618
Wastewater	352,136
Sanitation	865,106
Landfill operations	106,700
Line maintenance	517,111
Meter operations	49,046
Municpal Pool	15,451
Depreciation	1,275,304
Total Operating Expenses	4,590,913
Operating income	11,331
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	12,507
Interest expense	(825,331)
Total non-operating revenue (expenses)	(812,824)
Income (loss) before transfers	(801,493)
Capital contributions	149,334
Transfers in	1,624,312
Transfers out	(1,860,065)
Change in net position	**(887,912)**
Total net position - beginning, restated	13,136,561
Total net position - ending	$ 12,248,649

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Cash Flows - Year Ended September 30, 2013

	Guthrie Public Works Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,555,687
Payments to suppliers and employees	(3,562,724)
Receipts of notes recievable	10,450
Receipts of customer meter deposits	89,718
Refunds of customer meter deposits	(66,327)
Interfund receipts/payments	(2,171)
Net cash provided by operating activities	1,034,633
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,624,312
Transfers to other funds	(1,860,065)
Net cash provided by (used in) noncapital financing activities	(235,753)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(182,502)
Proceeds from debt	3,274,458
Principal paid on debt	(2,044,072)
Interest and fiscal agent fees paid on debt	(838,348)
Net cash provided by (used in) capital and related financing activities	209,536
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	12,507
Net cash provided by investing activities	12,507
Net decrease in cash and cash equivalents	1,020,923
Balances - beginning of year	2,431,265
Balances - end of year	$ 3,452,188
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	$ 1,937,437
Restricted cash and cash equivalents - current	1,514,751
Total cash and cash equivalents, end of year	$ 3,452,188
Reconciliation of operating income to net cash provided by Operating Activities:	
Operating income	$ 11,331
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	1,275,304
Change in assets and liabilities:	
Due from other funds	(2,786)
Due to other funds	615
Accounts receivable	(46,557)
Other receivable	10,450
Accounts payable	(233,003)
Accrued salaries payable	1,271
Deposits subject to refund	23,391
Accrued compensated absences	(5,383)
Net cash provided by operating activities	$ 1,034,633
Noncash activities:	
Contributed capital assets	$ 149,334
	$ 149,334

See accompanying notes to the basic financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Guthrie) and the blended component units as noted below. This annual report includes all activities for which the City of Guthrie City Council/Manager is fiscally responsible.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statement No. 14 and No. 34" and includes all component units for which the City is financially accountable.

During the fiscal year, the City implemented the following GASB Pronouncements:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. The Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

Statement No. 61, The Financial Reporting Entity: Omnibus – An Amendment of GASB Statement No. 14 and No. 34. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement requires the City to make changes in its financial statement presentation.

In addition, the City early implemented:

Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities.

The City of Guthrie – that provides the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Guthrie has a population of approximately 10,191 located in central Oklahoma. The City is a Council/Manager form of government that provides for three branches of government:

- Legislative – the City Council is the governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, street maintenance, culture, parks and recreation, airport, and certain utility services including water, wastewater, and sanitation.

Component Units:

- **The City of Guthrie Public Works Authority** –(Blended) that operates the water, sewer, and sanitation services of the City.

- **The Guthrie Industrial Development Authority** –(Blended) that operates to finance, develop and promote industrial development activities.

- **The Guthrie Public Transportation Authority** – (Currently inactive) that operates to finance, acquire, construct, operate and provide improvements, services or facilities of the City.

- **The Guthrie Transportation Authority** – that operates to furnish and supply facilities, property and equipment for transportation needs regarding tourism.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues in the Statement of Activities are revenues that are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety – Fire, Police, Ambulance – fines and forfeitures, ambulance fees, fire run charges, 911 revenue and restricted operating and capital grants.
- Airport – rental fees, reimbursements from the City of Edmond, and capital grants.
- Streets – Commercial vehicle and gasoline excise tax shared by the State and other restricted operating grants.
- Culture, and recreation – cemetery revenues, lake fees, pool fees, library fees, operating and capital grants.
- General Government – licenses and permits, abatement fees, and restricted operating grants.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Fund:
General Fund

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- Guthrie/Oklahoma City Waterline Fund – accounts for the cost of developing a reliable source of water for the City and making certain other capital improvements to the municipal water and sewer systems.
- Hotel/Motel Tax Fund – accounts for hotel/motel tax revenues to be used in parks and promotion of tourism.
- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.
- USDA Rural Development Fund – accounts for a Rural Business Enterprise grant to provide a revolving loan fund for small businesses.
- Guthrie Industrial Development Authority – accounts for activity related to economic development and repayment of refundable grant obligation from the proceeds of a long-term note receivable.
- Grant Fund – accounts for grant activity.

Capital Project Fund – accounts for various capital projects.

Debt Service Fund – accounts for funds restricted for debt service.

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund is considered a major fund and therefore displayed in a separate column. All other governmental funds are considered non-major funds and are aggregated under the column titled Other Governmental Funds.

Proprietary Funds:

The City's proprietary funds and are reported on the accrual basis of accounting and economic resources measure focus include:

Enterprise Fund

- Guthrie Public Works Authority Fund that accounts for the activities of the public trust in providing water, sewer, and sanitation services to the public.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities, and Equity

Cash and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1992.

Prior to October 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of $2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	25-50 years
- Machinery and Equipment	3-20 years
- Utility System	25-50 years
- Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable, capital leases, refundable grant obligations and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-Wide Statements:

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

a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted net position* - All other net position that do not meet the definition of "restricted."

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Sales Tax

The City presently levies a three cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax proceeds, after recording in the General Fund, are distributed per City resolution to the GPWA with any unused portion subsequently returned to the General Fund. For the year ended September 30, 2013, the General Fund received on a cash basis $4,385,950 of sales tax, of which $1,459,482 was transferred to the Authority. Subsequently, the Authority transferred the full amount back to the City's General Fund.

Sales tax collected by the State in September and half of October 2013 and received by the City in October and half of November 2013, has been accrued and is included under the caption "Due from other governments" since they represent taxes on sales occurring prior to year-end.

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

For the year ended September 30, 2013, the City did not levy a property tax, and had no general obligation bonded debt or court-assessed judgments outstanding at September 30, 2013.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.

2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

2. Cash, Cash Equivalents, and Investments

At September 30, 2013, the reporting entity held the following deposits and investments:

Primary Government:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			$ 3,776,094
Cash on hand			1,225
Time deposit	5/26/2014		99,000
Time deposit	6/10/2014		447,685
			4,324,004
Investments:			
Trustee accounts money market fund		AAA	3,159,286
			3,159,286
Total deposits and investments			$ 7,483,290
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			$ 6,936,607
Investments			546,683
			$ 7,483,290

See accompanying footnotes to this schedule.

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name: or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. For investments in the Guthrie/OKC Waterline Fund, the trust agreement requires the investments to be collateralized with U. S. government-backed obligations. At September 30, 2013 the City was not exposed to custodial credit risk.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitation of state law as follows:

a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer. Since the City has all investments in certificates of deposit, government securities, or money market accounts, there is no concentration of investment credit risk exposure.

Restricted Cash and Investments – The amounts reported as restricted assets of the proprietary fund statement of net position are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of September 30, 2013 are as follows:

	Current	
	Cash and cash equivalents	Investments
Series 2012 Revenue Bond Interest Account	15,282	$ -
Series 2012 Revenue Bond Project Account	1,206,738	-
Series 2012 Revenue Bond Account	187	$ -
Series 2012 Revenue Bond Principal Account	35,000	-
Meter deposits	257,544	99,000
Total	$ 1,514,751	$ 99,000

3. Accounts and Notes Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include fines receivables.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	$ 71,968	$ -	$ 71,968
Court fines	223,085	(167,314)	55,771
Ambulance fees	4,949,486	(4,850,498)	98,988
Other taxes	49,364	-	49,364
Recreational reimbursements	202,416	-	202,416
Street utilities	66,296	(27,248)	39,048
Total Governmental Activities	$ 5,562,615	$ (5,045,060)	$ 517,555
Business-Type Activities:			
Utilities	$ 1,031,174	$ (368,978)	$ 662,196

Notes Receivable – Excel Jet – The Guthrie Industrial Development Authority has a $375,000 note receivable with Excel-Jet with interest rates between 6% - 7%. The note is unsecured and matures in December 2013. The payments received on this note are used to secure two notes payable with Logan County Economic Development Council and Bancfirst. Monthly payments of $4,849 began in January 2007. Management has determined that the receivable has been impaired and has provided an allowance for the entire note receivable. The company has made interest only payments on the note through the current fiscal year.

Notes Receivable – The City of Guthrie has a $99,990 note receivable with an interest rate of 6%. The note is secured by a building and matures in October 2022. Payments of $10,075 will be made annually.

Notes Receivable – The City of Guthrie has a $10,000 note receivable with an interest rate of 4.5%. The note is secured by a building and matures in July 2023. Payments of $1,000 will be made annually.

Note Receivable – The Guthrie Public Works Authority has a $225,000 and a $90,000 note receivable with certain individuals for the sale of the fire building and park barn. Each note has a 0% interest rate unless default occurs on the loan in which case, the note will bear a 10% interest rate. Events of default include failure to rehabilitate the property to occupancy status within 36 months of the date of the note and failure to meet minimum maintenance requirements within 12 months of the date of the note. However, an imputed interest rate of 4% has been applied. The notes are dated June 5, 2009 and mature on July 2023. Monthly payments are $1,250 and $500, respectively.

The activity on the notes receivable at September 30, 2013 is as follows:

	Balance 10/1/2012	Additions	Deductions	Balance 9/30/2013	Due Within One Year
Governmental Activities:					
Excel Jet	$ 375,000	$ -	$ -	$ 375,000	$ -
(Less allowance for uncollectible account)	(375,000)	-	-	(375,000)	-
Building Loans	58,840	10,000	(12,000)	56,840	13,000
Total Governmental Activities, net	$ 58,840	$ 10,000	$ (12,000)	$ 56,840	$ 13,000
Business-Type Activities:					
Fire Building	$ 124,255	$ -	$ (7,471)	$ 116,784	$ 12,961
Park Barn	52,354	-	(2,979)	49,375	4,831
Total Business-Type Activities	$ 176,609	$ -	$ (10,450)	$ 166,159	$ 17,792

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended September 30, 2013, capital assets balances changed as follows:

	Balance at October 1, 2012	Additions	Disposals	Balance at September 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,641,768	$ -	$ -	$ 1,641,768
Construction in progress	160,311	922,336	-	1,082,647
Total capital assets not being depreciated	1,802,079	922,336	-	2,724,415
Other capital assets:				
Buildings	2,903,076	14,175	-	2,917,251
Improvements	6,494,912	56,761	-	6,551,673
Infrastructure	7,462,630	204,267	-	7,666,897
Machinery, furniture and equipment	5,995,255	209,389	111,468	6,093,176
Total other capital assets at historical cost	22,855,873	484,592	111,468	23,228,997
Less accumulated depreciation for:				
Buildings	865,411	79,589	-	945,000
Improvements	2,393,727	267,807	-	2,661,534
Infrastructure	753,264	380,094	-	1,133,358
Machinery, furniture and equipment	4,774,775	337,022	111,468	5,000,329
Total accumulated depreciation	8,787,177	1,064,512	111,468	9,740,221
Other capital assets, net	14,068,696	(579,920)	-	13,488,776
Governmental activities capital assets, net	$ 15,870,775	$ 342,416	$ -	$ 16,213,191
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 714,607	$ -	$ -	$ 714,607
Construction in progress	-	160,659	-	160,659
Total capital assets not being depreciated	714,607	160,659	-	875,266
Other capital assets:				
Buildings	18,230,101	44,038	-	18,274,139
Improvements	242,917	-	-	242,917
Machinery, furniture and equipment	2,673,213	127,139	27,882	2,772,470
Utility property	24,475,851	-	-	24,475,851
Total other capital assets at historical cost	45,622,082	171,177	27,882	45,765,377
Less accumulated depreciation for:				
Buildings	1,444,501	459,396	-	1,903,897
Improvements	209,194	23,284	-	232,478
Machinery, furniture and equipment	1,871,053	139,479	27,882	1,982,650
Utility property improvements	12,602,069	653,145	-	13,255,214
Total accumulated depreciation	16,126,817	1,275,304	27,882	17,374,239
Other capital assets, net	29,495,265	(1,104,127)	-	28,391,138
Business-type activities capital assets, net	$ 30,209,872	$ (943,468)	$ -	$ 29,266,404

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
		Water	$ 636,772
General government	$ 67,087	Sewer	326,491
Public safety	231,926	Sanitation	41,852
Highways and streets	223,207	Administration	94,592
Culture, tourism, and recreation	75,895	Line maintenance	175,346
Airport	466,397	Meter operations	251
Depreciation expense	$ 1,064,512		$1,275,304

5. Long-Term Debt and Debt Service Requirements

For the year ended September 30, 2013, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Governmental Activities:					
Capital lease payable	$ 363,614	$ 128,000	$ 44,703	$ 446,911	$ 72,172
Refundable grant obligation	142,708	-	12,500	130,208	12,500
Notes payable	-	163,931	-	163,931	18,500
Accrued compensated absences	425,736	438,665	479,226	385,175	38,518
Other Post-Employment Benefits	259,232	-	2,114	257,118	-
Total Governmental Activities	$ 1,191,290	$ 730,596	$ 538,543	$ 1,383,343	$ 141,690
Business-Type Activities:					
Notes Payable	$ 19,554,612	$ 299,458	$ 2,044,072	$ 17,809,998	$ 853,639
Utility System Revenue and Sales Tax Note	-	2,975,000	-	2,975,000	140,000
Accrued compensated absences	51,623	47,110	52,493	46,240	4,624
Other Post-Employment Benefits	59,245	-	4,941	54,304	-
Total Business-Type Activities	19,665,480	3,321,568	2,101,506	20,885,542	998,263
Total Long-Term Debt	$ 20,856,770	$ 4,052,164	$ 2,640,049	$ 22,268,885	$ 1,139,953

Reconciliation to Statement of Net Assets:	
Governmental Activities:	
Due within one year	$ 141,690
Due in more than one year	1,241,653
Total Governmental Activities Long-Term Liabilities	$ 1,383,343
Business-Type Activities:	
Due within one year	$ 998,263
Due in more than one year	19,887,279
Total Business-Type Activities Long-Term Liabilities	$ 20,885,542

The governmental capital lease obligations are paid by the general fund. Governmental accrued compensated absences will be liquidated by the general fund. Governmental notes payable and the refundable grant obligation are paid by the Guthrie Industrial Development Authority.

Governmental activities long-term debt:

Governmental activities long-term debt payables from net revenues include the following:

Capital Lease Obligations:

$347,330 lease obligation for the purchase of a backhoe, grader and loader, payable in monthly installments of $2,688 with an annual interest rate of 3.0%, final payment due September 2015.	$	301,460
$110,275 lease obligation for the purchase of a 10 Wheel Dump Truck, payable in 60 monthly installments of $2,031with an annual interest rate of 3.99%, final payment due June 2014.		17,451
$128,000 lease obligation for the purchase of 2013 Dodge 4x4 Type 1 Ambulance, payable in 48 monthly installments of $8,292 with an annual interest rate of 1.7%, final payment due September 2017.		128,000
Total Capital Leases Payable	$	446,911
Current portion	$	72,172
Noncurrent portion		374,739
Total Capital Leases Payable	$	446,911

Refundable Grant Obligation:

CDBG Refundable Grant Obligation contract #14402 dated March 1, 2003, original amount of $250,000 with 0% interest rate, due in monthly installments of $1,041 and an economic payback #9793, secured with lease revenue from Spirit Wing Aviation, final payment due March 2024.	$	130,208
Total Refundable Grant Obligation	$	130,208
Current portion	$	12,500
Noncurrent portion		117,708
Total Refundable Grant Obligation	$	130,208

Note Payable:

Note Payable to Edmond Economic Development Authority dated October 1, 2012, original amount $185,000 with annual interest rate of 1.5%, final installment due July 1, 2022, secured with airport revenues.	$	163,931
Total Notes Payable	$	163,931
Current portion	$	18,500
Noncurrent portion		145,431
Total Notes Payable	$	163,931

Accrued Compensated Absences:

Current portion		38,518
Noncurrent portion		346,657
Total Accrued Compensated Absences	$	385,175

Business-type activities long-term debt payable from net revenues generated by and taxes pledged to the City's business-type activities include the following:

Notes Payable:

2004 SRF Note Payable to Oklahoma Water Resources Board dated September 1, 2004, original amount of $607,000 with an annual interest rate of 2.17% due in semi-annual installments of principal and interest beginning March 15, 2005, final installment due September 15, 2024, payable from and secured by utility revenues.	$	378,981
2008 SRF Note Payable to Oklahoma Water Resources Board dated January 19, 2009, original amount of $7,320,000 with an annual interest rate of 4.51% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues.		7,229,579
2009 SRF Note Payable to Oklahoma Water Resources Board dated January 19, 2009, original amount of $8,000,000 with an annual interest rate of 4.51% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues.	$	7,945,100
2010 CW Note Payable to Oklahoma Water Resources Board dated December 1, 2010, original amount of $4,375,000 with an annual interest rate of 3.13% due in semi-annual installments of principal and interest beginning March 15, 2012, final installment due September 15, 2032, payable from and secured by utility revenues.		2,256,338
Total Notes Payable	$	17,809,998
Current portion	$	853,639
Noncurrent portion		16,956,359
Total Notes Payable	$	17,809,998

Utility System and Sales Tax Revenue Note

2013 Series Utility System and Sales Tax Revenue Bonds original issue amount of $2,975,000, dated July 24, 2013, issued by Guthrie Public Works Authority, secured by certain utility revenue and pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 2.76%, final maturity October 1, 2025.	$	2,975,000
Total Revenue Bonds Payable	$	2,975,000
Current portion	$	140,000
Noncurrent portion		2,835,000
Total Revenue Bonds Payable	$	2,975,000

Accrued Compensated Absences:

Current portion		4,624
Noncurrent portion		41,616
Total Accrued Compensated Absences	$	46,240

Debt Service Requirements to Maturity:

Year Ending September 30,	Governmental Activities					
	Refundable Grant Obligations		Capital Lease obligations		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 12,500	$ -	$ 72,162	$ 11,000	$ 18,396	$ 231
2015	12,500	-	309,653	9,451	18,419	208
2016	12,500	-	32,267	901	18,442	185
2017	12,500	-	32,829	350	18,465	162
2018	12,500	-	-	-	18,488	139
2019-2023	62,500	-	-	-	92,790	348
2024-2025	5,208	-	-	-	-	-
Totals	$ 130,208	$ -	$ 446,911	$ 21,702	$ 185,000	$ 1,273
Amount remaining to be drawn					(21,069)	
					$ 163,931	

Year Ending September 30,	Business Type Activities			
	Notes Payable		Utility System Revenue and Sales Tax Note	
	Principal	Interest	Principal	Interest
2014	$ 853,639	$ 750,271	$ 140,000	$ 55,854
2015	828,039	677,382	215,000	76,797
2016	855,266	683,342	225,000	70,794
2017	883,769	648,028	225,000	64,584
2018	913,532	611,456	230,000	58,305
2019-2023	5,063,252	2,459,615	1,250,000	191,682
2024-2025	5,161,675	1,214,041	690,000	28,704
2026-2030	3,626,685	119,961	-	-
Totals	$ 18,185,857	$ 7,164,096	$ 2,975,000	$ 546,720
Less remaining funds to be drawn down:	(375,859)			
	$ 17,809,998			

Defeased Bonds Outstanding:

The Guthrie Public Works Authority has defeased an outstanding bond issue by placing deposits in irrevocable trusts and escrow accounts for the purchase of U.S. government securities to pay the principal and interest on the defeased bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year-end, the remaining outstanding defeased bonds were as follows:

Defeased Bonds Outstanding:	Outstanding at September 30, 2013
1977 Series Bonds - Public Works Authority	
Total Defeased Bonds Outstanding	$50,000

6. Net Position and Fund Balances

Fund Statements:
Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	General Fund	Other Governmental Funds	TOTAL Governmental
Fund Balances (Deficit):			
Restricted for:			
East Village Infrasturcture	$ 445,232	$ -	$ 445,232
Animal shelter	11,950	-	11,950
Specified water and sewer projects	-	1,902,079	1,902,079
E911	-	14,460	14,460
Industrial Development	-	7,177	7,177
Tourism	-	2,891	2,891
Parks	-	96,203	96,203
Cemetery	-	38,326	38,326
Revolving loan program for small businesses	-	100,651	100,651
Grant programs	-	8,000	8,000
Debt Service	-	455	455
Sub-total Restricted	457,182	2,170,242	2,627,424
Committed to:			
Stabalization	1,058,282	-	1,058,282
Sub-total Committed	1,058,282	-	1,058,282
Assigned to:			
Capital projects	-	1,856	1,856
Airport	108,518	-	108,518
Tourism/parks	-	4,252	4,252
Grant programs	-	77,632	77,632
Public Safety	25,778	-	25,778
Sub-total Assigned	134,296	83,740	218,036
Unassigned (deficit):	601,896	-	601,896
TOTAL FUND BALANCES	$ 2,251,656	$ 2,253,982	$ 4,505,638

Net position is displayed in three components:

a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

The restrictions are as follows:

	State Statutes	Enabling Legislation	Contractual Agreements	Total
Governmental Activities:				
Capital Projects:				
General Fund - specific GHM Projects	$ -	$ -	$ 445,232	$ 445,232
Capital Improvement Fund	-	14,460	-	14,460
Guthrie/OKC Waterline Fund	-	1,902,079	-	1,902,079
Sub-total Capital Projects	-	1,916,539	445,232	2,361,771
Debt Service:				
Sinking Fund	455	-	-	455
Other				
USDA Rural Development Fund	-	-	100,651	100,651
Hotel Motel Tax Fund	99,094	-	-	99,094
Animal Shelter	-	-	11,950	11,950
Grant Fund	8,000	-	-	8,000
GIDA	-	7,177	-	7,177
Cemetery Care Fund	38,326	-	-	38,326
Sub-total Other	145,420	7,177	112,601	265,198
Total Governmental Activities	145,875	1,923,716	557,833	2,627,424
TOTAL RESTRICTED NET ASSETS	$ 145,875	$ 1,923,716	$ 557,833	$ 2,627,424

c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Stabilization Reserve

On August 21, 2012, the City Council adopted Ordinance No. 3239 which established requirements for a stabilization reserve for the General Fund. This ordinance requires that funds be set aside for the purpose of stabilization.

The minimum amount to be set aside for the General Fund stabilization is 12% of General Fund non-capital operating expenses excluding transfers as of the most recent annual audit. The maximum amount is 30% of the same items.

When the balance is less than the minimum, it shall be funded with not less than 75% of assigned and unassigned General Fund balance as of the most recent financial statements. When the balance is greater than the minimum but less than the maximum, it shall be funded with 50% of assigned and unassigned General Fund fund balance as of the most recent financial statements.

Amounts held that are above the minimum balance may be spent for the following purposes:

a. Expenditures for emergency situations for life, health or public safety issues for which no existing appropriations exist
b. Situations where a significant revenue declaim in excess of 5% of General Fund original budgeted estimated revenues (excluding transfer in) arises that could not have been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;

c. Correcting the results of an inaccurate estimate, accounting error, or budgeting error in excess of 5% of General Fund original budgeted estimated revenues (excluding transfers)
d. Expenditures where the proposed use is of a nonoperational nature involving capital or technical purchases having a useful life of greater than five years that will improve the efficiency of the City government. These efficiency improvements should result in tangible benefits that can be measured financially, through better service to the citizens, or an increased productivity for City employees.
e. Expenditures where the proposed use is of a nonrecurring nature, such as start-up costs of a program whose ongoing costs are otherwise funded, matching funds for a grant, or up-front payment of grant eligible expenses to be reimbursed by grant revenues. These expenditures should result in tangible benefits that can be measured financially, through better service to the citizens, or an increased productivity for City employees.

Amounts held that are below the minimum balance may be spent for the following purposes:

a. Expenditures for emergency situations for life, health or public safety issues for which no existing appropriations exist
b. Situations where a significant revenue declaim in excess of 5% of General Fund original budgeted estimated revenues (excluding transfer in) arises that could not have been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
c. Correcting the results of an inaccurate estimate, accounting error, or budgeting error in excess of 5% of General Fund original budgeted estimated revenues (excluding transfers)

The amount in the stabilization reserve account at September 30, 2013 is $1,058,282.

The Guthrie Public Works Authority adopted Resolution No. 2012-10 with similar funding requirements and allowable spending purposes. The amount in the stabilization reserve account at September 30, 2013 is $804,961.

Beginning balances/net position were restated as of October 1, 2013 as follows:

	Enterprise Fund	Government-Wide Business-type Activities
Beginning fund balance/net assets, as previously reported	$ 13,455,672	$ 13,455,672
Elimination of bond issue cost due to Statement 65	(319,113)	(319,113)
Beginning fund balance/net assets, restated	$ 13,136,559	$ 13,136,559

7. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

Internal transfers between funds and activities for the year ended September 30, 2013 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
Capital Project Fund	GPWA	38,573	Capital asset purchase
General Fund	GPWA	126,257	Grant activity transfer
General Fund	GPWA	1,459,482	Sales Tax transfer
Capital Project Fund		149,334	One-sided capital asset transfer
General Fund	Grant Fund	750	Grant match
GPWA	General Fund	1,459,482	Sales Tax transfer
Capital Project Fund	General Fund	180,833	Capital asset purchase
Grant Fund	General Fund	2,297	Grant match
GPWA	Capital Project Fund	400,583	Capital asset purchase
General Fund	Capital Project Fund	355,261	Capital asset purchase
Total		$ 4,172,852	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	GW Capital Asset Transfers	Net Transfers
Governmental Funds	$ 2,399,206	$ (2,312,787)	$ -	$ 86,419
Proprietary Funds	1,624,312	(1,860,065)	149,334	$ (86,419)
	4,023,518	(4,172,852)	149,334	-

Balances:

Interfund receivable and payables at September 30, 2013 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
General Fund	GPWA	2,032	Utility payments received by General Fund
General Fund	Grant Fund	9,793	To cover expenditures
GPWA	Capital Project Fund	379	To cover expenditures
Capital Project Fund	GPWA	96,355	To cover expenditures
Aiport Fund	GIDA	3,489	To cover expenditures
GPWA	GIDA	236	To cover expenditures
Total		$ 112,284	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	$ 13,897	$ (111,669)	$ (97,772)
Proprietary Funds	98,387	(615)	97,772
Total	$ 112,284	$ (112,284)	$ -

8. Pledged Future Revenues

Utility Net Revenues Pledge – The City has pledged the net water and sewer utility revenues to repay the following notes payable: $607,000 of 2004 SRF, $7,320,000 of 2008 SRF, $8,000,000 of 2009 SRF, $4,375,000 of 2010 SRF Oklahoma Water Resources Board Notes Payable and $2,975,000 of 2013 Utility System and Sales Tax Revenue Note. The City has also pledged 1% of sales tax to repay the $2,975,000 of 2013 Utility System and Sales Tax Revenue Note. Proceeds from the bonds provided for the purchase or construction of water and utility systems. The bonds are payable from pledged net water and sewer utility revenues through 2030. The total principal and interest payable for the remainder of the life of these bonds is $28,871,673 (total principal includes $375,859 remaining to be drawn). Pledged sales tax and net water and sewer utility revenues in the current fiscal year were $2,738,380. Debt

service payments of $1,809,636 for the current fiscal year were 66% of total pledged revenues for these notes.

Sales tax revenue represents a 3.0% tax on each dollar of taxable sales of which is recorded as follows:

- One cent is recorded in the General Fund which is pledged and transferred to the GPWA to assist in GPWA debt service coverage requirements. The unused portion of this one cent tax is then returned to the General Fund.

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool (1)
- Worker's Compensation – Worker's compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool (2)
- Employee's Group Medical – Covered through purchased insurance with Principal Financial Group

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the state tort claims law and federal civil rights laws. All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

(2) Worker's Compensation

The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plan in equal shares. Each participating city pays for all costs, premiums, or other fees attributable to its respective participation in the Plan, policy or service established under the agreement establishing the Oklahoma Municipal Assurance Group, and is responsible for its obligations under any contract entered into with the Plan.

Specific aggregate stop loss coverage is provided by the State Insurance Fund and covers all claims above the loss reserve fund. The loss reserve fund amount for the fiscal year 2013 was $138,309. Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

The Plan worker's compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plan's reinsurance agreement.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

10. Commitments and Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

The City and Guthrie Public Works Authority (Authority) have had multiple claims filed against them by the Rural Water, Sewer, and Solid Waste Management District No.1, Logan County, (District) asserting that the City and Authority have allegedly violated monopoly protection held by the District as a result of outstanding loans from the United States Department of Agriculture. This litigation is in its preliminary stages, and the City cannot predict its outcome, as the litigation process is inherently uncertain. However, the City intends to contest such claims vigorously. As of September 30, 2013, no loss amount has been accrued because a loss, if any, is not estimable. If the claim is upheld and a judgment is rendered against the City and/or Authority, the damage award would be minimal. If a judgment is rendered against the City, the claim will be paid as allowed by state statute explained in the previous paragraph.

Federal and State Award Programs:

The City of Guthrie participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Construction Commitments:

The City had the following outstanding construction commitments at September 30, 2013:

	Original Contract	Remaining Balance
Total Investment Co.	$1,012,926	$714,773

11. Pension Plan Participation

The City of Guthrie participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan.

Firefighters' Plan:

Pursuant to the requirements of Title 11, section 49-102, the City of Guthrie participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of Guthrie participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by

contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Summary of Contributions – Cost Sharing Plans:

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2011	$ 83,268	100%	2011	$ 121,303	100%
2012	$ 89,067	100%	2012	$ 126,107	100%
2013	$ 88,655	100%	2013	$ 137,180	100%

The state made on-behalf payments of $80,472 for the police pension system and $301,836 for the fire pension during the current fiscal year.

Employee Plan:

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through the Oklahoma Municipal Retirement Fund (OMRF).

A. Plan Description

Effective January 1, 1969, the City began contributing to the City of Guthrie Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1200 N.W. 63rd, 4th Floor, Oklahoma City, Oklahoma 73116.

B. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	8.32% of covered payroll
- Employee Rate	3.69% of covered payroll
c. Period Required toVest	10 years of credited service

d. Eligibility for Distribution	- Normal retirement at age 65 with 10 years of service - Early retirement at age 55 with 10 years of service - Disability retirement upon disability with 10 years of service - Death benefit with 10 years of service for married employees
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.
- Disability Retirement	Benefit computed as for normal retirement based upon age and service at termination
- Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage
- Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect. With City consent, optional form based on actuarial equivalent.

C. Annual Pension Costs

1. Current Year Contribution Information

For the year ended September 30, 2013, the City's annual pension cost and required contributions of $150,339 were made.

2. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2011
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Average of 5.0%
d. Post Retirement cost-of-Living Increase	None

e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Amortization Method of Unfunded Actuarial Accrued Liability	Level percentage of projected payroll
g. Remaining Amortization Period	None
h. Asset Valuation Method	Actuarial write-up method

D. Funded Status and Funding Progress

As of January 1, 2013, the funded status of the OMRF defined benefit plan is as follows:

Actuarial accrued liability (AAL)	$5,447,243
Actuarial value of plan assets	4,877,789
Overfunded (Unfunded) actuarial accrued liability (UAAL)	$ (569,454)
Funded ratio (actuarial value of plan assets/AAL)	89.5%
Annual covered payroll (active plan members)	$1,719,177
UAAL as a percentage of covered payroll	31.8%

The schedule of funding progress, presented as required supplementary information 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 liabilities for benefits.

E. Annual OPEB Cost and Net OPEB Obligation

Plan Description: The City provides post-retirement benefit options for health care, and prescription drug benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost as retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree.

The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the City contributed $10,212 to the plan. Plan members receiving benefits contributed $10,212, or approximately 100 percent of the total premiums, through their required contribution of $400.00 per month for retiree-only coverage and $536.02 for retiree and spouse medical coverage.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended September 30, 2013:

Annual required contribution	$ 98,443
Interest on net OPEB obligation	9,179
Change in estimate	(89,000)
Adjustment to annual required contribution	(20,639)
Annual OPEB cost (expense)	(2,017)
Contributions made	(5,038)
Increase in net OPEB obligation	(7,055)
Net OPEB obligation—beginning of year	318,477
Net OPEB obligation—end of year	$ 311,422

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net unfunded OPEB obligation for 2013 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Unfunded OPEB Obligation
6/30/11	$72,907	14.0%	$168,853
6/30/12	$70,836	14.4%	$229,477
6/30/13	$86,983	5.79%	$311,422

Funded Status and Funding Progress. As of February 12, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $832,247, and the

actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $832,247. The covered payroll (annual payroll of active employees covered by the plan) was $4.0 million, and the ratio of the UAAL to the covered payroll was 18 percent.

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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 12, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.62 percent initially, varying annually based upon dependent rates. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at September 30, 2013, was twenty-seven years.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule (Budgetary Basis) General Fund – Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 4,506,802	$ 5,028,449	$ 5,035,548	$ 7,099
Licenses and permits	72,000	72,000	95,240	23,240
Intergovernmental	231,500	231,500	255,476	23,976
Charges for services	113,980	113,980	130,529	16,549
Fees and fines	256,000	256,000	288,661	32,661
Investment earnings	2,200	2,200	2,960	760
Miscellaneous	98,870	199,065	174,951	(24,114)
Total revenues	5,281,352	5,903,194	5,983,365	80,171
EXPENDITURES				
Departmental:				
General Government:				
General government	838,837	937,030	781,578	155,452
City manager	177,050	188,164	188,080	84
Human resources	129,325	149,791	136,405	13,386
City clerk	173,692	162,636	162,631	5
Building services	83,309	87,046	87,042	4
Planning and zoning	196,401	185,188	176,059	9,129
Economic development	66,735	77,988	77,986	2
Vehicle maintenance	142,910	149,729	148,386	1,343
Total General Government	1,808,259	1,937,572	1,758,167	179,405
Public Safety:				
Police administration	329,053	382,142	378,925	3,217
Police operations	821,506	773,061	773,057	4
Criminal investigations	70,564	187,667	187,661	6
Police support	52,351	61,414	61,410	4
Communications	157,792	142,360	142,356	4
Animal Control	87,634	85,950	85,945	5
Code Compliance	72,007	58,413	58,409	4
Total Public Safety	1,590,907	1,691,007	1,687,763	3,244
Street:				
Street	512,961	513,899	513,756	143
Total Street	512,961	513,899	513,756	143
Culture and Recreation:				
Library	188,127	198,763	198,755	8
Parks	397,975	451,372	449,135	2,237
Total Culture and Recreation	586,102	650,135	647,890	2,245
Total Expenditures	4,498,229	4,792,613	4,607,576	185,037
Excess (deficiency) of revenues over expenditures	783,123	1,110,581	1,375,789	265,208
OTHER FINANCING SOURCES (USES)				
Transfers in	1,495,000	1,495,000	1,642,612	147,612
Transfers out	(2,390,790)	(3,612,063)	(1,832,821)	1,779,242
Total other financing sources and uses	(895,790)	(2,117,063)	(190,209)	1,926,854
Net change in fund balances	(112,667)	(1,006,482)	1,185,580	2,192,062
Fund balances - beginning	112,667	1,006,482	1,377,327	370,845
Fund balances - ending	$ -	$ -	$ 2,562,907	$ 2,562,907

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on a non-GAAP budgetary basis that report revenues and expenditures on a modified cash basis. For budgetary purposes expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Council. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue - budgetary basis	$ 7,625,977
Total expenses - budgetary basis	(6,440,397)
Change in fund balance - budgetary basis	1,185,580
Revenue accruals	781,388
Expenditure accruals	(2,774,820)
Change in fund balance - GAAP basis	$ (807,852)

Schedule of Pension Plan Funding Progress – OMRF Defined Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded Liability AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/04	$3,351,544	$2,512,811	$(838,733)	133.4%	$1,367,964	(61.3)%
1/1/05	$3,410,203	$2,997,260	$(412,943)	113.8%	$1,577,987	(26.2)%
1/1/06	$3,633,735	$3,203,803	$(429,932)	113.4%	$1,523,380	(28.2)%
1/1/07	$3,897,896	$3,582,341	$(315,555)	108.8%	$1,553,029	(20.3)%
1/1/08	$4,182,670	$3,840,030	$(342,640)	108.9%	$1,647,890	(20.8)%
1/1/09	$3,653,572	$3,798,146	$ 144,574	96.2%	$1,661,049	8.7%
1/1/10	$3,834,549	$4,397,696	$ 563,147	87.2%	$1,826,439	30.8%
1/1/11	$4,108,038	$4,647,003	$ 538,965	88.4%	$1,705,993	31.6%
1/1/12	$4,440,745	$5,091,668	$ 650,922	87.2%	$1,719,767	37.6%
1/1/13	$4,877,789	$5,447,243	$ 569,454	89.5%	$1,791,177	31.8%

Schedule of Contributions - OMRF Defined Benefit Plan

Period Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
September 30, 2011	$ 125,431	100%	-
September 30, 2012	$ 151,366	100%	-
September 30, 2013	$ 158,189	100%	-

Required Supplementary Information

The funded status and funding progress of the City's defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	October 1, 2009	September 30, 2013
Actuarial accrued liability - AAL (a)	$762,663	$832,247
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	$762,663	$832,247
Funded ratio (b)/(a)	0%	0%
Covered payroll (c)	$1,826,439	$3,998,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	41.8%	18%

Three year trend information is not available because only two actuarial valuations have been done since GASB 45 implementation.

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds – September 30, 2013

	Guthrie Oklahoma City Waterline Fund	Hotel Motel Tax Fund	Cemetery Care Fund	Grant Fund	USDA Rural Development	Guthrie Industrial Development Fund	Capital Project Fund	Debt Service	Total Governmental Funds
ASSETS									
Cash and cash equivalents	$ 1,902,079	$ 91,299	$ 38,326	$ 75,859	$ 43,811	$ 3,452	$ 132,116	$ 455	$ 2,287,397
Receivable from other governments	-	-	-	8,060	-	-	-	-	8,060
Due from other funds	-	-	-	9,793	-	3,725	379	-	13,897
Taxes receivable, net	-	49,364	-	-	-	-	-	-	49,364
Note receivable	-	-	-	-	56,840	-	39,048	-	95,888
Total assets	$ 1,902,079	$ 140,663	$ 38,326	$ 93,712	$ 100,651	$ 7,177	$ 171,543	$ 455	$ 2,454,606
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ -	$ 37,317	$ -	$ 20	$ -	$ -	$ 51,673	$ -	$ 89,010
Due to other funds	-	-	-	-	-	-	96,355	-	96,355
Total liabilities	-	37,317	-	20	-	-	148,028	-	185,365
Deferred inflows of resources:									
Deferred revenue	-	-	-	8,060	-	-	7,199	-	15,259
Fund balances:									
Restricted	1,902,079	99,094	38,326	8,000	100,651	7,177	14,460	455	2,170,242
Assigned	-	4,252	-	77,632	-	-	1,856	-	83,740
Total fund balances	1,902,079	103,346	38,326	85,632	100,651	7,177	16,316	455	2,253,982
Total liabilities, deferred inflows and fund balan	$ 1,902,079	$ 140,663	$ 38,326	$ 93,712	$ 100,651	$ 7,177	$ 171,543	$ 455	$ 2,454,606

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended September 30, 2013

	Guthrie Oklahoma City Waterline Fund	Hotel Motel Tax Fund	Cemetery Care Fund	Grant Fund	USDA Rural Development	Guthrie Industrial Development Fund	Capital Project Fund	Debt Service	Total-Other Governmental Funds
REVENUES									
Taxes	$ -	$ 196,038	$ -	$ -	$ -	$ -	$ -	$ -	$ 196,038
Intergovernmental	-	-	-	109,587	-	-	757	-	110,344
Charges for services	-	-	9,985	-	-	14,900	224,984	-	249,869
Investment earnings	244	285	109	171	84	9	210	-	1,112
Miscellaneous	-	2,738	-	430	-	-	-	-	3,168
Total revenues	244	199,061	10,094	110,188	84	14,909	225,951	-	560,531
EXPENDITURES									
Current:									
Public Safety	-	-	-	50,855	-	-	-	-	50,855
Culture and recreation	-	128,366	1,837	-	-	-	-	-	130,203
Debt Service:									
Principal	-	-	-	-	-	12,500	70,927	-	83,427
Interest and other charges	-	-	-	-	-	-	10,674	-	10,674
Capital Outlay	-	70,716	22,188	65,406	-	-	307,690	-	466,000
Total Expenditures	-	199,082	24,025	116,261	-	12,500	389,291	-	741,159
Excess (deficiency) of revenues over expenditures	244	(21)	(13,931)	(6,073)	84	2,409	(163,340)	-	(180,628)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	750	-	-	755,844	-	756,594
Transfers out	-	-	-	(2,297)	-	-	(368,740)	-	(371,037)
Total other financing sources and uses	-	-	-	(1,547)	-	-	387,104	-	385,557
Net change in fund balances	244	(21)	(13,931)	(7,620)	84	2,409	223,764	-	204,929
Fund balances (deficits) - beginning	1,901,835	103,367	52,257	93,252	100,567	4,768	(207,448)	455	2,049,053
Fund balances - ending	$ 1,902,079	$ 103,346	$ 38,326	$ 85,632	$ 100,651	$ 7,177	$ 16,316	$ 455	$ 2,253,982

Combining Balance Sheet – General Fund Accounts – September 30, 2013

	General Fund	Fire/EMS Cash	Airport Account	General Fund Stabilization Account	Total General Fund Accounts
ASSETS					
Cash and cash equivalents	$ 213,802	114,550	$ 93,343	$ 775,327	$ 1,197,022
Investments	447,685	-	-	-	447,685
Receivable from other governments	716,316	-	192,690	-	909,006
Due from other funds	-	564	-	282,955	283,519
Taxes receivable, net	71,968	-	-	-	71,968
Court fines receivable, net	55,771	-	-	-	55,771
Ambulance receivable, net	98,988	-	-	-	98,988
Other receivables	202,416	-	-	-	202,416
Total assets	$ 1,806,946	$ 115,114	$ 286,033	$ 1,058,282	$ 3,266,375
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 109,619	$ 89,337	$ 148,149	$ -	$ 347,105
Accrued payroll payable	150,622	-	284	-	150,906
Due to other funds	295,344	-	3,489	-	298,833
Due to bondholders	1,275	-	-	-	1,275
Payable to other governments	1,139	-	-	-	1,139
Other payables	184	-	-	-	184
Total liabilities	558,183	89,337	151,922	-	799,442
Deferred inflows of resources:					
Deferred revenue	189,685	-	25,593	-	215,278
Fund balances:					
Restricted	457,182	-	-	-	457,182
Committed	-	-	-	1,058,282	1,058,282
Assigned	-	25,778	108,518	-	134,296
Unassigned	601,896	-	-	-	601,896
Total fund balances	1,059,078	25,778	108,518	1,058,282	2,251,656
Total liabilities and fund balances	$ 1,806,946	$ 115,115	$ 286,033	$ 1,058,282	$ 3,266,376

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended September 30, 2013

	General Fund	Fire/EMS Cash	Airport Account	General Fund Stabilization Account	Total General Fund Accounts
REVENUES					
Taxes	$ 5,115,910	$ -	$ -	$ -	$ 5,115,910
Intergovernmental	769,416	48,755	576,669	-	1,394,840
Licenses and permits	132,872	-	-	-	132,872
Charges for services	163,128	881,704	152,754	-	1,197,586
Fees and fines	245,140	-	-	-	245,140
Investment earnings	5,413	119	171	436	6,139
Miscellaneous	332,874	14,929	-	-	347,803
Total revenues	6,764,753	945,507	729,594	436	8,440,290
EXPENDITURES					
Current:					
General government	1,808,699	-	-	-	1,808,699
Public safety	2,082,214	1,894,132	-	-	3,976,346
Public works	518,418	-	-	-	518,418
Culture and recreation	656,174	-	-	-	656,174
Economic development	78,594	-	-	-	78,594
Airport	-	-	164,831	-	164,831
Capital outlay	22,075	157,944	804,810	-	984,829
Total expenditures	5,166,174	2,052,076	969,641	-	8,187,891
Excess (deficiency) of revenues over expenditures	1,598,579	(1,106,569)	(240,047)	436	252,399
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt, net	-	128,000	163,931	-	291,931
Transfers in	1,642,612	1,004,347	45,100	1,057,846	3,749,905
Transfers out	(4,049,043)	-	-	-	(4,049,043)
Total other financing sources and uses	(2,406,431)	1,132,347	209,031	1,057,846	(7,207)
Net change in fund balances	(807,852)	25,778	(31,016)	1,058,282	245,192
Fund balances - beginning	1,866,930	-	139,534	-	2,006,464
Fund balances - ending	$ 1,059,078	$ 25,778	$ 108,518	$ 1,058,282	$ 2,251,656

Combining Schedule of Net Position – Enterprise Fund Accounts – September 30, 2013

	GPWA	Water Treatment Plant Account	Meter Deposit Account	CMOM Account	GPWA Stabilization Account	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 32,815	$ 1,212,341	$ 73,911	$ 270,469	$ 347,901	$ 1,937,437
Restricted:						
Cash and cash equivalents	1,257,207	-	257,544	-	-	1,514,751
Investments	-	-	99,000	-	-	99,000
Due from other funds	100,759	542	-	57,367	457,060	615,728
Accounts receivable, net	444,770	100,975	-	46,693	-	592,438
Other receivables	69,758	-	-	-	-	69,758
Notes receivable	17,792	-	-	-	-	17,792
Total current assets	1,923,101	1,313,858	430,455	374,529	804,961	4,846,904
Non-current assets:						
Notes receivable	148,367	-	-	-	-	148,367
Capital assets:						
Land and construction in progress	814,506	60,760	-	-	-	875,266
Other capital assets,net of accumulated depreciation	14,106,432	14,284,706	-	-	-	28,391,138
Total non-current assets	15,069,305	14,345,466	-	-	-	29,414,771
Total assets	16,992,406	15,659,324	430,455	374,529	804,961	34,261,675
LIABILITIES						
Current liabilities:						
Accounts payable	195,566	3,038	-	-	-	198,604
Salaries payable	28,467	-	-	-	-	28,467
Accrued interest payable	344	21,391	-	5,278	-	27,013
Due to other funds	515,584	1,135	111	1,126	-	517,956
Deposits subject to refund	-	-	355,444	-	-	355,444
Compensated absences	4,624	-	-	-	-	4,624
Notes payable	167,751	607,138	-	218,750	-	993,639
Total current liabilities	912,336	632,702	355,555	225,154	-	2,125,747
Non-current liabilities:						
Compensated absences	41,616	-	-	-	-	41,616
Notes payable	3,240,534	14,567,541	-	2,037,588	-	19,845,663
Total non-current liabilities	3,282,150	14,567,541	-	2,037,588	-	19,887,279
Total liabilities	4,194,486	15,200,243	355,555	2,262,742	-	22,013,026
NET POSITION						
Net investment in capital assets	12,719,391	(889,973)	-	(2,256,338)	-	9,573,080
Restricted for debt service	50,580	-	-	-	-	50,580
Unrestricted	27,949	1,349,054	74,900	368,125	804,961	2,624,989
Total net position	$ 12,797,920	$ 459,081	$ 74,900	$ (1,888,213)	$ 804,961	$ 12,248,649

Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund Accounts – Year Ended September 30, 2013

	GPWA	Water Treatment Plant Account	Meter Deposit Account	CMOM Account	GPWA Stabilization Account	Total
REVENUES						
Charges for services:						
Pledged as security:						
Water	$ 1,889,435	$ 342,693	$ -	$ -	$ -	$ 2,232,128
Sewer	750,415	-	-	325,456	-	1,075,871
Unpledged:						
Sewer	1,276,004	-	-	-	-	1,276,004
Rents and royalties	9,027	-	-	-	-	9,027
Miscellaneous	8,910	-	304	-	-	9,214
Total operating revenues	3,933,791	342,693	304	325,456	-	4,602,244
OPERATING EXPENSES						
General government	521,585	-	-	-	-	521,585
Administration	276,856	-	-	-	-	276,856
Water	604,224	7,394	-	-	-	611,618
Wastewater	352,136	-	-	-	-	352,136
Sanitation	861,608	-	-	3,498	-	865,106
Landfill operations	106,700	-	-	-	-	106,700
Line maintenance	517,111	-	-	-	-	517,111
Meter operations	49,046	-	-	-	-	49,046
Municipal pool	15,451	-	-	-	-	15,451
Depreciation	898,564	376,740	-	-	-	1,275,304
Total operating expenses	4,203,281	384,134	-	3,498	-	4,590,913
Operating income (loss)	(269,490)	(41,441)	304	321,958	-	11,331
NON-OPERATING REVENUES (EXPENSES)						
Interest and investment revenue	7,532	1,455	1,883	1,441	196	12,507
Interest expense	(62,927)	(686,392)	-	(76,012)	-	(825,331)
Total non-operating revenue (expenses)	(55,395)	(684,937)	1,883	(74,571)	196	(812,824)
Income (loss) before transfers	(324,885)	(726,378)	2,187	247,387	196	(801,493)
Capital contributions	149,334	-	-	-	-	149,334
Transfers in	1,643,846	383,444	-	-	804,765	2,832,055
Transfers out	(3,048,274)	-	(1,199)	(18,335)	-	(3,067,808)
Change in net position	(1,579,979)	(342,934)	988	229,052	804,961	(887,912)
Total net position - beginning, restated	14,377,899	802,015	73,912	(2,117,265)	-	13,136,561
Total net position - ending	$ 12,797,920	$ 459,081	$ 74,900	$ (1,888,213)	$ 804,961	$ 12,248,649

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
Oklahoma Aeronautics Commissionl:			
Airport Improvement	GOK-12-S	54,144	24,519
Oklahoma Humanities Council:			
Let's Talk About Oklahoma	N/A	1,962	1,962
Oklahoma Department of Emergency Management:			
State Match - Disaster Recovery	State Disaster 2013	15,264	15,264
TOTAL STATE AWARDS		$71,370	$41,745

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

2. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.