



**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2011**

**THE CITY OF GUTHRIE,  
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2011**

**CITY OF GUTHRIE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended September 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Pension Plan Funding Schedules, and Budgetary Comparison Schedules 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Nonmajor Governmental Combining Schedules, General Fund Combining Schedules, Enterprise Fund Accounts Combining Schedules, and State Awards Information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Arledge & Associates, P.C.*

Edmond, Oklahoma

June 14, 2012

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**MANAGEMENT DISCUSSION AND ANALYSIS**

**CITY OF GUTHRIE, OKLAHOMA**  
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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, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended September 30, 2011, the City's total net assets increased by \$2,388,045 or 8.2% from the prior year.
- During the year, the City's expenses for governmental activities were \$7.5 million and were funded by program revenues of \$3.2 million and further funded with taxes and other general revenues that totaled \$5.0 million.
- In the City's business-type activities, such as utilities, expenses exceed program revenues by \$1,243,434.
- Sales and use taxes increased by \$214,505 or 5.7% 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 \$7.2 million from the prior year.
- At September 30, 2011, the General Fund reported an unassigned fund balance of \$1,001,721, which is an increase of 70% from the prior year unreserved, undesignated fund balance.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$314,549 or 5.3%, while expenditures were under the final appropriations by \$139,892 or 2.3%.

***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, and 39. 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.

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***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 blended 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** – that operates the water, sewer, and sanitation services of the City
- **The Guthrie Industrial Development Authority** – 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. Currently inactive.
- **The Guthrie Transportation Authority** – that operates to furnish and supply facilities, property and equipment for transportation needs regarding tourism.

**Using This Annual Report**

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 Assets 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 Assets 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 assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are 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 Assets 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.

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Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets 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 Assets**

Net assets 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 more than \$31 million at the close of the most recent fiscal year.

**TABLE 1**  
**NET ASSETS (In Thousands)**

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Current assets	\$ 4,750	\$ 3,820	24%	\$ 4,382	\$ 2,365	85%	\$ 9,132	\$ 6,185	48%
Capital assets, net	15,766	15,452	2%	28,467	25,145	13%	44,233	40,597	9%
Other non-current assets	-	-	0%	529	471	12%	529	471	12%
<b>Total assets</b>	<b>20,516</b>	<b>19,272</b>	<b>6%</b>	<b>33,378</b>	<b>27,981</b>	<b>19%</b>	<b>53,894</b>	<b>47,253</b>	<b>14%</b>
Current liabilities	1,126	696	62%	2,730	2,205	24%	3,856	2,901	33%
Non-current liabilities	704	836	-16%	17,883	14,361	25%	18,587	15,197	22%
<b>Total liabilities</b>	<b>1,830</b>	<b>1,532</b>	<b>19%</b>	<b>20,613</b>	<b>16,566</b>	<b>24%</b>	<b>22,443</b>	<b>18,098</b>	<b>24%</b>
Net assets									
Invested in capital assets, net of related debt	15,280	14,722	4%	10,207	10,345	-1%	25,487	25,067	2%
Restricted	2,730	2,611	5%	-	-	0%	2,730	2,611	5%
Unrestricted	676	406	67%	2,557	1,083	136%	3,233	1,489	117%
<b>Total net assets</b>	<b>\$ 18,686</b>	<b>\$ 17,739</b>	<b>5%</b>	<b>\$ 12,764</b>	<b>\$ 11,428</b>	<b>12%</b>	<b>\$ 31,450</b>	<b>\$ 29,167</b>	<b>9%</b>

The largest portion of the City's net assets 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 2011, this investment in capital assets, net of related debt amounted to \$25 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 assets, \$2.7 million, also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 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 assets for both the governmental and business-type activities.

The 24% increase in governmental current assets is due to an increase in sales tax and capital grants.

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The 87% increase in governmental current liabilities is due to an increase in accounts payable related to grant projects.

The 36% decrease in governmental non-current liabilities is due to a decrease in long term debt.

The 85% increase in business type current assets is due to an increase in capital contributions.

The 25% increase in business type current liabilities and 24% increase in current liabilities is due to the additional long term debt related to the water treatment plant.

**Changes in Net Assets**

For the year ended September 30, 2011, net assets of the primary government changed as follows:

**TABLE 2**  
**CHANGES IN NET ASSETS (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
<b>Revenues</b>									
Charges for service	\$ 1,659	\$ 1,710	-3%	\$ 4,663	\$ 4,311	8%	\$ 6,322	\$ 6,021	5%
Operating grants and contributions	586	837	-30%	-	-	-	586	837	-30%
Capital grants and contributions	954	554	72%	1,061	-	100%	2,015	554	264%
Taxes	4,585	4,368	5%	-	-	-	4,585	4,368	5%
Intergovernmental revenue	137	124	10%	-	-	-	137	124	10%
Investment income	11	20	-45%	16	45	-64%	27	65	-58%
Special item, gain on impairment of buildings	25	-	100%	327	-	100%	352	-	100%
Miscellaneous	235	176	34%	76	17	347%	311	193	61%
<b>Total revenues</b>	<b>8,192</b>	<b>7,789</b>	<b>5%</b>	<b>6,143</b>	<b>4,373</b>	<b>40%</b>	<b>14,335</b>	<b>12,162</b>	<b>18%</b>
<b>Expenses</b>									
General government	1,942	2,047	-4%	-	-	-	1,942	2,047	-4%
Public safety	3,523	3,486	1%	-	-	-	3,523	3,486	1%
Streets	575	583	-1%	-	-	-	575	583	-1%
Culture, parks and recreation	771	866	-11%	-	-	-	771	866	-11%
Airport	598	383	56%	-	-	-	598	383	56%
Economic development	35	33	6%	-	-	-	35	33	6%
Interest on long-term debt	22	54	-59%	-	-	-	22	54	-59%
Water	-	-	-	2,190	2,278	-4%	2,190	2,278	-4%
Wastewater	-	-	-	753	1,143	-34%	753	1,143	-34%
Sanitation	-	-	-	1,537	1,184	30%	1,537	1,184	30%
<b>Total expenses</b>	<b>7,466</b>	<b>7,452</b>	<b>0%</b>	<b>4,480</b>	<b>4,605</b>	<b>-3%</b>	<b>11,946</b>	<b>12,057</b>	<b>-1%</b>
Excess (deficiency) before transfers	726	337	115%	1,663	(232)	-817%	2,389	105	2175%
Transfers	307	(3,770)	-108%	(307)	3,770	-108%	-	-	0%
<b>Change in net assets</b>	<b>1,033</b>	<b>(3,433)</b>	<b>-130%</b>	<b>1,356</b>	<b>3,538</b>	<b>-62%</b>	<b>2,389</b>	<b>105</b>	<b>2175%</b>
<b>Beginning net assets</b>	<b>17,653</b>	<b>21,086</b>	<b>-16%</b>	<b>11,409</b>	<b>7,861</b>	<b>45%</b>	<b>29,062</b>	<b>28,947</b>	<b>0%</b>
<b>Ending net assets</b>	<b>\$ 18,686</b>	<b>\$ 17,653</b>	<b>6%</b>	<b>\$ 12,765</b>	<b>\$ 11,399</b>	<b>12%</b>	<b>\$ 31,451</b>	<b>\$ 29,052</b>	<b>8%</b>

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

*Governmental Activities:*

Operating grants and contributions decreased 30% due to a decrease in operational grants.

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Capital grants and contributions increased 72% due to the Wind Turbine grant.

Airport expense – 56% increase related to the purchase of property.

*Business-Type Activities:*

Capital grants and contributions increased 100% due to a capital grant from OWRB for the CMOM project

Wastewater expenses – 34% decreased due to a decrease in wastewater indirect expenses allocation

Sanitation expenses – 30% increase in sanitation due to indirect expenses allocation

Transfer – 108% decrease related to reduction of sales tax transfer due to debt requirements

**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.)
	2011	2010		2011	2010	
General government	\$ 1,942	\$ 2,047	-4%	(\$1,095)	(\$1,510)	-27%
Public safety	3,523	3,486	1%	(2,194)	(2,125)	3%
Streets	575	583	-1%	(270)	36	-850%
Culture, parks and recreation	770	1,035	-26%	(656)	(596)	10%
Airport	598	383	56%	-	(91)	-100%
Economic development	35	33	6%	(29)	(10)	190%
Interest on long-term debt	22	54	-59%	(22)	(49)	-55%
<b>Total</b>	<b>7,465</b>	<b>\$ 7,621</b>	<b>-2%</b>	<b>(\$4,266)</b>	<b>(\$4,345)</b>	<b>-2%</b>

Explanations for significant changes are listed above under Table 2.

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

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. Dec.</b>
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Water	\$ 2,190	\$ 2,278	-4%	\$ 1,192	\$ (152)	-884%
Wastewater	753	1,143	-34%	337	(229)	-247%
Sanitation	1,537	1,184	30%	(286)	87	-429%
Governmental interest	-	4	-100%	-	(4)	-100%
<b>Total</b>	<u>\$ 4,480</u>	<u>\$ 4,609</u>	-3%	<u>\$ 1,243</u>	<u>\$ (298)</u>	-517%

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

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenue of \$1,243,000 for the year ended September 30, 2011.
- Water activity reported net revenue of \$1,192,000—related to capital grants contributions

#### **A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$3.7 million or a 25% increase due to an increase in sales tax revenue and capital grants. The enterprise funds reported combined net assets of \$12.7 million or a 10% increase from 2011 due capital contributions.

Other fund highlights include:

- For the year ended September 30, 2011, the General Fund's total fund balance increased by \$430,834 or 30%.
- There was \$457,395 restricted fund balance in the General Fund balance 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 2.0% or \$153,706 and an increase in appropriations (including transfers out) of 2.5% or \$183,776. Actual revenues and transfers were over estimates by \$309,652 or 2.4%, while expenditures and transfers were under final appropriations by \$139,893 or 1.8%.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

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**Capital Assets**

At the end of September 30, 2011, the City had \$44.2 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 \$3.6 million over last year.

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,598	\$ 1,322	\$ 690	\$ 690	\$ 2,288	\$ 2,012
Buildings	1,975	2,017	16,608	1,736	18,583	3,753
Imp. other than buildings	4,357	4,579	32	53	4,389	4,632
Machinery, furniture and equipment	1,009	1,203	867	986	1,876	2,189
Infrastructure	6,252	1,537	-	-	6,252	1,537
Utility property	-	-	7,740	8,015	7,740	8,015
Construction in progress	574	4,795	2,530	13,665	3,104	18,460
<b>Totals</b>	<b>\$ 15,765</b>	<b>\$ 15,453</b>	<b>\$ 28,467</b>	<b>\$ 25,145</b>	<b>\$ 44,232</b>	<b>\$ 40,598</b>

This year's more significant capital asset additions included:

Water Treatment Plant	\$15,069,581
Airport taxiway	4,223,958

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 \$19.5 million in long-term debt outstanding which represents a \$3.3 million or 8% increase from the prior year. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6**  
**Long-Term Debt**  
**(In Thousands)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>Activities</b>		<b>Activities</b>				
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Accrued absences	\$ 380	\$ 387	\$ 1	\$ -	\$ 381	\$ 387	-1.6%
Revenue bonds	-	-	48	41	48	41	17.1%
Notes payable	160	223	18,571	14,938	18,731	15,161	23.5%
Refundable grant obligation	155	168	-	-	155	168	-7.7%
Capital leases	171	339	26	125	197	464	-57.5%
<b>Totals</b>	<b>\$ 866</b>	<b>\$ 1,117</b>	<b>\$ 18,646</b>	<b>\$ 15,104</b>	<b>\$ 19,512</b>	<b>\$ 16,221</b>	<b>20.3%</b>

The City issued \$4.3 million in OWRB loans to finance the construction of a new Water Treatment facility.

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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 the FY 2011-12 the City of Guthrie and Guthrie Public Works Authority developed the budget with defined goals and conservative revenue projections. The Fiscal Year 2011-12 budget represents an overall decrease of \$2,127,883 which includes all funds and all transfers. The City of Guthrie's primary sources of revenues are sales tax and utility revenues. The Fiscal Year 2012 Budget does predict a growth in sales tax over that was budgeted in Fiscal Year 2011. The challenges for FY 2011-12 budget included rising cost 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.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF GUTHRIE, OKLAHOMA**  
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**Statement of Net Assets– September 30, 2011**

	<b><u>Governmental</u></b>	<b><u>Business-type</u></b>	<b><u>Total</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,127,167	\$ 3,393,443	\$ 6,520,610
Investments	442,345	99,000	541,345
Accounts receivable, net of allowance	271,224	635,077	906,301
Internal balances	(237,546)	237,546	-
Due from other governmental agencies	1,146,838	15,665	1,162,503
Notes receivable, net of allowance (Note 3)	-	192,240	192,240
Capital Assets:			
Land and construction in progress	2,173,025	3,219,529	5,392,554
Other capital assets, net of depreciation	13,592,997	25,247,319	38,840,316
Unamortized issuance costs	-	337,107	337,107
Total Assets	<u>\$ 20,516,050</u>	<u>\$ 33,376,926</u>	<u>\$ 53,892,976</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 744,077	\$ 1,113,840	\$ 1,857,917
Accrued interest payable	-	35,081	35,081
Due to depositors	-	326,185	326,185
Due to bondholders	5,301	-	5,301
Unearned income	41,042	452,752	493,794
Long-term liabilities			
Due within one year	335,806	802,022	1,137,828
Due in more than one year	531,336	17,843,210	18,374,546
Other post-employment benefits obligations	172,684	39,634	212,318
Total liabilities	<u>1,830,246</u>	<u>20,612,724</u>	<u>22,442,970</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,280,193	10,206,915	25,487,108
Restricted for:			
Capital projects	2,448,280	-	2,448,280
Debt Service	455	-	455
Other projects	280,537	-	280,537
Unrestricted	676,339	2,557,287	3,233,626
Total net assets	<u>\$ 18,685,804</u>	<u>\$ 12,764,202</u>	<u>\$ 31,450,006</u>

See accompanying notes to the basic financial statements.

**CITY OF GUTHRIE, OKLAHOMA**  
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**Statement of Activities –Year Ended September 30, 2011**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 1,941,892	\$ -	\$ 188,772	\$ 177,530	\$ 480,593	\$ (1,094,997)	\$ -	\$ (1,094,997)
Public Safety	3,522,765	-	1,022,809	305,873	-	(2,194,083)	-	(2,194,083)
Streets	575,126	-	213,826	90,186	-	(271,114)	-	(271,114)
Culture and Recreation	770,418	-	102,014	12,181	-	(656,223)	-	(656,223)
Airport	598,491	-	124,625	-	473,740	(126)	-	(126)
Economic Development	35,238	-	6,722	-	-	(28,516)	-	(28,516)
Interest on Long-term debt	22,234	-	-	-	-	(22,234)	-	(22,234)
Total governmental activities	<u>7,466,164</u>	<u>-</u>	<u>1,658,768</u>	<u>585,770</u>	<u>954,333</u>	<u>(4,267,293)</u>	<u>-</u>	<u>(4,267,293)</u>
Business-Type Activities:								
Water	1,645,328	544,618	2,320,937	-	1,060,879	-	1,191,870	1,191,870
Wastewater	484,524	268,609	1,090,519	-	-	-	337,386	337,386
Sanitation	979,246	558,085	1,251,509	-	-	-	(285,822)	(285,822)
General Government	274,255	(274,255)	-	-	-	-	-	-
Administration	331,795	(331,795)	-	-	-	-	-	-
Line Maintenance	705,832	(705,832)	-	-	-	-	-	-
Meter Operations	59,430	(59,430)	-	-	-	-	-	-
Total business-type activities	<u>4,480,410</u>	<u>-</u>	<u>4,662,965</u>	<u>-</u>	<u>1,060,879</u>	<u>-</u>	<u>1,243,434</u>	<u>1,243,434</u>
Total primary government	<u>\$ 11,946,574</u>	<u>\$ -</u>	<u>\$ 6,321,733</u>	<u>\$ 585,770</u>	<u>\$ 2,015,212</u>	<u>\$ (4,267,293)</u>	<u>\$ 1,243,434</u>	<u>\$ (3,023,859)</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes						\$ 3,959,941	\$ -	\$ 3,959,941
Franchise taxes and public service taxes						507,204	-	507,204
Hotel/motel taxes						118,285	-	118,285
Intergovernmental revenue not restricted to specific programs						136,674	-	136,674
Unrestricted investment earnings						11,022	16,011	27,033
Miscellaneous						234,913	76,235	311,148
Extraordinary Item - gain on impairment of buildings						24,560	327,059	351,619
Transfers						307,487	(307,487)	-
Total general revenues and transfers						<u>5,300,086</u>	<u>111,818</u>	<u>5,411,904</u>
Change in net assets						1,032,793	1,355,252	2,388,045
Net assets - beginning						17,653,011	11,408,950	29,061,961
Net assets - ending						<u>\$ 18,685,804</u>	<u>\$ 12,764,202</u>	<u>\$ 31,450,006</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF GUTHRIE, OKLAHOMA**  
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**Governmental Funds Balance Sheet - September 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 829,791	\$ 2,297,376	\$ 3,127,167
Investments	442,345	-	442,345
Receivable from other governments	752,188	394,650	1,146,838
Due from other funds	133,230	133,071	266,301
Taxes receivable, net	74,110	32,048	106,158
Court fines receivable, net	62,270	-	62,270
Ambulance receivable, net	68,691	-	68,691
Other receivables	-	34,105	34,105
Total assets	<u>\$ 2,362,625</u>	<u>\$ 2,891,250</u>	<u>\$ 5,253,875</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 154,098	\$ 444,036	\$ 598,134
Accrued payroll payable	144,870	-	144,870
Due to other funds	329,366	174,481	503,847
Due to bondholders	5,301	-	5,301
Payable to other governments	948	-	948
Deferred revenue	257,894	4,300	262,194
Other payables	124	-	124
Total liabilities	<u>892,601</u>	<u>622,817</u>	<u>1,515,418</u>
Fund balances:			
Restricted	468,303	2,076,062	2,544,365
Assigned	-	197,538	197,538
Unassigned	1,001,721	(5,167)	996,554
Total fund balances	<u>1,470,024</u>	<u>2,268,433</u>	<u>3,738,457</u>
Total liabilities and fund balances	<u>\$ 2,362,625</u>	<u>\$ 2,891,250</u>	<u>\$ 5,253,875</u>

See accompanying notes to the basic financial statements.

**CITY OF GUTHRIE, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended September 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 4,468,199	\$ 118,285	\$ 4,586,484
Intergovernmental	1,198,607	637,278	1,835,885
Licenses and permits	81,776	-	81,776
Charges for services	1,076,914	258,993	1,335,907
Fees and fines	198,992	-	198,992
Investment earnings	8,213	2,804	11,017
Miscellaneous	332,919	-	332,919
Total revenues	<u>7,365,620</u>	<u>1,017,360</u>	<u>8,382,980</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,863,168	8,169	1,871,337
Public safety	3,231,194	4,775	3,235,969
Public works	445,361	-	445,361
Culture and recreation	571,568	92,772	664,340
Economic development	35,238	-	35,238
Airport	130,542	-	130,542
Capital outlay	537,852	675,402	1,213,254
Debt service:			
Principal	-	243,905	243,905
Interest and other charges	-	25,503	25,503
Total expenditures	<u>6,814,923</u>	<u>1,050,526</u>	<u>7,865,449</u>
Excess (deficiency) of revenues over expenditures	<u>550,697</u>	<u>(33,166)</u>	<u>517,531</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	-	10,000	10,000
Transfers in	1,675,606	621,152	2,296,758
Transfers out	(1,578,881)	(486,456)	(2,065,337)
Total other financing sources and uses	<u>96,725</u>	<u>144,696</u>	<u>241,421</u>
Net change in fund balances	647,422	111,530	758,952
Fund balances - beginning	822,602	2,156,903	2,979,505
Fund balances - ending	<u>\$ 1,470,024</u>	<u>\$ 2,268,433</u>	<u>\$ 3,738,457</u>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Total fund balance, governmental funds	\$ 3,738,457
Amounts reported for governmental activities in the Statement of Net Assets 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 Assets.	15,766,022
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	221,151
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 Assets.	<u>(1,039,826)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>\$ 18,685,804</u></u>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Net change in fund balances - total governmental funds:	\$	758,952
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
<p>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.</p>		
Capital asset purchases capitalized		1,275,932
Depreciation expense		(959,711)
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.</p>		
Book value of disposed capital assets		(2,108)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Deferred revenue		(205,930)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:</p>		
Principal payments on long-term debt		243,905
<p>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:</p>		
Change in accrued interest payable		3,269
Change in OPEB liability		(85,726)
Change in accrued compensated absences		4,210
Change in net assets of governmental activities	\$	1,032,793

See accompanying notes to the basic financial statements.

**CITY OF GUTHRIE, OKLAHOMA**  
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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF GUTHRIE, OKLAHOMA**  
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**Proprietary Funds Statement of Net Assets - September 30, 2011**

	<b><u>Guthrie Public Works Authority</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,166,258
Restricted:	
Cash and cash equivalents	227,185
Investments	99,000
Due from other funds	318,669
Accounts receivable, net	469,718
Receivables from other governments	15,665
Other receivables	165,359
Notes receivable	15,631
Total current assets	<u>4,477,485</u>
Non-current assets:	
Notes receivable	176,609
Capital assets:	
Land and construction in progress	3,219,529
Other capital assets, net of accumulated depreciation	25,247,319
Unamortized issue costs	337,107
Total non-current assets	<u>28,980,564</u>
Total assets	<u>\$ 33,458,049</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,087,951
Salaries payable	25,889
Accrued interest payable	35,081
Due to other funds	81,123
Deferred revenue	452,752
Deposits subject to refund	326,185
Compensated absences	4,851
Capital lease obligation	25,739
Notes payable	771,432
Total current liabilities	<u>2,811,003</u>
Non-current liabilities:	
Compensated absences	43,341
Notes payable	17,799,869
OPEB Liability	39,634
Total non-current liabilities	<u>17,882,844</u>
Total liabilities	<u>20,693,847</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 10,206,915
Unrestricted	2,557,287
Total net assets	<u>\$ 12,764,202</u>

See accompanying notes to the basic financial statements.

**CITY OF GUTHRIE, OKLAHOMA**  
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**Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets - Year Ended September 30, 2011**

	<b><u>Guthrie Public Works Authority</u></b>
<b>REVENUES</b>	
Water	\$ 2,320,937
Sewer	1,090,519
Sanitation	1,251,509
Rents and royalties	4,400
Miscellaneous	71,657
Total operating revenues	4,739,022
<b>OPERATING EXPENSES</b>	
General government	373,756
Administration	280,493
Water	589,512
Wastewater	267,119
Sanitation	802,728
Landfill operations	116,454
Line maintenance	517,581
Meter operations	54,622
Municipal Pool	15,391
Amortization expense	17,995
Depreciation	811,740
Total Operating Expenses	3,847,391
Operating income	891,631
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	16,011
Miscellaneous revenue	178
Extraordinary item - gain on impairment of buildings	327,059
Interest expense	(709,085)
Total non-operating revenue (expenses)	(365,837)
Income before transfers	525,794
Capital contributions	1,060,879
Transfers in	2,003,179
Transfers out	(2,234,600)
Change in net assets	1,355,252
Total net assets - beginning	11,408,950
Total net assets - ending	\$ 12,764,202

See accompanying notes to the basic financial statements.

**CITY OF GUTHRIE, OKLAHOMA**  
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**Proprietary Funds Statement of Cash Flows - Year Ended September 30, 2011**

	<b><u>Guthrie Public Works Authority</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 5,153,150
Payments to suppliers and employees	(2,953,927)
Receipts of customer meter deposits	68,761
Refunds of customer meter deposits	(66,856)
Interfund receipts/payments	(57,436)
<b>Net cash provided by operating activities</b>	<b><u>2,143,692</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	2,018,905
Transfers to other funds	(2,234,600)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>(215,695)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(4,250,532)
Proceeds from capital grant	1,060,879
Proceeds from insurance reimbursement	278,822
Proceeds from debt	4,350,569
Bond issuance costs paid	(92,000)
Principal paid on debt	(816,704)
Interest and fiscal agent fees paid on debt	(734,214)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>(203,180)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	16,011
<b>Net cash provided by investing activities</b>	<b><u>16,011</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>1,740,828</b>
<b>Balances - beginning of year</b>	<b><u>1,652,615</u></b>
<b>Balances - end of year</b>	<b><u>\$ 3,393,443</u></b>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows - Year Ended September 30, 2011, (Continued)**

(Continued)

**Reconciliation of operating income to net cash provided by**

**Operating Activities:**

Operating income	\$ 891,631
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	811,740
Amortization expense	17,995
Miscellaneous revenue	178
Change in assets and liabilities:	
Due from other funds	(137,858)
Due to other funds	80,422
Accounts receivable	(23,137)
Other receivable	(15,665)
Accounts payable	34,644
Deferred revenue	452,752
Accrued salaries payable	1,861
OPEB liability	20,435
Deposits subject to refund	1,905
Accrued compensated absences	6,789
<b>Net cash provided by operating activities</b>	<b><u><u>\$ 2,143,692</u></u></b>

See accompanying notes to the basic financial statements.

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**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 Statement No. 14, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

**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.

**Blended Component Units:**

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

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**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statements of net assets 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 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, parks, 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.
- Economic Development – rental income.

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 Accounts:

- General Fund – accounts for all activities not accounted for in other special-purpose funds.
- Airport Fund – accounts for airport expenses partially reimbursed by the City of Edmond and grant funds.

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.
- Guthrie Job Corps Sales Fund - accounts for activities related to the construction and purchases of the fire station and facilities.
- Guthrie Centennial Fund – accounts for grants and contributions restricted for the state's centennial activities.
- Airport Escrow Fund – accounts for required 25% escrow of OAC grant funds until completion and acceptance of project by OAC (closed in the current year).

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- 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 transfers from other City funds for various capital acquisitions and projects.

Debt Service Fund - accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments and their related interest expense.

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 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.

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For business-type activities and enterprise funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues

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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 Assets 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 assets (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 assets.

#### **Basis of Accounting**

In the government-wide Statement of Net Assets 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**

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For the purposes of the statements of net assets, 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 Assets. 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
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- 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 assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* – 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 assets* - Consists of net assets 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 assets* - All other net assets that do not meet the definition of “restricted.”

### *Fund Statements:*

Governmental fund equity is classified as fund balance. Due to the implementation of GASB Statement 54, fund balance is now further 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, 2011, the General Fund received on a cash basis \$3,772,139 of sales tax, of which \$1,224,037 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 October 2011 and received by the City in October and November 2011, 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.

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For the year ended September 30, 2011, the City did not levy a property tax, and had no general obligation bonded debt or court-assessed judgments outstanding at September 30, 2011.

**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 Assets 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.

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*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 Assets, 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, 2011, the reporting entity held the following deposits and investments:

**Primary Government:**

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand deposits			\$ 4,618,281
Cash on hand			1,225
Time deposit	2/25/2012		99,000
Time deposit	6/10/2012		442,345
			<u>5,160,851</u>
<b>Investments:</b>			
Trustee accounts money market fund		AAA	1,901,104
			<u>1,901,104</u>
<b>Total deposits and investments</b>			<u><u>\$ 7,061,955</u></u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and cash equivalents			\$ 6,520,610
Investments			541,345
			<u><u>\$ 7,061,955</u></u>

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,

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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, 2011 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 assets are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of September 30, 2011 are as follows:

	Current	
	Cash and cash equivalents	Investments
Meter deposits	\$ 227,185	\$ 99,000
Total	\$ 227,185	\$ 99,000

**3. Accounts and Notes Receivable**

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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	\$ 74,110	\$ -	\$ 74,110
Court fines	249,083	(186,813)	62,270
Ambulance fees	3,434,617	(3,365,926)	68,691
Other taxes	32,048	-	32,048
Street utilities	56,700	(22,595)	34,105
	<u>\$ 3,846,558</u>	<u>\$ (3,575,334)</u>	<u>\$ 271,224</u>
Business-Type Activities:			
Utilities	\$ 965,990	\$ (330,913)	\$ 635,077

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 2011. 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.

Note Receivable – Ladd – The Guthrie Public Works Authority has a \$225,000 and a \$90,000 notes 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, 2011 is as follows:

	Balance 10/1/2010	Additions	Deductions	Balance 9/30/2011	Due Within One Year
Governmental Activities:					
Excel Jet	\$ 375,000	\$ -	\$ -	\$ 375,000	\$ -
(Less allowance for uncollectible account)	(375,000)	-	-	(375,000)	-
Total Governmental Activities, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:					
Fire Building - Ladd	\$ 148,118	\$ -	\$ (12,677)	\$ 135,441	\$ 11,186
Park Barn - Ladd	59,849	-	(3,050)	56,799	4,445
Total Business-Type Activities	<u>\$ 207,967</u>	<u>\$ -</u>	<u>\$ (15,727)</u>	<u>\$ 192,240</u>	<u>\$ 15,631</u>

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**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, 2011, capital assets balances changed as follows:

	Balance at October 1, 2010	Additions	Disposals	Balance at September 30, 2011
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,322,207	\$ 275,933	\$ -	\$ 1,598,140
Construction in progress	4,795,148	857,861	5,078,124	574,885
Total capital assets not being depreciated	<u>6,117,355</u>	<u>1,133,794</u>	<u>5,078,124</u>	<u>2,173,025</u>
Other capital assets:				
Buildings	2,742,411	27,262	-	2,769,673
Improvements	6,432,015	50,580	-	6,482,595
Infrastructure	1,604,632	5,038,124	-	6,642,756
Machinery, furniture and equipment	5,508,922	104,296	34,500	5,578,718
Total other capital assets at historical cost	<u>16,287,980</u>	<u>5,220,262</u>	<u>34,500</u>	<u>21,473,742</u>
Less accumulated depreciation for:				
Buildings	725,887	68,889	-	794,776
Improvements	1,853,465	272,057	-	2,125,522
Infrastructure	67,950	323,063	-	391,013
Machinery, furniture and equipment	4,306,124	295,702	32,392	4,569,434
Total accumulated depreciation	<u>6,953,426</u>	<u>959,711</u>	<u>32,392</u>	<u>7,880,745</u>
Other capital assets, net	9,334,554	4,260,551	2,108	13,592,997
Governmental activities capital assets, net	<u>\$ 15,451,909</u>	<u>\$ 5,394,345</u>	<u>\$ 5,080,232</u>	<u>\$ 15,766,022</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 689,607	\$ -	\$ -	\$ 689,607
Construction in progress	13,665,361	4,221,535	15,356,974	2,529,922
Total capital assets not being depreciated	<u>14,354,968</u>	<u>4,221,535</u>	<u>15,356,974</u>	<u>3,219,529</u>
Other capital assets:				
Buildings	2,533,069	15,069,581	-	17,602,650
Improvements	218,700	-	-	218,700
Machinery, furniture and equipment	2,563,348	29,000	-	2,592,348
Utility property	19,540,232	287,392	-	19,827,624
Total other capital assets at historical cost	<u>24,855,349</u>	<u>15,385,973</u>	<u>-</u>	<u>40,241,322</u>
Less accumulated depreciation for:				
Buildings	796,985	197,595	-	994,580
Improvements	165,451	20,862	-	186,313
Machinery, furniture and equipment	1,577,665	148,100	-	1,725,765
Utility property improvements	11,525,038	562,307	-	12,087,345
Total accumulated depreciation	<u>14,065,139</u>	<u>928,864</u>	<u>-</u>	<u>14,994,003</u>
Other capital assets, net	10,790,210	14,457,109	-	25,247,319
Business-type activities capital assets, net	<u>\$ 25,145,178</u>	<u>\$ 18,678,644</u>	<u>\$ 15,356,974</u>	<u>\$ 28,466,848</u>

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:

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Governmental Activities:		Business-Type Activities:	
General government	\$ 48,559	Water	\$ 366,858
Public safety	225,857	Sewer	165,279
Highways and streets	129,875	Sanitation	49,178
Culture, tourism, and recreation	84,343	Administration	52,757
Airport	466,497	Line maintenance	172,860
Depreciation expense	<u>\$ 955,131</u>	Meter operations	<u>4,808</u>
			<u>\$ 811,740</u>
Capital asset impairment	4,580		117,124
Total accumulated depreciation addition	<u>\$ 959,711</u>		<u>\$ 928,864</u>

**5. Long-Term Debt and Debt Service Requirements**

For the year ended September 30, 2011, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ 339,162	\$ -	\$ 168,513	\$ 170,649	\$ 125,202
Refundable grant obligation	167,708	-	12,500	155,208	12,500
Notes payable	222,865	-	62,892	159,973	159,973
Accrued compensated absences	385,521	438,665	442,874	381,312	38,131
Total Governmental Activities	<u>\$ 1,115,256</u>	<u>\$ 438,665</u>	<u>\$ 686,779</u>	<u>\$ 867,142</u>	<u>\$ 335,806</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 14,938,153	\$ 4,350,569	\$ 717,421	\$ 18,571,301	\$ 771,432
Capital lease payable	125,023	-	99,284	25,739	25,739
Accrued compensated absences	41,403	47,110	40,322	48,192	4,851
Total Business-Type Activities	<u>15,104,579</u>	<u>4,397,679</u>	<u>857,028</u>	<u>18,645,232</u>	<u>802,022</u>
Total Long-Term Debt	<u>\$ 16,219,835</u>	<u>\$ 4,836,344</u>	<u>\$ 1,543,807</u>	<u>\$ 19,512,374</u>	<u>\$ 1,137,828</u>

**Reconciliation to Statement of Net Assets:**

**Governmental Activities:**

Due within one year	\$ 531,336
Due in more than one year	172,684
Total Governmental Activities Long-Term Liabilities	<u>\$ 704,020</u>

**Business-Type Activities:**

Due within one year	\$ 802,022
Due in more than one year	17,843,210
Total Business-Type Activities Long-Term Liabilities	<u>\$ 18,645,232</u>

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:

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Capital Lease Obligations:

\$170,250 lease obligation for the purchase of a pumper, payable in 10 annual installments of \$21,835 with an annual interest rate of 4.8%, final payment due February 2012.	\$	20,796
\$165,086 lease obligation for purchase of street sweeper, payable in 5 annual installments of \$38,390 with an annual interest rate of 5.53%, final payment due March 2012.		30,929
\$110,295 lease obligation for the purchase of 4 Dodge Charges, payable in 36 monthly installments of \$3,232 with an annual interest rate of 3.5%, final payment due January 2012.		9,446
\$110,275 lease obligation for the purchase of a 10 Wheel Dump Truck, payable in 60 monthly installments of \$2,031 with an annual interest rate of 3.99%, final payment due June 2014.		60,946
\$15,482 lease obligation for the purchase of a server, payable in 36 monthly installments of \$483 with an annual interest rate of 6.54%, final payment due February 2012.		2,043
\$21,929 lease obligation for the purchase of video equipment, payable in 48 monthly installments of \$523 with an annual interest rate of 6.83%, final payment due May 2012.		4,083
\$18,700 lease obligation for the purchase of video equipment, payable in 48 monthly installments of \$510 with an annual interest rate of 15.297%, final payment due February 2012.		2,146
\$78,568 lease obligation for the purchase of copiers, payable in 60 monthly installments of \$1,669 with an annual interest rate of 10%, final payment due December 2012.		23,208
\$24,318 lease obligation for the purchase of a 2009 Tahoe, payable in 38 monthly installments of \$720 with an annual interest rate of 4%, final payment due November 2012.		7,695
\$21,741 lease obligation for the purchase of a Dodge Charger, payable in 48 monthly installments of \$642 with an annual interest rate of 4%, final payment due December 2013.		9,357
Total Capital Leases Payable	\$	<u>170,649</u>
	Current portion	\$ 125,202
	Noncurrent portion	45,447
Total Capital Leases Payable	\$	<u>170,649</u>

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Notes Payable:

Note Payable to Logan County Economic Development Council, Inc. dated August 1, 2003, original amount \$139,500 with annual interest rate of 7.0%, due in quarterly installments of principal and interest beginning October 1, 2003, final installment due July 1, 2012, secured with a property mortgage and payable from GIDA resources.	\$	15,056
Note Payable to Logan County Economic Development Council, Inc. dated December 16, 2005, original amount \$147,000 with annual interest rate of 6.0%, due in monthly installments of principal and interest beginning December 31, 2006, final installment due December 31, 2011 and payable from GIDA resources.		11,809
Note Payable to BancFirst dated January 1, 2006, original amount \$228,000 with annual interest rate of 7.0%, due in quarterly installments of principal and interest beginning January 4, 2007, final installment due December 4, 2011, secured with a property mortgage and payable from GIDA resources.		133,108
Total Notes Payable	\$	<u>159,973</u>
Current portion	\$	<u>159,973</u>
Total Notes Payable	\$	<u>159,973</u>

Refundable Grant Obligation:

CDBG Refundable Grant Obligation dated March 1, 2003, original amount of \$250,000 with 0% interest rate, due in monthly installments of \$1,041, secured with lease revenue from Spirit Wing Aviation.	\$	155,208
Total Refundable Grant Obligation	\$	<u>155,208</u>
Current portion	\$	12,500
Noncurrent portion		<u>142,708</u>
Total Refundable Grant Obligation	\$	<u>155,208</u>

Accrued Compensated Absences:

	Current portion	38,131
	Noncurrent portion	343,181
Total Accrued Compensated Absences	\$	<u>381,312</u>

*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:

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Capital Lease Obligations:

\$74,998 lease obligation for the purchase of three vehicles, payable in 36 monthly installments of \$2,181 with an annual interest rate of 3.00%, final payment due June 2012.	\$	19,303
\$37,190 lease obligation for the purchase of camera trucks, payable in 36 monthly installments of \$1,115 with an annual interest rate of 5.00%, final payment due March 2012.		6,436
Total Capital Leases Payable	\$	<u>25,739</u>
	Current portion	\$ 25,739
Total Capital Leases Payable	\$	<u>25,739</u>

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.	\$	433,714
2004A SRF Note Payable to Oklahoma Water Resources Board dated December 10, 2004, original amount of \$2,500,000 with an annual interest rate of 3% 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.		1,883,371
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.		7,132,629
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.		7,907,377
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.		1,214,210
Total Notes Payable	\$	<u>18,571,301</u>
	Current portion	\$ 771,432
	Noncurrent portion	17,799,869
Total Notes Payable	\$	<u>18,571,301</u>

Accrued Compensated Absences:

	Current portion	\$	4,851
	Noncurrent portion		43,341
Total Accrued Compensated Absences	\$		<u>48,192</u>

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Debt Service Requirements to Maturity:

<u>Year Ending September 30,</u>	Governmental Activities					
	Refundable		Capital			
	Grant Obligations		Lease obligations			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 12,500	\$ -	\$ 125,202	\$ 6,053	\$ 159,973	\$ 4,095
2013	12,500	-	29,908	1,230	-	-
2014	12,500	-	15,539	299	-	-
2015	12,500	-	-	-	-	-
2016	12,500	-	-	-	-	-
2017-2021	62,500	-	-	-	-	-
2022-2025	30,208	-	-	-	-	-
Totals	<u>\$ 155,208</u>	<u>\$ -</u>	<u>\$ 170,649</u>	<u>\$ 7,582</u>	<u>\$ 159,973</u>	<u>\$ 4,095</u>

<u>Year Ending September 30,</u>	Business Type Activities			
	Capital			
	Lease Obligations			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 25,739	\$ 340	\$ 771,432	\$ 800,223
2013			903,917	835,204
2014	-	-	928,081	799,122
2015	-	-	953,348	721,938
2016	-	-	979,766	723,724
2017-2021	-	-	5,339,259	2,998,889
2022-2026	-	-	6,192,640	2,386,349
2027-2031	-	-	5,512,622	537,568
Totals	<u>\$ 25,739</u>	<u>\$ 340</u>	<u>\$ 21,581,065</u>	<u>\$ 9,803,017</u>
			Less remaining funds to be drawn down:	(3,009,764)
				<u>\$ 18,571,301</u>

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:

<u>Defeased Bonds Outstanding:</u>	<u>Outstanding at September 30, 2011</u>
1977 Series Bonds - Public Works Authority	
Total Defeased Bonds Outstanding	<u>\$70,000</u>

## **6. Net Assets and Fund Balances**

### *Fund Statements:*

Governmental fund equity is classified as fund balance. Due to the implementation of GASB Statement 54, fund balance is now further 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:

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	General Fund	Other Governmental Funds	TOTAL Governmental
Fund Balances:			
Restricted for:			
East Village Infrastructure	\$ 442,345	\$ -	\$ 442,345
Animal shelter	15,050	-	15,050
Airport grant project	10,908	-	10,908
Specified water and sewer projects	-	1,901,104	1,901,104
E911	-	11,184	11,184
Tourism	-	500	500
Parks	-	76,513	76,513
Library grant program	-	3,026	3,026
Cemetery	-	44,054	44,054
Fire state aid program	-	8,562	8,562
Revolving loan program for small businesses	-	30,664	30,664
Debt Service	-	455	455
Sub-total Restricted	468,303	2,076,062	2,544,365
Assigned to:			
Capital projects	-	84,796	84,796
Airport	-	42,277	42,277
Tourism/parks	-	517	517
Grant programs	-	69,948	69,948
Sub-total Assigned	-	197,538	197,538
Unassigned:	1,001,721	(5,167)	996,554
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,470,024</b>	<b>\$ 2,268,433</b>	<b>\$ 3,738,457</b>

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - 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 assets* - Consists of net assets 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.

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The restrictions are as follows:

	State Statutes	Enabling Legislation	Contractual Agreements	Total
Governmental Activities:				
Capital Projects:				
General Fund - specific GHM Projects	\$ -	\$ -	\$ 442,345	\$ 442,345
Capital Improvement Fund	-	104,831	-	104,831
Guthrie/OKC Waterline Fund	-	1,901,104	-	1,901,104
Sub-total Capital Projects	<u>-</u>	<u>2,005,935</u>	<u>442,345</u>	<u>2,448,280</u>
Debt Service:				
Sinking Fund	<u>455</u>	<u>-</u>	<u>-</u>	<u>455</u>
Other				
USDA Rural Development Fund	-	-	30,664	30,664
Hotel Motel Tax Fund	-	77,013	-	77,013
Grant Fund	81,536	-	-	81,536
Airport Fund	4,993	-	-	4,993
Airport Escrow Fund	42,277	-	-	42,277
Cemetery Care Fund	44,054	-	-	44,054
Sub-total Other	<u>172,860</u>	<u>77,013</u>	<u>30,664</u>	<u>280,537</u>
Total Governmental Activities	<u>173,315</u>	<u>2,082,948</u>	<u>473,009</u>	<u>2,729,272</u>
TOTAL RESTRICTED NET ASSETS	<u>\$ 173,315</u>	<u>\$ 2,082,948</u>	<u>\$ 473,009</u>	<u>\$ 2,729,272</u>

c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

**Deficit Prohibition**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. At September 30, 2011, the City reported a fund balance deficit in the amount of \$413 Guthrie Job Corp Fund and \$4,754 in the Guthrie Industrial Development Fund.

**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 assets 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:*

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Internal transfers between funds and activities for the year ended September 30, 2011 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
Capital Project Fund	General Fund	106,000	Capital asset purchase
Capital Project Fund	GPWA	311,352	Capital asset purchase
General Fund	GPWA	1,224,037	Sales Tax transfer
General Fund	Capital Project Fund	284,074	Capital asset purchase
GPWA	Capital Project Fund	266,560	Capital asset purchase
GPWA	Guthrie Industrial Development	69,693	Operating transfer
General Fund	Airport Fund	69,945	Operating transfer
General Fund	Grant Fund	825	Operating transfer
GPWA	General Fund	1,224,037	Sales Tax transfer
GPWA	General Fund	206,520	Operating transfer
Hotel Motel Tax Fund	General Fund	36,000	Capital asset transfer
Grant Fund	General Fund	33,104	Grant match
GPWA	Water Treatment Plant	465,613	Capital asset transfer
Meter Deposit Fund	GPWA	2,177	Operating transfer
Total		<u>\$ 4,299,937</u>	

**Reconciliation to Fund Financial Statements:**

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 2,296,758	\$ (2,065,337)	\$ 231,421
Proprietary Funds	2,003,179	(2,234,600)	(231,421)
	<u>\$ 4,299,937</u>	<u>\$ (4,299,937)</u>	<u>-</u>

*Balances:*

Interfund receivable and payables at September 30, 2011 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
Centennial	General Fund	520	To cover expenditures/to be reimbursed by Centennial Fund
Hotel Motel Tax Fund	General Fund	52,663	To cover expenditures/to be reimbursed by Hotel Motel Fund
Capital Project Fund	General Fund	8,825	To cover expenditures/to be reimbursed by Capital Project Fund
Job Corps Sale Fund	General Fund	413	To cover expenditures/to be reimbursed by Job Corps Fund
Airport Fund	General Fund	65,960	To cover negative cash
Water Treatment Fund	Capital Project Fund	11	To cover expenditures/to be reimbursed by Water Treatment Fund
Capital Project Fund	GPWA	55,198	To cover expenditures/to be reimbursed by Capital Project Fund
General Fund	GPWA	70,346	To cover incorrect transfer from Capital Project Fund
Grant Fund	GPWA	52,013	To cover expenditures/to be reimbursed by Grant Fund
GPWA	Water Treatment Plant	332	Utility billing due to Water Treatment Fund
GIDA	Airport Fund	4,849	To cover expenditures/to be reimbursed by GIDA
CMOM Fund	Water Treatment Plant	10,500	To cover expenditures/to be reimbursed by CMOM
General Fund	Meter Deposit	60,000	To cover negative cash
GPWA	Meter Deposit	83	To cover expenditures/to be reimbursed by GPWA
General Fund	Grant Fund	133,060	To cover expenditures/to be reimbursed by General Fund
CMOM Fund	GPWA	70,197	To cover expenditures/to be reimbursed by CMOM
Total		<u>\$ 584,970</u>	

**Reconciliation to Fund Financial Statements:**

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 266,301	\$ (503,847)	\$ (237,546)
Proprietary Funds	318,669	(81,123)	237,546
Total	<u>\$ 584,970</u>	<u>\$ (584,970)</u>	<u>-</u>

## **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, \$2,500,000 of 2004A SRF, \$7,320,000 of 2008 SRF, \$8,000,000 of 2009 SRF and \$4,375,000 of 2010 SRF Oklahoma Water Resources Board Notes Payable. 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 2032. The total principal and interest payable for the remainder of the life of these bonds is \$31,384,083 (total principal includes \$3,009,764 remaining to be drawn). Pledged net water and sewer utility revenues in the current fiscal year were \$2,022,688. Debt service payments of \$1,447,456 for the current fiscal year were 72% 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:

- Three cents 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 three 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.

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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 2011 was \$120,132.

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 a claim 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, 2011, 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

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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 2011, 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 following construction contracts were outstanding and payable from enterprise fund restricted cash and investments at September 30, 2011:

<u>Project</u>	<u>Amount Outstanding</u>
CMOM Project	1,382,668

## **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:*

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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. 63<sup>rd</sup> 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
2009	\$ 77,733	100%	2009	\$ 119,976	100%
2010	\$ 86,295	100%	2010	\$ 121,833	100%
2011	\$ 83,268	100%	2011	\$ 121,303	100%

The state made on-behalf payments of \$58,288 for the police pension system and \$189,445 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. 63<sup>rd</sup>, 4<sup>th</sup> Floor, Oklahoma City, Oklahoma 73116.

B. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision

OMRF Plan

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- |                                   |   |
|-----------------------------------|---|
| 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 to Vest        | 10 years of credited service  |
| d. Eligibility for Distribution   | - Normal retirement at age 65 with 10 years of service<br>- Early retirement at age 55 with 10 years of service<br>- Disability retirement upon disability with 10 years of service<br>- 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, 2011, the City's annual pension cost and required contributions of \$150,949 were made.

**2. Actuarial Assumptions**

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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, 2011, the funded status of the OMRF defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$4,647,003
Actuarial value of plan assets	<u>4,108,038</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	\$ (538,965)
Funded ratio (actuarial value of plan assets/AAL)	88%
Annual covered payroll (active plan members)	\$1,705,993
UAAL as a percentage of covered payroll	31.6%

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

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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 at 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 2011, the City contributed \$8,950 to the plan. Plan members receiving benefits contributed \$8,950, or approximately 100 percent of the total premiums, through their required contribution of \$357.68 per month for retiree-only coverage and \$617.01 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, 2011:

Annual required contribution	\$ 115,108
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	115,108
Contributions made	(8,949)
Increase in net OPEB obligation	106,159
Net OPEB obligation—beginning of year	106,159
Net OPEB obligation—end of year	\$ 212,318

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net unfunded OPEB obligation for 2011 was as follows:

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<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Unfunded OPEB Obligation</u>
6/30/10	\$115,108	7.78%	\$106,158
6/30/11	\$115,108	7.78%	\$212,318

*Funded Status and Funding Progress.* As of May 7, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$762,663, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$762,663. The covered payroll (annual payroll of active employees covered by the plan) was \$1.8 million, and the ratio of the UAAL to the covered payroll was 41.8 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 May 7, 2010, 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 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2013, 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, 2011, was twenty-eight years.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended September 30, 2011**

	General Fund		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 4,205,000	\$ 4,205,000	\$ 4,422,170	\$ 217,170
Licenses and permits	98,500	98,500	76,875	(21,625)
Intergovernmental	238,500	238,500	312,607	74,107
Charges for services	953,970	970,961	923,699	(47,262)
Fees and fines	337,000	337,000	276,443	(60,557)
Investment earnings	2,500	2,500	3,294	794
Miscellaneous	94,474	107,170	259,092	151,922
Total revenues	<u>5,929,944</u>	<u>5,959,631</u>	<u>6,274,180</u>	<u>314,549</u>
<b>EXPENDITURES</b>				
Departmental:				
<i>General Government:</i>				
General government	953,550	903,932	863,350	40,582
City manager	207,327	207,327	202,710	4,617
Purchasing/accounts payable	77,925	77,925	75,390	2,535
Human resources	85,522	85,522	73,950	11,572
City clerk	128,742	130,452	129,020	1,432
Building services	37,360	37,360	36,539	821
Information services	82,875	86,209	85,053	1,156
Planning and zoning	233,093	234,414	234,139	275
Economic development	35,575	35,575	35,238	337
Vehicle maintenance	138,895	145,332	132,494	12,838
Total General Government	<u>1,980,864</u>	<u>1,944,048</u>	<u>1,867,883</u>	<u>76,165</u>
<i>Public Safety:</i>				
Police administration	307,033	357,793	357,303	490
Police operations	720,600	701,347	701,344	3
Criminal investigations	114,461	122,826	122,820	6
Police support	51,136	51,137	51,137	-
Communications	140,159	152,670	152,668	2
Animal Control	93,838	88,857	88,854	3
Code Compliance	11,980	35,659	35,274	385
Fire suppression	655,210	639,076	639,067	9
Fire prevention	229,546	245,340	245,337	3
EMS	571,899	600,797	592,002	8,795
Total Public Safety	<u>2,895,862</u>	<u>2,995,502</u>	<u>2,985,806</u>	<u>9,696</u>
<i>Street:</i>				
Street	490,278	483,841	440,918	42,923
Total Street	<u>490,278</u>	<u>483,841</u>	<u>440,918</u>	<u>42,923</u>
<i>Culture and Recreation:</i>				
Library	188,376	191,727	188,874	2,853
Parks	386,240	386,240	377,985	8,255
Total Culture and Recreation	<u>574,616</u>	<u>577,967</u>	<u>566,859</u>	<u>11,108</u>
Total Expenditures	<u>5,941,620</u>	<u>6,001,358</u>	<u>5,861,466</u>	<u>139,892</u>
Excess (deficiency) of revenues over expenditures	<u>(11,676)</u>	<u>(41,727)</u>	<u>412,714</u>	<u>454,441</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,466,520	1,590,558	1,585,661	(4,897)
Transfers out	(1,454,844)	(1,578,882)	(1,578,881)	1
Total other financing sources and uses	<u>11,676</u>	<u>11,676</u>	<u>6,780</u>	<u>(4,896)</u>
Net change in fund balances	-	(30,051)	419,494	449,545
Fund balances - beginning	1,025,346	1,025,346	1,025,346	-
Fund balances - ending	<u>\$ 1,025,346</u>	<u>\$ 995,295</u>	<u>\$ 1,444,840</u>	<u>\$ 449,545</u>

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**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	\$ 7,859,841
Total expenses - budgetary basis	<u>(7,440,347)</u>
Change in fund balance - budgetary basis	419,494
Revenue accruals	326,852
Expenditure accruals	<u>(306,661)</u>
Change in fund balance - GAAP basis	<u><u>\$ 439,685</u></u>

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**Schedule of Pension Plan Funding Progress – OMRF Defined Benefit Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -- Entry Age</u>	<u>Unfunded Liability AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
1/1/03	\$3,317,619	\$2,763,076	\$(554,543)	120.1%	\$1,642,469	(33.8)%
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%

**Schedule of Contributions - OMRF Defined Benefit Plan**

<u>Period Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2009	\$ 53,348	100%	-
September 30, 2010	\$ 80,757	100%	-
September 30, 2011	\$ 125,431	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
Actuarial accrued liability - AAL (a)	\$762,663
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$762,663
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$1,826,439
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	41.8%

Three year trend information is not available because only one actuarial valuation has been done since GASB 45 implementation.

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**OTHER SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – Nonmajor Governmental Funds – September 30, 2011**

	<u>Guthrie</u> <u>Oklahoma City</u> <u>Waterline Fund</u>	<u>Guthrie Job</u> <u>Corps Fund</u>	<u>Guthrie</u> <u>Centennial</u> <u>Fund</u>	<u>Capital Project</u> <u>Fund</u>	<u>Airport Escrow</u> <u>Fund</u>	<u>Hotel Motel Tax</u> <u>Fund</u>	<u>Cemetery Care</u> <u>Fund</u>	<u>Grant Fund</u>	<u>USDA Rural</u> <u>Development</u>	<u>Guthrie Industrial</u> <u>Development</u> <u>Fund</u>	<u>Debt Service</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>												
Cash and cash equivalents	\$ 1,901,104	\$ -	\$ 520	\$ 130,083	\$ 42,277	\$ 119,399	\$ 45,987	\$ 26,792	\$ 30,664	\$ 95	\$ 455	\$ 2,297,376
Receivable from other governments	-	-	-	-	-	-	-	394,650	-	-	-	394,650
Due from other funds	-	-	-	11	-	-	-	133,060	-	-	-	133,071
Taxes receivable, net	-	-	-	-	-	32,048	-	-	-	-	-	32,048
Other receivables	-	-	-	34,105	-	-	-	-	-	-	-	34,105
Total assets	<u>\$ 1,901,104</u>	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ 164,199</u>	<u>\$ 42,277</u>	<u>\$ 151,447</u>	<u>\$ 45,987</u>	<u>\$ 554,502</u>	<u>\$ 30,664</u>	<u>\$ 95</u>	<u>\$ 455</u>	<u>\$ 2,891,250</u>
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ 899	\$ -	\$ 21,254	\$ 1,933	\$ 419,950	\$ -	\$ -	\$ -	\$ 444,036
Due to other funds	-	413	520	64,023	-	52,663	-	52,013	-	4,849	-	174,481
Deferred revenue	-	-	-	3,297	-	-	-	1,003	-	-	-	4,300
Total liabilities	<u>-</u>	<u>413</u>	<u>520</u>	<u>68,219</u>	<u>-</u>	<u>73,917</u>	<u>1,933</u>	<u>472,966</u>	<u>-</u>	<u>4,849</u>	<u>-</u>	<u>622,817</u>
Fund balances:												
Restricted	1,901,104	-	-	11,184	-	77,013	44,054	11,588	30,664	-	455	2,076,062
Assigned	-	-	-	84,796	42,277	517	-	69,948	-	-	-	197,538
Unassigned	-	(413)	-	-	-	-	-	-	-	(4,754)	-	(5,167)
Total fund balances (deficits)	<u>1,901,104</u>	<u>(413)</u>	<u>-</u>	<u>95,980</u>	<u>42,277</u>	<u>77,530</u>	<u>44,054</u>	<u>81,536</u>	<u>30,664</u>	<u>(4,754)</u>	<u>455</u>	<u>2,268,433</u>
Total liabilities and fund balances	<u>\$ 1,901,104</u>	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ 164,199</u>	<u>\$ 42,277</u>	<u>\$ 151,447</u>	<u>\$ 45,987</u>	<u>\$ 554,502</u>	<u>\$ 30,664</u>	<u>\$ 95</u>	<u>\$ 455</u>	<u>\$ 2,891,250</u>

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended September 30, 2011**

	<u>Guthrie</u>		<u>Guthrie</u>	<u>Capital Project</u>	<u>Airport Escrow</u>	<u>Hotel Motel Tax</u>	<u>Cemetery Care</u>	<u>Grant Fund</u>	<u>USDA Rural</u>	<u>Guthrie</u>	<u>Debt Service</u>	<u>Total-Other</u>
	<u>Oklahoma City</u>	<u>Guthrie Job</u>	<u>Centennial</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		<u>Development</u>	<u>Industrial</u>		<u>Governmental</u>
	<u>Waterline Fund</u>	<u>Corps Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		<u>Fund</u>	<u>Development</u>	<u>Fund</u>	<u>Funds</u>
<b>REVENUES</b>												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,285
Intergovernmental	-	-	-	-	-	90,626	-	546,652	-	-	-	637,278
Charges for services	-	-	-	240,044	-	-	8,502	-	-	10,447	-	258,993
Investment earnings	1,086	2	-	423	254	517	216	148	141	15	2	2,804
Total revenues	<u>1,086</u>	<u>2</u>	<u>-</u>	<u>240,467</u>	<u>254</u>	<u>209,428</u>	<u>8,718</u>	<u>546,800</u>	<u>141</u>	<u>10,462</u>	<u>2</u>	<u>1,017,360</u>
<b>EXPENDITURES</b>												
Current:												
General government	-	-	-	8,169	-	-	-	-	-	-	-	8,169
Public Safety	-	2,916	-	-	-	-	-	1,859	-	-	-	4,775
Culture and recreation	-	-	-	-	-	78,193	5,687	8,892	-	-	-	92,772
Principal	-	-	-	168,513	-	-	-	-	-	75,392	-	243,905
Interest and other charges	-	-	-	10,713	-	-	-	-	-	14,790	-	25,503
Capital Outlay	-	8,260	-	119,127	-	17,705	4,205	526,105	-	-	-	675,402
Total Expenditures	-	<u>11,176</u>	<u>-</u>	<u>306,522</u>	<u>-</u>	<u>95,898</u>	<u>9,892</u>	<u>536,856</u>	<u>-</u>	<u>90,182</u>	<u>-</u>	<u>1,050,526</u>
Excess (deficiency) of revenues over expenditures	<u>1,086</u>	<u>(11,174)</u>	<u>-</u>	<u>(66,055)</u>	<u>254</u>	<u>113,530</u>	<u>(1,174)</u>	<u>9,944</u>	<u>141</u>	<u>(79,720)</u>	<u>2</u>	<u>(33,166)</u>
<b>OTHER FINANCING SOURCES (USES)</b>												
Proceeds from long-term debt, net	-	-	-	-	-	-	-	-	10,000	-	-	10,000
Transfers in	-	-	-	550,634	-	-	-	825	-	69,693	-	621,152
Transfers out	-	-	-	(417,352)	-	(36,000)	-	(33,104)	-	-	-	(486,456)
Total other financing sources and uses	-	-	-	<u>133,282</u>	<u>-</u>	<u>(36,000)</u>	<u>-</u>	<u>(32,279)</u>	<u>10,000</u>	<u>69,693</u>	<u>-</u>	<u>144,696</u>
Net change in fund balances	1,086	(11,174)	-	67,227	254	77,530	(1,174)	(22,335)	10,141	(10,027)	2	111,530
Fund balances (deficits) - beginning	1,900,018	10,761	-	28,753	42,023	-	45,228	103,871	20,523	5,273	453	2,156,903
Fund balances (deficits) - ending	<u>\$ 1,901,104</u>	<u>\$ (413)</u>	<u>\$ -</u>	<u>\$ 95,980</u>	<u>\$ 42,277</u>	<u>\$ 77,530</u>	<u>\$ 44,054</u>	<u>\$ 81,536</u>	<u>\$ 30,664</u>	<u>\$ (4,754)</u>	<u>\$ 455</u>	<u>\$ 2,268,433</u>

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**Combining Balance Sheet – General Fund Accounts – September 30, 2011**

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Total General Fund Accounts</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 789,852	\$ 39,939	\$ 829,791
Investments	442,345	-	442,345
Receivable from other governments	701,046	51,142	752,188
Due from other funds	128,381	4,849	133,230
Taxes receivable, net	74,110	-	74,110
Court fines receivable, net	62,270	-	62,270
Ambulance receivable, net	68,691	-	68,691
Total assets	<u>\$ 2,266,695</u>	<u>\$ 95,930</u>	<u>\$ 2,362,625</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 146,690	\$ 7,408	\$ 154,098
Accrued payroll payable	144,632	238	144,870
Due to other funds	263,406	65,960	329,366
Due to bondholders	5,301	-	5,301
Payable to other governments	948	-	948
Deferred revenue	240,563	17,331	257,894
Other payables	124	-	124
Total liabilities	<u>801,664</u>	<u>90,937</u>	<u>892,601</u>
Fund balances:			
Restricted	457,395	10,908	468,303
Unassigned	1,007,636	(5,915)	1,001,721
Total fund balances	<u>1,465,031</u>	<u>4,993</u>	<u>1,470,024</u>
Total liabilities and fund balances	<u>\$ 2,266,695</u>	<u>\$ 95,930</u>	<u>\$ 2,362,625</u>

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended September 30, 2011**

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Total General Fund Accounts</u>
<b>REVENUES</b>			
Taxes	\$ 4,468,199	\$ -	\$ 4,468,199
Intergovernmental	534,952	663,655	1,198,607
Licenses and permits	81,776	-	81,776
Charges for services	956,014	120,900	1,076,914
Fees and fines	198,992	-	198,992
Investment earnings	8,180	33	8,213
Miscellaneous	332,919	-	332,919
Total revenues	<u>6,581,032</u>	<u>784,588</u>	<u>7,365,620</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,863,168	-	1,863,168
Public safety	3,231,194	-	3,231,194
Public works	445,361	-	445,361
Culture and recreation	571,568	-	571,568
Economic development	35,238	-	35,238
Airport	-	130,542	130,542
Capital outlay	21,598	516,254	537,852
Total expenditures	<u>6,168,127</u>	<u>646,796</u>	<u>6,814,923</u>
Excess (deficiency) of revenues over expenditures	<u>412,905</u>	<u>137,792</u>	<u>550,697</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,605,661	69,945	1,675,606
Transfers out	(1,578,881)	-	(1,578,881)
Total other financing sources and uses	<u>26,780</u>	<u>69,945</u>	<u>96,725</u>
Net change in fund balances	439,685	207,737	647,422
Fund balances (deficit) - beginning	1,025,346	(202,744)	822,602
Fund balances - ending	<u>\$ 1,465,031</u>	<u>\$ 4,993</u>	<u>\$ 1,470,024</u>

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**Combining Schedule of Net Assets – Enterprise Fund Accounts – September 30, 2011**

	<u>GPWA</u>	<u>Water Treatment Plant Fund</u>	<u>Revenue Bond Trustee Fund</u>	<u>Meter Deposit Fund</u>	<u>CMOM Fund</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 705,856	\$ 1,189,330	\$ -	\$ 13,807	\$ 1,257,265	\$ 3,166,258
Restricted:						
Cash and cash equivalents	-	-	-	227,185	-	227,185
Investments	-	-	-	99,000	-	99,000
Due from other funds	247,754	10,832	-	60,083	-	318,669
Accounts receivable, net	362,941	73,668	-	-	33,109	469,718
Receivables from other governments	-	15,665	-	-	-	15,665
Other receivables	165,359	-	-	-	-	165,359
Notes receivable	15,631	-	-	-	-	15,631
Total current assets	<u>1,497,541</u>	<u>1,289,495</u>	<u>-</u>	<u>400,075</u>	<u>1,290,374</u>	<u>4,477,485</u>
Non-current assets:						
Notes receivable	176,609	-	-	-	-	176,609
Capital assets:						
Land and construction in progress	689,607	-	-	-	2,529,922	3,219,529
Other capital assets, net of accumulated depreciation	10,209,133	15,038,186	-	-	-	25,247,319
Unamortized note issue costs	20,117	229,590	-	-	87,400	337,107
Total non-current assets	<u>11,095,466</u>	<u>15,267,776</u>	<u>-</u>	<u>-</u>	<u>2,617,322</u>	<u>28,980,564</u>
Total assets	<u>12,593,007</u>	<u>16,557,271</u>	<u>-</u>	<u>400,075</u>	<u>3,907,696</u>	<u>33,458,049</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	240,402	142,553	-	-	704,996	1,087,951
Salaries payable	25,889	-	-	-	-	25,889
Accrued interest payable	2,776	27,341	-	-	4,964	35,081
Due to other funds	415	11	-	-	80,697	81,123
Deferred revenue	-	-	-	-	452,752	452,752
Deposits subject to refund	-	-	-	326,185	-	326,185
Compensated absences	4,851	-	-	-	-	4,851
Capital lease obligation	25,739	-	-	-	-	25,739
Notes payable	155,350	506,707	-	-	109,375	771,432
Total current liabilities	<u>455,422</u>	<u>676,612</u>	<u>-</u>	<u>326,185</u>	<u>1,352,784</u>	<u>2,811,003</u>
Non-current liabilities:						
Compensated absences	43,341	-	-	-	-	43,341
Notes payable	2,161,736	14,533,297	-	-	1,104,836	17,799,869
OPEB liability	39,634	-	-	-	-	39,634
Total non-current liabilities	<u>2,244,711</u>	<u>14,533,297</u>	<u>-</u>	<u>-</u>	<u>1,104,836</u>	<u>17,882,844</u>
Total liabilities	<u>2,700,133</u>	<u>15,209,909</u>	<u>-</u>	<u>326,185</u>	<u>2,457,620</u>	<u>20,693,847</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	8,576,032	227,772	-	-	1,403,111	10,206,915
Unrestricted	1,316,842	1,119,590	-	73,890	46,965	2,557,287
Total net assets	<u>\$ 9,892,874</u>	<u>\$ 1,347,362</u>	<u>\$ -</u>	<u>\$ 73,890</u>	<u>\$ 1,450,076</u>	<u>\$ 12,764,202</u>

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**Combining Schedule of Revenues, Expenses, and Changes in Net Assets – Enterprise Fund**  
**Accounts – Year Ended September 30, 2011**

	<u>GPWA</u>	<u>Water Treatment Plant Fund</u>	<u>Revenue Bond Trustee Fund</u>	<u>Meter Deposit Fund</u>	<u>CMOM Fund</u>	<u>Total</u>
<b>REVENUES</b>						
Charges for services:						
Pledged as security:						
Water	\$ 1,996,331	\$ 324,606	\$ -	\$ -	\$ -	\$ 2,320,937
Sewer	780,924	-	-	-	309,595	1,090,519
Unpledged:						
Sewer	1,251,509	-	-	-	-	1,251,509
Rents and royalties	4,400	-	-	-	-	4,400
Miscellaneous	71,337	-	-	320	-	71,657
Total operating revenues	<u>4,104,501</u>	<u>324,606</u>	<u>-</u>	<u>320</u>	<u>309,595</u>	<u>4,739,022</u>
<b>OPERATING EXPENSES</b>						
General government	359,653	-	-	-	14,103	373,756
Administration	280,493	-	-	-	-	280,493
Water	538,363	38,136	13,013	-	-	589,512
Wastewater	267,119	-	-	-	-	267,119
Sanitation	802,727	-	-	-	1	802,728
Landfill operations	116,454	-	-	-	-	116,454
Line maintenance	517,581	-	-	-	-	517,581
Meter operations	54,541	-	-	81	-	54,622
Municipal pool	15,391	-	-	-	-	15,391
Amortization expense	1,311	12,084	-	-	4,600	17,995
Depreciation	780,345	31,395	-	-	-	811,740
Total operating expenses	<u>3,733,978</u>	<u>81,615</u>	<u>13,013</u>	<u>81</u>	<u>18,704</u>	<u>3,847,391</u>
Operating income (loss)	<u>370,523</u>	<u>242,991</u>	<u>(13,013)</u>	<u>239</u>	<u>290,891</u>	<u>891,631</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest and investment revenue	9,363	3,515	-	2,276	857	16,011
Miscellaneous revenue	-	178	-	-	-	178
Gain (loss) on capital asset disposal	327,059	-	-	-	-	327,059
Interest expense	<u>(82,305)</u>	<u>(606,566)</u>	<u>-</u>	<u>-</u>	<u>(20,214)</u>	<u>(709,085)</u>
Total non-operating revenue (expenses)	<u>254,117</u>	<u>(602,873)</u>	<u>-</u>	<u>2,276</u>	<u>(19,357)</u>	<u>(365,837)</u>
Income (loss) before transfers	<u>624,640</u>	<u>(359,882)</u>	<u>(13,013)</u>	<u>2,515</u>	<u>271,534</u>	<u>525,794</u>
Capital contributions	13,631	-	-	-	1,047,248	1,060,879
Transfers in	1,537,566	465,613	-	-	-	2,003,179
Transfers out	<u>(2,232,423)</u>	<u>-</u>	<u>-</u>	<u>(2,177)</u>	<u>-</u>	<u>(2,234,600)</u>
Change in net assets	<u>(56,586)</u>	<u>105,731</u>	<u>(13,013)</u>	<u>338</u>	<u>1,318,782</u>	<u>1,355,252</u>
Total net assets - beginning	9,949,460	1,241,631	13,013	73,552	131,294	11,408,950
Total net assets - ending	<u>\$ 9,892,874</u>	<u>\$ 1,347,362</u>	<u>\$ -</u>	<u>\$ 73,890</u>	<u>\$ 1,450,076</u>	<u>\$ 12,764,202</u>

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**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<b>State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>STATE AWARDS:</b>			
Department of Libraries:			
State Aid	N/A	\$21,073	\$20,226
Oklahoma Water Resources Board:			
Contract for Financial Assistance	CFA-10-0006	\$1,500,000	\$1,047,248
Oklahoma Department of Agriculture:			
Rural Fire Grant	State Aid	8,810	4,413
Oklahoma Department of Emergency Management:			
State Match - Disaster Recovery	FEMA-1985-DR-OK	2,464	2,464
State Match - Disaster Recovery	FEMA-1989-DR-OK	52,305	25,777
<b>TOTAL STATE AWARDS</b>		<u>\$1,584,652</u>	<u>\$1,100,128</u>

**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.