

CITY OF SAYRE, OKLAHOMA
FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION

JUNE 30, 2011

CITY OF SAYRE, OKLAHOMA
INDEX TO REPORT
JUNE 30, 2011

Independent Auditors' Report	Page	1-2
Management's Discussion and Analysis		3-9
<u>Basic Financial Statements:</u>		
Statement of Net Assets		10
Statement of Activities		11
Balance Sheet-Governmental Funds		12-13
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds		14-16
Statement of Fund Net Assets-Proprietary Funds		17
Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Funds		18
Statement of Cash Flows-Proprietary Funds		19-20
Statement of Fiduciary Net Assets-Fiduciary Funds		21
Statement of Revenues, Expenses, and Changes in Net Assets-Fiduciary Funds		22
Notes to Financial Statements		23-37
<u>Required Supplementary Information (RSI):</u>		
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual		38-40
Report on Compliance and on Internal Control Over Financial Reporting Based on Audits of Financial Statements Performed in Accordance with Government Audit Standards		41-42



Hunter & Gibbins, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Sayre, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sayre, Oklahoma, as of and for the year ended June 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 of Sayre, Oklahoma'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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sayre, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 September 29, 2011, on our consideration of the City of Sayre, Oklahoma'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



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The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 38 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
September 29, 2011



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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Our discussion and analysis of the City of Sayre's financial performance provides an overview of the City's financial activities for the year ended June 30, 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" 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, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the overall health of the City.

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 those of the police, fire, general administration, and parks. Sales and other 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 it cover all or most of the cost of certain services it provides. The City's water and sewer 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, the City Commission establishes many other funds to help it control and manage money for particular purposes (like the Street and Alley Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **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 services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds**—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are 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.

THE CITY AS A WHOLE

For the year ended June 30, 2011, net assets changed as follows:

Table 1
Net Assets
(dollars are in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>Percent Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>		
Current and other assets	\$ 707	\$ 853	\$5,342	\$5,148	\$ 6,049	\$6,001	\$ 48	1%
Capital assets	<u>2,713</u>	<u>2,729</u>	<u>7,243</u>	<u>6,239</u>	<u>9,956</u>	<u>8,968</u>	<u>988</u>	11%
Total assets	<u>3,420</u>	<u>3,582</u>	<u>12,585</u>	<u>11,387</u>	<u>16,005</u>	<u>14,969</u>	<u>1,036</u>	7%
Long-term liabilities	-	-	2,519	2,371	2,519	2,371	148	6%
Other liabilities	<u>51</u>	<u>32</u>	<u>233</u>	<u>269</u>	<u>284</u>	<u>301</u>	<u>(17)</u>	(6%)
Total liabilities	<u>51</u>	<u>32</u>	<u>2,752</u>	<u>2,640</u>	<u>2,803</u>	<u>2,672</u>	<u>131</u>	5%
Net assets:								
Invested in capital assets, net of related debt	2,713	2,729	4,724	5,417	7,437	8,146	(709)	(9%)
Restricted	211	-	17	17	228	17	211	1241%
Unrestricted	<u>445</u>	<u>821</u>	<u>5,092</u>	<u>3,313</u>	<u>5,537</u>	<u>4,134</u>	<u>1,403</u>	34%
Total net assets	<u>\$ 3,369</u>	<u>\$ 3,550</u>	<u>\$ 9,833</u>	<u>\$ 8,747</u>	<u>\$13,202</u>	<u>\$12,297</u>	<u>\$ 905</u>	7%

Net Assets

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$180,659 for governmental activities and increased \$1,086,383 for business-type activities. The City's overall financial position improved during fiscal year 2011.

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. Some of the individual line item revenues reported for each function are:

General government	Permits, rebates, refunds and other miscellaneous charges. Grants for street projects are included in capital grants and contributions.
Public Safety	Police fines, fire runs and animal control fees are classified as charges for services.
Culture and Recreation	Park facilities usage fees and sale of cemetery lots are charges for services.
Sanitation and Utilities	Garbage disposal and cleanup fees are categorized as charges for services.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

In reviewing the net expense/revenue, the Utility Authority showed that it is performing efficiently. The operating income was \$571,569. Careful monitoring of the operating expenses and strong water sales created this positive outcome last year.

THE CITY'S FUNDS

The following tables present a summary of general, special revenue, capital project, and permanent fund revenues and expenditures for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to the prior year.

Table 2
Revenues
(dollars are in thousands)

Revenues:	Governmental Activities		Business-type Activities		Totals		Amount Change	Percent Change
	2011	2010	2011	2010	2011	2010		
Program revenues								
Charges for services	\$ 110	\$ 159	\$ 2,092	\$ 1,780	\$ 2,202	\$ 1,939	\$ 263	14%
Operating grants and contributions	16	17	258	-	274	17	257	1512%
Capital grants and Contributions	61	259	102	224	163	483	(320)	(66%)
General revenues								
Sales and Use Taxes	1,255	1,068	-	-	1,255	1,068	187	18%
Franchise Taxes	138	108	-	-	138	108	30	28%
Other Taxes	139	94	-	-	139	94	45	48%
Investment Earnings	5	8	81	123	86	131	(45)	(34%)
Impact Fee	-	-	784	412	784	412	372	90%
Other revenue	1	-	15	58	16	58	(42)	(72%)
Total Revenues	\$ 1,725	\$ 1,713	\$ 3,332	\$ 2,597	\$ 5,057	\$ 4,310	\$ 747	17%

Total revenues increased by \$747,189 compared to the prior year. This was due in part to the increase in oil and gas production in the area resulting in higher sales and use taxes received, and increased water usage. In addition, the North Fork Correctional Facility was at full capacity nearly the entire year, which helped to boost revenue in 2011.

The City received several grants in 2010-2011 which included an Oklahoma Housing Finance Agency Home Replacement grant for \$258,670, the completion of a runway project grant of \$97,294, an Oklahoma Department of Transportation grant of \$48,447 to improve portions of the concrete surface of State Highway 283 and a park grant for \$14,357.

Table 3
Expenditures
(dollars are in thousands)

Expenditures:	Governmental Activities		Business-type Activities		Totals		Amount Change	Percent Change
	2011	2010	2011	2010	2011	2010		
General government	\$ 381	\$ 446	\$ -	\$ -	\$ 381	\$ 446	\$ (65)	(15%)
Public safety	929	836	-	-	929	836	93	11%
Economic Development	30	49	-	-	30	49	(19)	(39%)
Cultural and recreation	246	220	-	-	246	220	26	12%
Sanitation and utilities	334	285	-	-	334	285	49	17%
Industrial	-	-	527	280	527	280	247	88%
Water Utilities	-	-	1,580	1,715	1,580	1,715	(135)	(8%)
Airport	-	-	24	4	24	4	20	500%
Total Expenditures	<u>\$ 1,920</u>	<u>\$ 1,836</u>	<u>\$ 2,131</u>	<u>\$ 1,999</u>	<u>\$ 4,051</u>	<u>\$ 3,835</u>	<u>\$ 216</u>	6%

Total expenditures were up by \$215,980. Overall governmental activities expenses increased \$83,946 which was mostly caused by increases in employee health insurance costs. The increase in overall business-type activities expenses of \$132,034 and was due to decreased expenses in water utilities and increased expenses in the industrial category. The decrease of expenses in water utilities was comprised of an increase in operating expenses due to consumption increases and a decrease of the landfill closure cost accrual. The expense increase in the industrial category was due mostly to grants made under a pass through Homeowner Replacement program mentioned in table 2.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were \$279,009 less than budgeted, however expenditures were \$453,442 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

At the end of June 30, 2011, the City had \$15.1 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water, and sewer lines. The City purchased \$1,517,087 in capital assets during the year ended June 30, 2011.

Table 4
Capital Assets at Year-end
(dollars are in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 196	\$ 196	\$ 449	\$ 449	\$ 645	\$ 645
Buildings and improvements	1,239	1,238	2,920	2,768	4,159	4,006
Equipment	1,677	1,631	2,157	1,950	3,834	3,581
Infrastructure	1,328	1,262	5,215	4,231	6,543	5,493
Totals	<u>\$ 4,440</u>	<u>\$ 4,327</u>	<u>\$10,741</u>	<u>\$ 9,398</u>	<u>\$15,181</u>	<u>\$13,725</u>

This year's major additions included:

Industrial Park Development	\$ 313,820
Paving Improvements	179,824
City Hall Addition	122,612
Runway Improvements	\$ 102,075

Debt

At year-end, the City had \$768,696 in outstanding notes payable compared to \$822,057 last year.

City obligations include notes payable to the Department of Commerce for \$222,735 obtained originally for landfill and water system improvements; a note payable to Interbank for \$8,658 for a garbage truck; and a note payable to the First National Bank for \$537,303 obtained to construct a new health department.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2011-2012 budget will present several challenges. The City departments must prepare a five-year plan for the improvement of equipment and infrastructure. Increased fuel and utility costs must be planned for in the 2011-2012 budget as costs continue to escalate. The improvements at the City's Industrial Park that were promised to C & J Energy must be planned for in the budget. In addition, the completion of the City Hall annex must be provided for in the budget. Due to competition for employees from the oil and gas industries, the budget must provide for a modest increase in salaries and wages for the 2011-2012 year.

Much of the City's equipment is in need of replacement. Upgrades must be planned for in the 2011-2012 budget. The City acquired several buildings in the past year, and provisions to remodel these buildings to help increase retail sales and provide for meeting space must be included in the budget.

A slight increase in water rates, tied to the Oklahoma Consumer Price Index, will be needed to keep revenue in line with the economic condition of the State.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

A huge push should be made to provide affordable housing. Funds to ignite this area need to be provided for in the budget, as housing is the key to our growth. If companies providing hundreds of jobs are attracted, but there is no housing, workers will live in other towns and spend their paychecks in places other than Sayre.

Continued economic development efforts need to be made to bring retail businesses to Sayre and bolster our sales tax revenues. Funds and plans need to be provided to improve the recreation area of the Rotary Park and we need to acquire other land to create a centrally-located park in our city.

With the support of the Mayor and City Council and the hard work of the City's employees, we can move the City of Sayre forward.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Office at 102 W Main, Sayre, Oklahoma.

Guy Hylton, City Manager

CITY OF SAYRE, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
Cash and Cash Equivalents	\$ 581,934	\$ 3,584,706	\$ 4,166,640	\$ 89,943
Certificates of Deposit	6,300	92,408	98,708	-
Accounts Receivable, Net	4,165	203,242	207,407	-
Due from Other Governments	111,212	-	111,212	-
Prepaid Expenses	4,000	-	4,000	-
Restricted Cash				
Cash Equivalents	-	16,724	16,724	-
Notes Receivable	-	684,230	684,230	-
Investments	-	760,475	760,475	-
Capital Assets:				
Land and Construction in Progress	195,651	571,188	766,839	70,600
Other Capital Assets, Net of Depreciation	2,516,975	6,671,904	9,188,879	5,501
TOTAL ASSETS	3,420,237	12,584,877	16,005,114	166,044
LIABILITIES				
Accounts Payable and Accrued Expenses	51,058	232,800	283,858	-
Long-Term Liabilities:				
Due Within One Year	-	42,762	42,762	-
Due in More Than One Year	-	2,476,086	2,476,086	-
TOTAL LIABILITIES	51,058	2,751,648	2,802,706	-
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,712,626	4,724,244	7,436,870	76,101
Restricted for:				
Street Expenses	79,983	-	79,983	-
Grants	13,171	-	13,171	-
911 Program	118,413	-	118,413	-
Debt Service	-	16,724	16,724	-
Unrestricted	444,986	5,092,261	5,537,247	89,943
TOTAL NET ASSETS	\$ 3,369,179	\$ 9,833,229	\$ 13,202,408	\$ 166,044

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Cash and Cash Equivalents	\$ 315,310	\$ 266,624	\$ 581,934
Certificates of Deposit	-	6,300	6,300
Accounts Receivable	4,165	-	4,165
Prepaid Expenses	4,000	-	4,000
Due from Other Governments	111,212	-	111,212
TOTAL ASSETS	\$ 434,687	\$ 272,924	\$ 707,611
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 46,988	\$ 4,070	\$ 51,058
TOTAL LIABILITIES	46,988	4,070	51,058
 <u>FUND BALANCES</u>			
Nonspendable:			
Prepaid Expenses	4,000	-	4,000
Restricted:			
Street Expenses	-	79,983	79,983
Grants	-	13,171	13,171
911 Program	-	118,413	118,413
Committed:			
Debt Service	-	319	319
Assigned:			
Cemetery	-	22,189	22,189
Employee Health Costs	-	29,905	29,905
Unassigned:			
Unassigned	383,699	4,874	388,573
TOTAL FUND BALANCES	387,699	268,854	656,553
TOTAL LIABILITIES AND FUND BALANCES	\$ 434,687	\$ 272,924	\$ 707,611

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balance-total governmental funds	\$ 656,553
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$4,440,127, net of accumulated depreciation of (\$1,727,501), are not financial resources and, therefore, are not reported in the funds.	<u>2,712,626</u>
Net assets of governmental activities	<u>\$ 3,369,179</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

<u>REVENUES</u>	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Sales Tax	\$ 1,135,927	\$ -	\$ 1,135,927
Franchise Tax	137,981	-	137,981
Alcoholic Beverage Tax	25,898	-	25,898
Use Tax	119,474	-	119,474
Cigar Tax	21,904	-	21,904
Fuel Tax	-	36,850	36,850
Grant Revenue	75,095	-	75,095
Donations	2,028	-	2,028
License, Fees & Permits	5,529	23,059	28,588
Park Revenue	17,438	-	17,438
Cemetery Revenue	4,250	-	4,250
Disposal and Service Revenue	4,537	-	4,537
Library Fines	333	-	333
Police Fines & Court Fees	42,102	-	42,102
Sale of Assets	2,300	1,794	4,094
Refunds and Reimbursements	2,774	-	2,774
Rentals	6,500	-	6,500
Interest Income	5,365	-	5,365
Hotel/Motel Tax	54,195	-	54,195
Animal Control Fees	773	-	773
Community Center Fees	1,200	-	1,200
Miscellaneous Sales and Service	1,522	-	1,522
	<hr/>	<hr/>	<hr/>
Total Revenues	1,667,125	61,703	1,728,828
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Current:			
Personal Service:			
City Administration	219,195	-	219,195
Police	573,198	-	573,198
Fire	77,973	-	77,973
City Inspector	42,321	-	42,321
Animal Control	31,194	-	31,194
Development Coordinator	26,238	-	26,238
Street	154,093	-	154,093
Park	58,071	-	58,071
Library	33,871	-	33,871
General Government	27,731	-	27,731
	<hr/>	<hr/>	<hr/>
	\$ 1,243,885	\$ -	\$ 1,243,885

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

<u>EXPENDITURES-CONTINUED</u>	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Maintenance and Operations:			
City Administration	\$ 17,051	\$ -	\$ 17,051
City Attorney	12,491	-	12,491
City Judge	6,035	-	6,035
Police	60,689	1,150	61,839
Fire	50,754	-	50,754
City Inspector	5,235	-	5,235
Animal Control	9,304	-	9,304
Development Coordinator	4,014	-	4,014
Street	109,719	22,663	132,382
Park	46,125	-	46,125
Golf Course	30,000	-	30,000
Library	26,578	-	26,578
Department of Corrections	4,808	-	4,808
Senior Citizens	7,928	-	7,928
Cemetery	916	-	916
Museum	5,500	-	5,500
General Government	63,045	18,047	81,092
	<u>460,191</u>	<u>41,860</u>	<u>502,051</u>
Capital Outlay:			
City Administration	877	-	877
Police	31,441	-	31,441
Fire	16,391	-	16,391
Animal Control	1,319	-	1,319
Street	89,894	2,329	92,223
Park	18,293	-	18,293
Library	1,079	-	1,079
	<u>159,294</u>	<u>2,329</u>	<u>161,623</u>
Total Expenditures	<u>1,863,370</u>	<u>44,189</u>	<u>1,907,559</u>
Excess of Revenues Over (Under) Expenditures	<u>(196,245)</u>	<u>17,514</u>	<u>(178,731)</u>
<u>OTHER FINANCING SOURCES:</u>			
Net Transfers In (Out)	<u>(15,693)</u>	<u>30,131</u>	<u>14,438</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(211,938)</u>	<u>47,645</u>	<u>(164,293)</u>
Fund Balance-Beginning	<u>599,637</u>	<u>221,209</u>	<u>820,846</u>
Fund Balance-Ending	<u>\$ 387,699</u>	<u>\$ 268,854</u>	<u>\$ 656,553</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances-total governmental funds \$ (164,293)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$161,623 exceeded depreciation of (\$174,304) in the current period. (12,681)

Governmental funds report the proceeds from the sale of capital assets as revenue. However, in the statements of activities, the difference between the sales price and the book value (cost less accumulated depreciation) of the asset is recorded as gain or loss on sale of assets. This is the amount by which the sales price (\$4,094) exceeded the gain on sale of assets \$409 in the current period. (3,685)

Change in net assets of governmental activities \$ (180,659)

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

ASSETS	INDUSTRIAL AUTHORITY	PUBLIC WORKS AUTHORITY	AIRPORT COMMISSION	TOTAL ENTERPRISE FUNDS
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 2,772,595	\$ 796,456	\$ 15,655	\$ 3,584,706
Certificates of Deposit	30,283	62,125	-	92,408
Accounts Receivable, Net	3,783	199,459	-	203,242
TOTAL CURRENT ASSETS	2,806,661	1,058,040	15,655	3,880,356
<u>NON-CURRENT ASSETS</u>				
Restricted Cash and Cash Equivalents	-	16,724	-	16,724
Notes Receivable	634,752	49,478	-	684,230
Investment in ALFA	-	760,475	-	760,475
Property, Plant and Equipment- Net of Depreciation	2,932,257	3,874,429	436,406	7,243,092
TOTAL NON-CURRENT ASSETS	3,567,009	4,701,106	436,406	8,704,521
TOTAL ASSETS	6,373,670	5,759,146	452,061	12,584,877
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	62,723	103,420	-	166,143
Deposits	5,600	61,057	-	66,657
Current Portion of Long-Term Debt	13,729	29,033	-	42,762
TOTAL CURRENT LIABILITIES	82,052	193,510	-	275,562
<u>NON-CURRENT LIABILITIES</u>				
Long-Term Debt (Net of Current Portion)	523,574	1,952,512	-	2,476,086
TOTAL LIABILITIES	605,626	2,146,022	-	2,751,648
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	2,394,954	1,892,884	436,406	4,724,244
Restricted for:				
Debt Service	-	16,724	-	16,724
Unrestricted	3,373,090	1,703,516	15,655	5,092,261
TOTAL NET ASSETS	\$ 5,768,044	\$ 3,613,124	\$ 452,061	\$ 9,833,229

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	INDUSTRIAL AUTHORITY	PUBLIC WORKS AUTHORITY	AIRPORT COMMISSION	TOTAL ENTERPRISE FUNDS
<u>OPERATING REVENUES</u>				
Water Service	\$ -	\$ 1,191,790	\$ -	\$ 1,191,790
Sewer Service	-	294,012	-	294,012
Garage Service	-	380,717	-	380,717
Rental Income	130,987	-	-	130,987
Ambulance Service	-	84,278	-	84,278
Other Income	9,930	-	-	9,930
TOTAL OPERATING REVENUES	140,917	1,950,797	-	2,091,714
<u>OPERATING EXPENSES</u>				
Personal Services	70,430	458,177	-	528,607
Supplies and Repairs	46,215	694,402	-	740,617
Insurance Expense	-	10,001	-	10,001
Depreciation	109,920	216,648	24,327	350,895
TOTAL OPERATING EXPENSES	226,565	1,379,228	24,327	1,630,120
OPERATING INCOME (LOSS)	(85,648)	571,569	(24,327)	461,594
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Investment and Interest Income	59,654	21,254	-	80,908
Impact Fee	784,000	-	-	784,000
Oil and Gas Revenue	-	9,731	-	9,731
Gain on Sale of Assets	-	4,970	-	4,970
Local Grant Allocations	(276,453)	-	-	(276,453)
Grant Revenue	263,675	-	97,294	360,969
Interest Expense	(24,188)	-	-	(24,188)
Landfill Closure/Postclosure	-	(200,710)	-	(200,710)
TOTAL NON-OPERATING REVENUE (EXPENSE)	806,688	(164,755)	97,294	739,227
INCOME BEFORE TRANSFERS	721,040	406,814	72,967	1,200,821
Net Transfers In (Out)	390,461	(14,439)	(490,460)	(114,438)
CHANGE IN NET ASSETS	1,111,501	392,375	(417,493)	1,086,383
Total Net Assets-Beginning	4,656,543	3,220,749	869,554	8,746,846
Total Net Assets-Ending	<u>\$ 5,768,044</u>	<u>\$ 3,613,124</u>	<u>\$ 452,061</u>	<u>\$ 9,833,229</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
STATEMENT CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	INDUSTRIAL AUTHORITY	PUBLIC WORKS AUTHORITY	AIRPORT COMMISSION	TOTAL ENTERPRISE FUNDS
Cash Received From Customers	\$ 141,633	\$ 1,911,741	\$ -	\$ 2,053,374
Cash Payments for Goods and Services	(10,193)	(784,842)	-	(795,035)
Cash Payments to Employees	(70,430)	(458,177)	-	(528,607)
NET CASH PROVIDED BY OPERATING ACTIVITIES	61,010	668,722	-	729,732
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Oil and Gas Revenue	-	9,731	-	9,731
Local Grant Allocations	(276,453)	-	-	(276,453)
Grant Revenue	263,675	-	167,309	430,984
Impact Fee	784,000	-	-	784,000
Operating Transfer In (Out)	390,461	(14,439)	(490,460)	(114,438)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	1,161,683	(4,708)	(323,151)	833,824
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Principal Paid on Long-Term Debt	(15,812)	(37,549)	-	(53,361)
Payments of Interest on Long-Term Debt	(24,188)	-	-	(24,188)
Proceeds from Sale of Assets	-	5,470	-	5,470
Proceeds from Payments Received on Note Receivable	32,896	6,250	-	39,146
Acquisition and Construction of Capital Assets	(448,297)	(805,092)	(102,075)	(1,355,464)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(455,401)	(830,921)	(102,075)	(1,388,397)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Purchases of Certificates of Deposit	(325)	(740)	-	(1,065)
Purchase of Investment in ALFA	-	(153,628)	-	(153,628)
Interest Income	59,654	21,254	-	80,908
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	59,329	(133,114)	-	(73,785)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	826,621	(300,021)	(425,226)	101,374
CASH AND CASH EQUIVALENTS AT JULY 1, 2010	1,945,974	1,113,201	440,881	3,500,056
CASH AND CASH EQUIVALENTS AT JUNE 30, 2011	\$ 2,772,595	\$ 813,180	\$ 15,655	\$ 3,601,430

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
 STATEMENT CASH FLOWS
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>INDUSTRIAL AUTHORITY</u>	<u>PUBLIC WORKS AUTHORITY</u>	<u>AIRPORT COMMISSION</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (85,648)	\$ 571,569	\$ (24,327)	\$ 461,594
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	109,920	216,648	24,327	350,895
(Increase) Decrease in Assets:				
Accounts Receivable	(3,784)	(43,246)	-	(47,030)
Increase (Decrease) in Liabilities:				
Accounts Payable	36,022	(80,439)	-	(44,417)
Deposits	4,500	4,190	-	8,690
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 61,010</u>	<u>\$ 668,722</u>	<u>\$ -</u>	<u>\$ 729,732</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
SAYRE MEMORIAL HOSPITAL AUTHORITY
JUNE 30, 2011

ASSETS

Cash and Investments	\$ 1,649,915
Due from Other Governments	36,256
Property, Plant and Equipment, Net	<u>11,759,991</u>
TOTAL ASSETS	<u><u>13,446,162</u></u>

LIABILITIES

Accrued Payables	401,753
Bond Premium	297,043
Bonds Payable	<u>13,590,000</u>
TOTAL LIABILITIES	<u><u>14,288,796</u></u>
NET ASSETS (DEFICIT)	<u><u>\$ (842,634)</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FIDUCIARY NET ASSETS
 SAYRE MEMORIAL HOSPITAL AUTHORITY
 FOR THE YEAR ENDED JUNE 30, 2011

REVENUES

Sales Tax	\$ 378,642
Use Tax	39,055
Hospital Payments	610,136
Interest	137
	1,027,970
TOTAL REVENUES	1,027,970

EXPENSES

Depreciation Expense	432,883
Interest and Bank Fees	803,505
	1,236,388
TOTAL EXPENSES	1,236,388

Excess of Revenue and Other Sources Under Expenses and Other Uses	(208,418)
Net Assets-Beginning	(634,216)
Net Assets-Ending	\$ (842,634)

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The incorporated City of Sayre, Oklahoma operates under the Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, utility (water, sanitation and sewer), planning and zoning, library, airport, recreation and general administration.

The City of Sayre (City) complies with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 20, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1 (A) : FINANCIAL REPORTING ENTITY

Component Units

The City's general-purpose financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity, as set forth in GASB 14: "The Financial Reporting Entity" is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Public Works Authority (PWA)-The PWA operates the City's water, sewer and sanitation services to the citizens of Sayre. The City Council serves to the citizens of Sayre. The Council serves as trustees and the City Manager is general manager.

Airport Commission-The Airport Commission supplements operations at the Sayre Municipal Airport.

Industrial Trust Authority-The Industrial Trust Authority was originally set up to promote the development of industry around Sayre. The City Council also serves as its trustees with the City manager in charge of its daily operations.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

Airport Authority-The Airport Authority operates the local Airport including hangar rentals. The Airport Authority Board is separate and distinct from the City of Sayre governing board. The Authority is accountable to the City's governing board, and is therefore reported as a discretely presented component unit.

1 (B): BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. Other funds that management considers important to readers of the financial statements.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the general operating fund of the City and is always classified as a major fund. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects), that are legally restricted to expenditures for special purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest and related costs on the general long-term debt of the city other than debt service payments made by enterprise or trust funds.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Industrial Trust Authority, Public Works Authority and Airport Commission Enterprise Funds.

Fiduciary Funds (Not included in government-wide statements)

Trust Funds

Trust funds report fiduciary resources held in trust and the receipt and disbursements of related monies. The reporting entity includes one trust fund, the Sayre Memorial Hospital Authority Fund.

Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund-A description of this fund can be found at note 1(B).

Proprietary Funds

The city reports three major enterprise funds: Industrial Authority, Public Works Authority, and Airport Commission which are further described in note 1(B).

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1 (C) : FUND BALANCE

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establish (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose.

General Fund

The General Fund has Nonspendable Fund Balance of \$4,000, which are prepaid expenses and Unassigned Fund Balance of \$383,699 at June 30, 2011.

1 (D) : MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like 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 and agency 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 within sixty days after year end. 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.

**CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1(E): ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City with an original maturity of three months or less. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Business-type activities report utilities as their major receivable.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed 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, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Prior to July 1, 2004, governmental funds' infrastructure assets were not capitalized.

Depreciation of all exhaustible fixed 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. The range of estimated useful lives by type of asset is as follows:

Buildings and Infrastructure	20-50
Utility System	5-50
Furniture, Fixtures And Equipment	5-35

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Fund Financial Statements

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

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 primarily of notes payable, capital leases obligations, and landfill closure and post-closure obligations.

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 principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

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 the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. "Restricted net assets" consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or 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" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations.

2 (A): BUDGETARY INFORMATION

The city prepares its annual operating budget under the provisions of the Municipal Budget Act. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the city council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the city council.
- d. The adopted budget is filed with the Office of State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the object level by department within a fund. The Municipal Budget Act recognizes the following object categories as the minimum legal level of control department within a fund:

- Personal Service
- Materials and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

All transfers of appropriations between departments and supplemental appropriations require city council approval. The Mayor may transfer appropriations between object categories within a department without city council approval. Supplemental appropriations must also be filed with the Office of State Auditor and inspector.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3: DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(A): Deposit and Investments

The City reporting entity considers all cash in bank checking accounts and certificates of deposit with an original maturity date of three months or less (including restricted assets) to be cash equivalents.

Investments of the City (excluding Public Trusts) are limited by Oklahoma Statute, Title 62, and Section 348.1 to the following:

- a. Direct obligations of the U.S. Government or its agencies or 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 of Oklahoma 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. Negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
- 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.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures.

In accordance with Oklahoma Statute, Title 62, Section 516.3, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government Agency Securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. The following is a summary of the City's credit risk on deposits:

Deposit Categories of Credit Risk:

- A) Insured by Federal Deposit Insurance or direct obligation of the U.S. Government.
- B) Collateralized with securities held by the pledging financial institutions trust department or agent in the City's name.
- C) Uncollateralized.

<u>Category</u>				<u>Bank Balance</u>
Primary	<u>A</u>	<u>B</u>	<u>C</u>	
Government	\$ 839,943	\$ 3,789,576	\$ -	\$ 4,629,519

3(B): Restricted Cash and Investments

Restricted Cash and Cash Equivalents include accounts that are restricted for payment of associated debt, loan covenants, and capital projects. The amounts in the accounts as of June 30, 2011 totaled \$16,724.

3(C): Notes Receivable

The Sayre Public Works entered into a note receivable with the Elk City Public Works Authority, for a percentage of Oklahoma Department of Commerce loan funds. The funds were obtained for landfill improvements. The note is non-interest bearing and has a final maturity date of June 28, 2019. The monthly payments on this note are \$521. \$ 49,478

The Sayre Industrial Authority partially funded through a mortgage a lodging facility located in the city's business park. The note has a fixed interest rate of 6.00% and requires monthly payments of principal and interest of \$5,786. The loan is payable on demand but if no demand is made, the remaining principal balance is due on August 1, 2012. 634,752

Total Notes Receivable \$ 684,230

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3(D): Property and Equipment

Capital asset activity for the year ended June 30, 2011, was as follows:

Governmental Activities:	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Land	\$ 195,651	\$ -	\$ -	\$ 195,651
Infrastructure	1,261,837	66,411	-	1,328,248
Buildings	1,237,902	1,079	-	1,238,981
Equipment and Furniture	1,631,464	94,133	48,350	1,677,247
Totals at				
Historical Cost	4,326,854	161,623	48,350	4,440,127
Less: Accumulated Depreciation	1,597,862	174,304	44,665	1,727,501
Net Book Value	<u>\$ 2,728,992</u>	<u>\$ (12,681)</u>	<u>\$ 3,685</u>	<u>\$ 2,712,626</u>
Business-Type Activities:	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Land	\$ 448,577	\$ -	\$ -	\$ 448,577
Other Assets	143,760	-	-	143,760
Buildings	2,768,458	29,019	-	2,797,477
Infrastructure	4,216,238	998,517	-	5,214,755
Equipment and Furniture	1,590,206	435,859	12,184	2,012,881
Construction in Progress	230,543	(107,931)	-	122,612
Totals at				
Historical Cost	9,397,782	1,355,464	12,184	10,741,062
Less: Accumulated Depreciation	3,158,760	350,895	11,685	3,497,970
Net Book Value	<u>\$ 6,239,022</u>	<u>\$ 1,004,569</u>	<u>\$ 499</u>	<u>\$ 7,243,092</u>

Depreciation Expense

Depreciation Expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 17,790
Public Safety	72,631
Culture and Recreation	36,944
Street and Alley	46,939
Total	<u>\$ 174,304</u>

Business-Type Activities:

Water Utilities	\$ 216,648
Industrial Authority	109,920
Airport	24,327
Total	<u>\$ 350,895</u>

CITY OF SAYRE, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

3 (E) : ACCOUNTS PAYABLE

Accounts payable are composed of payables to vendors and accrued salaries and benefits.

3 (F) : LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Business-Type Activities:

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

*Notes Payable***Public Works Authority****Department of Commerce:**

The Sayre Public Works Authority entered into a loan with the Oklahoma Department of Commerce. The funds were obtained for landfill improvements. The loan is non-interest bearing and has a final maturity date of November 1, 2020. Principal payments of \$1,042 are due each month. \$ 117,735

The Sayre Public Works Authority entered into a loan with the Oklahoma Department of Commerce. The funds were obtained for water system improvements. The loan is non-interest bearing and has a final maturity date of November 1, 2024. Principal payments of \$656 are due each month. The authority's water and sewer revenue serve as collateral on this loan. 105,000

Interbank:

The Sayre Public Works Authority entered into a loan with Interbank for purchase of Garbage Truck. The loan has a fixed interest rate of 4.70% and requires monthly payments of principal and interest of \$1,503. The loan matures on January 3, 2012. The Garbage Truck serves as collateral on this loan. \$ 8,658

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Landfill Closure and Post-Closure Care Cost

State and federal laws and regulations require the City of Sayre to place a final cover on landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure on the current landfill. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the City is required to accrue a liability based on landfill capacity used as of June 30, 2011. The landfill, which is currently in use, was estimated to have used 71% of its capacity as of June 30, 2011. Engineering reports estimate the total closure and post-closure costs of the cell currently being used to be \$2,448,104.

71% of that amount or \$1,750,152 has been recorded as a liability in long-term debt. These amounts are only estimates based on current circumstances and may change due to inflation, changes in technology, or changes in regulations. The city is a member of the Association for Landfill Assurance (ALFA) that complies with financial assurance requirements.

Sayre Industrial Authority

1st National Bank

537,303

The Sayre Industrial Authority entered into a loan agreement with 1st National Bank for construction of the Beckham County Health Department Building. The building is leased to the Oklahoma Department of Health annually for the amount of the loan payments. The loan has a fixed interest rate of 4.45% and requires monthly payments of principal and interest of \$3,333. The loan matures on March 10, 2032, at which time the city will transfer title of the building to the Oklahoma Department of Health.

Total Notes Payable

2,518,848

Less Current Portion
 Noncurrent Portion

42,762
\$ 2,476,086

Noncommitment Debt:

Sayre Memorial Hospital Authority

UMB:

\$13,590,000

The Sayre Memorial Hospital Authority entered into a bond agreement with UMB in the amount of \$14,000,000 to finance the construction of a hospital. This loan is secured with a 1% sales tax on the gross receipts derived from all sales within the City approved by the citizens of Sayre during the year ended June 30, 2008. The bond bears interest at 5.35% on the first \$2,240,000 and 6.00% on the remaining \$11,760,000 and is payable in annual installments ranging from \$200,000-\$965,000 plus accrued interest each year until the bond matures during 2037.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Changes in Long-Term Debt

	<u>Balance</u> <u>7/01/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Balance</u> <u>Due Within</u> <u>One Year</u>
Business Type Activities:					
Department of Commerce	\$ 243,110	\$ -	\$ 20,375	\$ 222,735	\$ 20,375
Interbank	25,832	-	17,174	8,658	8,658
Landfill Obligation	1,549,442	200,710	-	1,750,152	-
1 st National Bank	<u>553,115</u>	<u>-</u>	<u>15,812</u>	<u>537,303</u>	<u>13,729</u>
 Total Enterprise Fund Debt	 <u>\$2,371,499</u>	 <u>\$ 200,710</u>	 <u>\$ 53,361</u>	 <u>\$2,518,848</u>	 <u>\$ 42,762</u>

Annual Debt Service

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding non-commitment debt, as of June 30, 2011, are as follows:

Business-Type Activities Notes Payable

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2012	\$ 42,762	\$ 23,058	\$ 65,820
2013	37,421	22,954	60,375
2014	38,195	22,180	60,375
2015	39,004	21,371	60,375
2016	39,851	20,524	60,375
Thereafter	<u>2,321,615</u>	<u>175,941</u>	<u>2,497,556</u>
 Totals	 <u>\$2,518,848</u>	 <u>\$ 286,028</u>	 <u>\$2,804,876</u>

Interest expense charged as a direct program expense in the statement of changes in net assets was as follows:

Sayre Industrial Authority \$ 24,188

3(G) : RISK MANAGEMENT

The City purchases commercial insurance to satisfy liabilities under Worker's Compensation claims, property damage, and liability claims up to the limits set by the Oklahoma Governmental Tort Claim Act.

CITY OF SAYRE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4: OTHER NOTES

Contingencies

Federal Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Landfill Closure and Post Closure Care Cost
See note 3(F).

Retirement Plans

The City's police officers and firefighters participate in the Oklahoma State Police Pension and Retirement System and the Fireman's Pension and Retirement System respectively. The systems are funded by contributions from employers, employees, and the state

The City sponsors a deferred compensation plan for eligible employees. Employees may designate a certain portion of their salary to be deferred under Internal Revenue Code Section 457. The City also contributes amounts to this plan for each eligible employee, depending on the length of time the participant has been an employee of the city.

Aspen Ridge Development

The City of Sayre Industrial Authority obtained an equity grant from the Oklahoma Housing Finance Agency in the amount of \$552,000 to finance the development of apartments in the City. The grant requires the industrial authority to comply with certain requirements in the grant agreement or the grant would have to be paid back to the Oklahoma Housing Finance Agency. The City is currently in compliance with the grant requirements.

Commitments

During the year ended June 30, 2011 the City entered into a contract for hanger improvements. The total estimated cost of the project is \$277,200. As of June 30, 2011 the City has incurred \$70,600 of costs related to the project which has been recorded in the accompanying financial statements. The remaining contract commitment as of June 30, 2011 is \$206,600.

Subsequent Event

Subsequent to the year ended June 30, 2011, the City executed an agreement to sell the Aspen Ridge Development for \$501,101. This development consists of apartments, land and other property.

CITY OF SAYRE, OKLAHOMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Sales Tax		\$ 1,135,927	
Franchise Tax		137,981	
Alcoholic Beverage Tax		25,898	
Use Tax		119,474	
Cigar Tax		21,904	
Grant Revenue		75,095	
Donations		2,028	
License, Fees & Permits		5,529	
Park Revenue		17,438	
Cemetery Revenue		4,250	
Disposal and Service Revenue		4,537	
Library Fines		333	
Police Fines & Court Fees		42,102	
Sale of Assets		2,300	
Refunds and Reimbursements		2,774	
Rentals		6,500	
Interest Income		5,365	
Hotel/Motel Tax		54,195	
Animal Control Fees		773	
Community Center Fees		1,200	
Miscellaneous Sales and Service		1,522	
Total Revenues	\$ 1,946,134	1,667,125	\$ (279,009)
 <u>EXPENDITURES</u>			
City Administration:			
Personal Service		219,195	
Maintenance & Operation		17,051	
Capital Outlay		877	
	268,800	237,123	31,677
City Attorney:			
Maintenance & Operation		12,491	
	16,000	12,491	3,509
City Judge:			
Maintenance & Operation		6,035	
	\$ 7,200	\$ 6,035	\$ 1,165

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

<u>EXPENDITURES-CONTINUED</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Police Department:			
Personal Service		\$ 573,198	
Maintenance & Operation		60,689	
Capital Outlay		31,441	
	<u>\$ 666,800</u>	<u>665,328</u>	<u>\$ 1,472</u>
Fire Department:			
Personal Service		77,973	
Maintenance & Operation		50,754	
Capital Outlay		16,391	
	<u>146,100</u>	<u>145,118</u>	<u>982</u>
City Inspector:			
Personal Service		42,321	
Maintenance & Operation		5,235	
	<u>52,100</u>	<u>47,556</u>	<u>4,544</u>
Animal Control Officer:			
Personal Service		31,194	
Maintenance & Operation		9,304	
Capital Outlay		1,319	
	<u>46,000</u>	<u>41,817</u>	<u>4,183</u>
Development Coordinator:			
Personal Service		26,238	
Maintenance & Operation		4,014	
	<u>53,500</u>	<u>30,252</u>	<u>23,248</u>
Street:			
Personal Service		154,093	
Maintenance & Operation		109,719	
Capital Outlay		89,894	
	<u>410,000</u>	<u>353,706</u>	<u>56,294</u>
Park:			
Personal Service		58,071	
Maintenance & Operation		46,125	
Capital Outlay		18,293	
	<u>124,400</u>	<u>122,489</u>	<u>1,911</u>
Golf Course:			
Maintenance & Operation		30,000	
	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SAYRE, OKLAHOMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

<u>EXPENDITURES-CONTINUED</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Library:			
Personal Service		\$ 33,871	
Maintenance & Operation		26,578	
Capital Outlay		1,079	
	\$ 62,712	61,528	\$ 1,184
Department of Corrections:			
Maintenance & Operation		4,808	
	6,500	4,808	1,692
Senior Citizens:			
Maintenance & Operation		7,928	
	15,000	7,928	7,072
Cemetery:			
Maintenance & Operation		916	
	1,000	916	84
Museum:			
Maintenance & Operation		5,500	
	26,000	5,500	20,500
General Government:			
Personal Service		27,731	
Maintenance & Operation		63,045	
	384,700	90,776	293,924
Total Expenditures	2,316,812	1,863,370	453,442
Excess of Revenues Over (Under) Expenditures	(370,678)	(196,245)	174,433
<u>OTHER FINANCING SOURCES (USES):</u>			
Net Transfers In (Out)	-	(15,693)	(15,693)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(370,678)	(211,938)	158,740
Fund Balance-Beginning	370,678	599,637	228,959
Fund Balance-Ending	\$ -	\$ 387,699	\$ 387,699

The accompanying notes are an integral part of the financial statements.



Hunter & Gibbins, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Commissioners
City of Sayre, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sayre, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Sayre, Oklahoma, basic financial statements and have issued our report thereon dated September 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sayre, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sayre, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sayre, Oklahoma's internal control over reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sayre, Oklahoma's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Sayre, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by the City of Sayre, Oklahoma's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Sayre, Oklahoma's internal control.



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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies of material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the City of Sayre, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
September 29, 2011



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