CITY OF GUTHRIE OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

THE CITY OF GUTHRIE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

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, 2012, 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, 2012, 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 May 9, 2013, 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, Post-employment Benefit Plan Information, 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.

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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
May 9, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Guthrie's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2012, the City's total net assets increased by $837,058 or 2.6% from the prior year.
- During the year, the City's expenses for governmental activities were $7.9 million and were funded by program revenues of $2.7 million and further funded with taxes and other general revenues that totaled $5.3 million.
- In the City's business-type activities, such as utilities, program revenues exceed expenses by $707,834.
- Sales and use taxes increased by $339,558 or 8.6% 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 $11.3 million from the prior year.
- At September 30, 2012, the General Fund reported an unassigned fund balance of $1,410,462, which is an increase of 40.8% from the prior year unreserved, undesignated fund balance.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of $543,777 or 9.1%, while expenditures were under the final appropriations by $66,493 or 1.1%.

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.

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.

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 approximately $32.5 million at the close of the most recent fiscal year.

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	Restated 2011		2012	Restated 2011		2012	Restated 2011	
Current assets	$ 4,902	$ 4,820	2%	$ 3,241	$ 4,352	-26%	$ 8,143	$ 9,172	-11%
Capital assets, net	15,871	15,766	1%	30,210	28,467	6%	46,081	44,233	4%
Other non-current assets	-	-	0%	496	529	-6%	496	529	-6%
Total assets	20,773	20,586	1%	33,947	33,348	2%	54,720	53,934	1%
Current liabilities	734	1,126	-35%	1,717	2,730	-37%	2,451	3,856	-36%
Non-current liabilities	1,090	704	55%	18,774	17,883	5%	19,864	18,587	7%
Total liabilities	1,824	1,830	0%	20,491	20,613	-1%	22,315	22,443	-1%
Net assets									
Invested in capital assets, net of related debt	15,364	15,280	1%	10,939	10,207	7%	26,303	25,487	3%
Restricted	2,699	2,800	-4%	-	-	0%	2,699	2,800	-4%
Unrestricted	943	676	39%	2,516	2,663	-6%	3,459	3,339	4%
Total net assets	$ 19,006	$ 18,756	1%	$ 13,455	$ 12,870	5%	$ 32,461	$ 31,626	4%

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 2012, this investment in capital assets, net of related debt amounted to $26.3 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 35% decrease in governmental current liabilities is due to an increase in accounts payable related to grant projects in the prior year.

The 55% increase in governmental non-current liabilities is due to a capital lease for equipment in the current year.

The 26% decrease in business type current assets is due to cash used to complete sanitary sewer CMOM project.

The 37% decrease in business type current liabilities is due to projects completing in the current year, therefore reducing accounts payable at the end of the year.

Changes in Net Assets

For the year ended September 30, 2012, 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.)
	2012	Restated 2011		2012	Restated 2011		2012	Restated 2011	
Revenues									
Charges for service	$ 1,611	$ 1,659	-3%	$ 4,579	$ 4,663	-2%	$ 6,190	$ 6,322	-2%
Operating grants and contributions	687	586	17%	-	-	-	687	586	17%
Capital grants and contributions	370	954	-61%	1,000	1,061	-6%	1,370	2,015	-32%
Taxes	4,971	4,585	8%	-	-	-	4,971	4,585	8%
Intergovernmental revenue	146	137	7%	-	-	-	146	137	7%
Investment income	9	11	-18%	17	16	6%	26	27	-4%
Special item, gain on impairment of buildings	-	25	-100%	-	327	-100%	-	352	-100%
Miscellaneous	212	235	-10%	17	76	-78%	229	311	-26%
Total revenues	8,006	8,192	-2%	5,613	6,143	-9%	13,619	14,335	-5%
Expenses									
General government	2,009	1,942	4%	-	-	-	2,009	1,942	4%
Public safety	3,802	3,523	8%	-	-	-	3,802	3,523	8%
Streets	673	575	17%	-	-	-	673	575	17%
Culture, parks and recreation	824	771	7%	-	-	-	824	771	7%
Airport	576	598	-4%	-	-	-	576	598	-4%
Economic development	24	35	-31%	-	-	-	24	35	-31%
Interest on long-term debt	4	22	-82%	-	-	-	4	22	-82%
Water	-	-	-	2,614	2,190	19%	2,614	2,190	19%
Wastewater	-	-	-	1,062	753	41%	1,062	753	41%
Sanitation	-	-	-	1,196	1,537	-22%	1,196	1,537	-22%
Total expenses	7,912	7,466	6%	4,872	4,480	9%	12,784	11,946	7%
Excess (deficiency) before transfers	94	726	-87%	741	1,663	-55%	835	2,389	-65%
Transfers	156	307	-49%	(156)	(307)	-49%	-	-	0%
Change in net assets	250	1,033	-76%	585	1,356	-57%	835	2,389	-65%
Beginning net assets, restated	18,756	17,723	6%	12,870	11,514	12%	31,626	29,237	8%
Ending net assets	$ 19,006	$ 18,756	1%	$ 13,455	$ 12,870	5%	$ 32,461	$ 31,626	3%

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

Governmental Activities:

Capital grants and contributions decreased 61% due to a large grant in the prior year.

Transfer – 49% decrease related to reduction of sales tax transfer due to debt requirements

Business-Type Activities:

Wastewater expenses – 41% increased due to an increase in wastewater indirect expenses allocation

Sanitation expenses – 22% decrease in sanitation due to indirect expenses allocation

Transfer – 49% 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.)
	2012	2011		2012	2011	
General government	$ 2,009	$ 1,942	4%	($1,434)	($1,095)	31%
Public safety	3,802	3,523	8%	(2,410)	(2,194)	10%
Streets	673	575	17%	(364)	(270)	35%
Culture, parks and recreation	824	770	7%	(692)	(656)	5%
Airport	576	598	-4%	(318)	-	-100%
Economic development	24	35	-31%	(21)	(29)	-28%
Interest on long-term debt	4	22	-82%	(4)	(22)	-82%
Total	7,912	$ 7,465	6%	($5,243)	($4,266)	23%

Explanations for significant changes are listed above under Table 2.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2012	2011		2012	2011	
Water	$ 2,613	$ 2,190	19%	$ 616	$ 1,192	-48%
Wastewater	1,062	753	41%	25	337	-93%
Sanitation	1,196	1,537	-22%	67	(286)	-123%
Total	$ 4,871	$ 4,480	9%	$ 708	$ 1,243	-43%

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

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of $4.0 million or a 6.5% increase due to an increase in sales tax revenue and capital grants. The enterprise funds reported combined net assets of $13.5 million or a 4.6% increase from 2012 due to overall expenses decreasing.

Other fund highlights include:

- For the year ended September 30, 2012, the General Fund's total fund balance increased by $536,447 or 36%.
- There was $459,833 of fund balance in the General Fund that is restricted for specific purposes.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections (including transfers in) of 2.0% or $173,029 and an increase in appropriations (including transfers out) of 4.8% or $365,362. Actual revenues and transfers were over estimates by $532,820 or 6.9%, while expenditures and transfers were under final appropriations by $66,494 or 0.8%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2012, the City had $46 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, and water lines and sewer lines. (See Table 5). This represents a net increase of approximately $1.9 million over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 1,642	$ 1,598	$ 715	$ 690	$ 2,357	$ 2,288
Buildings	2,038	1,975	16,786	16,608	18,824	18,583
Imp. other than buildings	4,101	4,357	34	32	4,135	4,389
Machinery, furniture and equipment	1,220	1,009	802	867	2,022	1,876
Infrastructure	6,709	6,252	-	-	6,709	6,252
Utility property	-	-	11,873	7,740	11,873	7,740
Construction in progress	160	575	-	2,530	160	3,105
Totals	$ 15,870	$ 15,766	$ 30,210	$ 28,467	$ 46,080	$ 44,233

This year's more significant capital asset additions included:

Sanitary Sewer CMOM Project	$4,125,824
Wind Energy	722,513

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 $20 million in long-term debt outstanding which represents a $1,025,919 or 5% 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)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Accrued absences	$ 425	$ 380	$ -	$ 41	$ 425	$ 421	1.0%
Revenue bonds	-	-	-	26	-	26	-100.0%
Notes payable	-	160	(1)	-	(1)	160	-100.6%
Refundable grant obligation	143	155	-	-	143	155	-7.7%
Capital leases	364	171	19,555	18,571	19,919	18,742	6.3%
OPEB	259	173	59	40	318	213	49.3%
Totals	$ 1,191	$ 1,039	$ 19,665	$ 18,726	$ 20,856	$ 19,765	5.5%

The City issued $2 million in OWRB loans to finance the construction of a new Water Treatment facility.

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

The Economic Outlook

In Fiscal Year 2012-13 the City of Guthrie and Guthrie Public Works Authority developed the budget with defined goals and conservative revenue projections. The adopted Fiscal Year 2013 budget, including all funds and transfers, is $18,482,988 compared to $18,394,418 originally budgeted in Fiscal Year 2012, an increase of $88,570. The City of Guthrie's primary sources of revenues are sales tax and utility revenues. The Fiscal Year 2013 Budget does predict a growth in sales tax over that was budgeted in Fiscal Year 2012. The challenges for Fiscal Year 2012-13 Budget included rising costs to provide utility services and future infrastructure needs of the City.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

Statement of Net Assets– September 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,429,699	$ 2,431,265	$ 5,860,964
Investments	445,232	99,000	544,232
Accounts receivable, net of allowance	289,169	615,639	904,808
Internal balances	(95,601)	95,601	-
Due from other governmental agencies	833,101	-	833,101
Notes receivable, net of allowance (Note 3)	58,840	176,609	235,449
Capital Assets:			
Land and construction in progress	1,802,078	714,607	2,516,685
Other capital assets, net of depreciation	14,068,695	29,495,265	43,563,960
Unamortized issuance costs	-	319,112	319,112
Total Assets	$ 20,831,213	$ 33,947,098	$ 54,778,311
LIABILITIES			
Accounts payable and accrued expenses	$ 600,911	$ 458,803	$ 1,059,714
Accrued interest payable	-	35,090	35,090
Due to depositors	-	332,053	332,053
Due to bondholders	4,776	-	4,776
Unearned income	27,422	-	27,422
Long-term liabilities			
Due within one year	101,728	891,288	993,016
Due in more than one year	1,089,562	18,774,192	19,863,754
Total liabilities	1,824,399	20,491,426	22,315,825
NET ASSETS			
Invested in capital assets, net of related debt	15,364,451	10,939,282	26,303,733
Restricted for:			
Capital projects	2,347,067	-	2,347,067
Debt Service	455	-	455
Other projects	351,576	-	351,576
Unrestricted	943,265	2,516,390	3,459,655
Total net assets	$ 19,006,814	$ 13,455,672	$ 32,462,486

See accompanying notes to the basic financial statements.

Statement of Activities –Year Ended September 30, 2012

			Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	**Expenses**	**Indirect Expense Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government								
Governmental Activities								
General Government	$ 2,008,981	$ -	$ 161,016	$ 186,370	$ 227,619	$ (1,433,976)	$ -	$ (1,433,976)
Public Safety	3,801,668	-	1,021,108	370,292	-	(2,410,268)	-	(2,410,268)
Streets	672,872	-	217,894	90,930	-	(364,048)	-	(364,048)
Culture and Recreation	824,334	-	95,705	36,672	-	(691,957)	-	(691,957)
Airport	576,155	-	115,238	-	142,801	(318,116)	-	(318,116)
Economic Development	23,507	-	-	3,000	-	(20,507)	-	(20,507)
Interest on Long-term debt	4,076	-	-	-	-	(4,076)	-	(4,076)
Total governmental activities	7,911,593	-	1,610,961	687,264	370,420	(5,242,948)	-	(5,242,948)
Business-Type Activities:								
Water	1,900,533	712,650	2,229,162	-	1,000,158	-	616,137	616,137
Wastewater	519,951	542,115	1,086,631	-	-	-	24,565	24,565
Sanitation	1,007,396	188,523	1,263,051	-	-	-	67,132	67,132
General Government	316,975	(316,975)	-	-	-	-	-	-
Administration	366,461	(366,461)	-	-	-	-	-	-
Line Maintenance	697,368	(697,368)	-	-	-	-	-	-
Meter Operations	62,484	(62,484)	-	-	-	-	-	-
Total business-type activities	4,871,168	-	4,578,844	-	1,000,158	-	707,834	707,834
Total primary government	$ 12,782,761	$ -	$ 6,189,805	$ 687,264	$ 1,370,578	$ (5,242,948)	$ 707,834	$ (4,535,114)
General revenues:								
Taxes:								
Sales and use taxes						$ 4,299,499	$ -	$ 4,299,499
Franchise taxes and public service taxes						513,373	-	513,373
Hotel/motel taxes						158,423	-	158,423
Intergovernmental revenue not restricted to specific programs						145,720	-	145,720
Unrestricted investment earnings						8,920	17,433	26,353
Miscellaneous						211,708	17,096	228,804
Transfers						156,478	(156,478)	-
Total general revenues and transfers						5,494,121	(121,949)	5,372,172
Change in net assets						251,173	585,885	837,058
Net assets - beginning, restated						18,755,641	12,869,787	31,625,428
Net assets - ending						$ 19,006,814	$ 13,455,672	$ 32,462,486

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet - September 30, 2012

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,126,807	$ 112,430	$ 2,190,462	$ 3,429,699
Investments	445,232	-	-	445,232
Receivable from other governments	824,212	-	8,889	833,101
Taxes receivable, net	72,731	-	37,943	110,674
Court fines receivable, net	57,277	-	-	57,277
Ambulance receivable, net	85,284	-	-	85,284
Note receivable	-	-	58,840	58,840
Other receivables	-	35,934	-	35,934
Total assets	$ 2,611,543	$ 148,364	$ 2,296,134	$ 5,056,041
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 168,229	$ 255,774	$ 34,504	$ 458,507
Accrued payroll payable	140,512	-	-	140,512
Due to other funds	-	95,601	-	95,601
Due to bondholders	4,776	-	-	4,776
Payable to other governments	1,747	-	-	1,747
Deferred revenue	289,667	4,437	5,128	299,232
Other payables	144	-	-	144
Total liabilities	605,075	355,812	39,632	1,000,519
Fund balances (deficit):				
Restricted	459,833	9,848	2,164,236	2,633,917
Assigned	136,173	-	92,266	228,439
Unassigned (deficit)	1,410,462	(217,296)	-	1,193,166
Total fund balances (deficit)	2,006,468	(207,448)	2,256,502	4,055,522
Total liabilities and fund balances	$ 2,611,543	$ 148,364	$ 2,296,134	$ 5,056,041

See accompanying notes to the basic financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended September 30, 2012

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 4,813,769	$ -	$ 158,423	$ 4,972,192
Intergovernmental	773,831	105,832	277,316	1,156,979
Licenses and permits	143,146	-	-	143,146
Charges for services	959,714	222,473	34,169	1,216,356
Fees and fines	151,478	-	-	151,478
Investment earnings	5,746	248	2,926	8,920
Miscellaneous	223,504	6,419	40,051	269,974
Total revenues	7,071,188	334,972	512,885	7,919,045
EXPENDITURES				
Current:				
General government	1,918,061	-	-	1,918,061
Public safety	3,431,583	-	3,194	3,434,777
Public works	481,906	-	-	481,906
Culture and recreation	602,632	-	108,376	711,008
Economic development	23,246	-	-	23,246
Airport	111,175	-	-	111,175
Capital outlay	141,310	1,367,888	286,705	1,795,903
Debt service:				
Principal	-	154,364	172,473	326,837
Interest and other charges	-	4,077	-	4,077
Total expenditures	6,709,913	1,526,329	570,748	8,806,990
Excess (deficiency) of revenues over expenditures	361,275	(1,191,357)	(57,863)	(887,945)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	374,330	-	374,330
Transfers in	1,820,212	967,719	174,371	2,962,302
Transfers out	(1,645,040)	(454,120)	(102,298)	(2,201,458)
Total other financing sources and uses	175,172	887,929	72,073	1,135,174
Net change in fund balances	536,447	(303,428)	14,210	247,229
Fund balances - beginning, restated	1,470,021	95,980	2,242,292	3,808,293
Fund balances (deficit) - ending	$ 2,006,468	$ (207,448)	$ 2,256,502	$ 4,055,522

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	$	4,055,522
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.		15,870,773
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		271,809
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.		(1,191,290)
Net Assets of Governmental Activities in the Statement of Net Assets	$	19,006,814

See accompanying notes to the basic financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

City of Guthrie
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

Net change in fund balances - total governmental funds:	$	247,229
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		1,118,395
Depreciation expense		(1,013,644)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		50,660
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:		
Principal payments on long-term debt		326,837
Proceeds of long-term debt		(347,330)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in OPEB liability		(86,550)
Change in accrued compensated absences		(44,424)
Change in net assets of governmental activities	$	251,173

See accompanying notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

Proprietary Funds Statement of Net Assets - September 30, 2012

	Guthrie Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,198,212
Restricted:	
Cash and cash equivalents	233,053
Investments	99,000
Due from other funds	95,601
Accounts receivable, net	545,881
Other receivables	69,758
Notes receivable	14,004
Total current assets	3,255,509
Non-current assets:	
Notes receivable	162,605
Capital assets:	
Land and construction in progress	714,607
Other capital assets, net of accumulated depreciation	29,495,265
Unamortized issue costs	319,112
Total non-current assets	30,691,589
Total assets	$ 33,947,098
LIABILITIES	
Current liabilities:	
Accounts payable	$ 431,607
Salaries payable	27,196
Accrued interest payable	35,090
Deposits subject to refund	332,053
Compensated absences	5,194
Notes payable	886,094
Total current liabilities	1,717,234
Non-current liabilities:	
Compensated absences	46,429
Notes payable	18,727,763
Total non-current liabilities	18,774,192
Total liabilities	20,491,426
NET ASSETS	
Invested in capital assets, net of related debt	10,939,282
Unrestricted	2,516,390
Total net assets	$ 13,455,672

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets - Year Ended September 30, 2012

	Guthrie Public Works Authority
REVENUES	
Water	$ 2,229,162
Sewer	1,086,631
Sanitation	1,263,051
Rents and royalties	5,016
Miscellaneous	11,964
Total operating revenues	4,595,824
OPERATING EXPENSES	
General government	347,066
Administration	287,951
Water	476,407
Wastewater	257,982
Sanitation	826,007
Landfill operations	121,226
Line maintenance	515,080
Meter operations	60,148
Municpal Pool	13,688
Amortization expense	17,995
Depreciation	1,137,816
Total Operating Expenses	4,061,366
Operating income	534,458
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	17,433
Miscellaneous revenue	116
Interest expense	(826,284)
Total non-operating revenue (expenses)	(808,735)
Income (loss) before transfers	(274,277)
Capital contributions	1,621,006
Transfers in	1,600,203
Transfers out	(2,361,047)
Change in net assets	585,885
Total net assets - beginning, restated	12,869,787
Total net assets - ending	$ 13,455,672

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Cash Flows - Year Ended September 30, 2012

	Guthrie Public Works Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,641,026
Payments to suppliers and employees	(3,537,550)
Receipts of customer meter deposits	67,605
Refunds of customer meter deposits	(61,737)
Interfund receipts/payments	141,945
Net cash provided by operating activities	1,251,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,615,833
Transfers to other funds	(2,361,047)
Net cash provided by (used in) noncapital financing activities	(745,214)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,880,839)
Proceeds from capital grant	1,168,254
Proceeds from insurance reimbursement	95,602
Proceeds from debt	2,176,610
Principal paid on debt	(1,219,038)
Interest and fiscal agent fees paid on debt	(826,275)
Net cash provided by (used in) capital and related financing activities	(1,485,686)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	17,433
Net cash provided by investing activities	17,433
Net decrease in cash and cash equivalents	(962,178)
Balances - beginning of year	3,393,443
Balances - end of year	$ 2,431,265
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	$ 2,198,212
Restricted cash and cash equivalents - current	233,053
Total cash and cash equivalents, end of year	$ 2,431,265

See accompanying notes to the basic financial statements.

Proprietary Funds Statement of Cash Flows - Year Ended September 30, 2012, (Continued)

(Continued)

Reconciliation of operating income to net cash provided by Operating Activities:		
Operating income	$	534,458
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense		1,137,816
Amortization expense		17,995
Miscellaneous revenue		116
Change in assets and liabilities:		
Due from other funds		223,068
Due to other funds		(81,123)
Accounts receivable		29,421
Other receivable		15,665
Accounts payable		(656,344)
Accrued salaries payable		1,307
OPEB liability		19,611
Deposits subject to refund		5,868
Accrued compensated absences		3,431
Net cash provided by operating activities	$	1,251,289
Noncash activities:		
Contributed capital assets	$	1,621,006
	$	1,621,006

See accompanying notes to the basic financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board 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.

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 Funds:
General Fund
Capital Project Fund

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

- Guthrie/Oklahoma City Waterline Fund – accounts for the cost of developing a reliable source of water for the City and making certain other capital improvements to the municipal water and sewer systems.
- Guthrie Job Corps Sales Fund - accounts for activities related to the construction and purchases of the fire station and facilities. (closed in the current year)
- 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).
- 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.

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 and Capital Project Fund are considered major funds and therefore are displayed in separate columns. 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 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

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
- 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. Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned.

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

E. Revenues, Expenditures, and Expenses

Sales Tax

The City presently levies a three cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax proceeds, after recording in the General Fund, are distributed per City resolution to the GPWA with any unused portion subsequently returned to the General Fund. For the year ended September 30, 2012, the General Fund received on a cash basis $4,096,080 of sales tax, of which $1,365,333 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 2012 and received by the City in October and November 2012, has been accrued and is included under the caption "Due from other governments" since they represent taxes on sales occurring prior to year-end.

Property Tax

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

For the year ended September 30, 2012, the City did not levy a property tax, and had no general obligation bonded debt or court-assessed judgments outstanding at September 30, 2012.

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.

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, 2012, the reporting entity held the following deposits and investments:

Primary Government:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			$ 3,957,904
Cash on hand			1,225
Time deposit	11/26/2012		99,000
Time deposit	6/10/2013		445,232
			4,503,361
Investments:			
Trustee accounts money market fund		AAA	1,901,835
			1,901,835
Total deposits and investments			$ 6,405,196
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			$ 5,860,964
Investments			544,232
			$ 6,405,196

See accompanying footnotes to this schedule.

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution,

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. For investments in the Guthrie/OKC Waterline Fund, the trust agreement requires the investments to be collateralized with U. S. government-backed obligations. At September 30, 2012 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, 2012 are as follows:

	Current	
	Cash and cash equivalents	Investments
Meter deposits	$ 233,053	$ 99,000
Total	$ 233,053	$ 99,000

3. Accounts and Notes Receivable

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

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	$ 72,731	$ -	$ 72,731
Court fines	229,112	(171,835)	57,277
Ambulance fees	4,264,261	(4,178,977)	85,284
Other taxes	37,943	-	37,943
Street utilities	60,969	(25,035)	35,934
Total Governmental Activities	$ 4,665,016	$ (4,375,847)	$ 289,169
Business-Type Activities:			
Utilities	$ 987,473	$ (371,834)	$ 615,639

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 2012. The payments received on this note are used to secure two notes payable with Logan County Economic Development Council and Bancfirst. Monthly payments of $4,849 began in January 2007. Management has determined that the receivable has been impaired and has provided an allowance for the entire note receivable. The company has made interest only payments on the note through the current fiscal year.

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

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

The activity on the notes receivable at September 30, 2012 is as follows:

	Balance 10/1/2011	Additions	Deductions	Balance 9/30/2012	Due Within One Year
Governmental Activities:					
Excel Jet	$ 375,000	$ -	$ -	$ 375,000	$ -
(Less allowance for uncollectible account)	(375,000)	-	-	(375,000)	-
Building Loan	69,840	-	(11,000)	58,840	10,075
Total Governmental Activities, net	$ 69,840	$ -	$ (11,000)	$ 58,840	$ 10,075
Business-Type Activities:					
Fire Building	$ 135,441	$ -	$ (11,186)	$ 124,255	$ 10,012
Park Barn	56,799	-	(4,445)	52,354	3,992
Total Business-Type Activities	$ 192,240	$ -	$ (15,631)	$ 176,609	$ 14,004

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, 2012, capital assets balances changed as follows:

	Balance at October 1, 2011	Additions	Disposals	Balance at September 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,598,140	$ 43,628	$ -	$ 1,641,768
Construction in progress	574,885	363,883	778,458	160,310
Total capital assets not being depreciated	2,173,025	407,511	778,458	1,802,078
Other capital assets:				
Buildings	2,769,673	133,403	-	2,903,076
Improvements	6,482,595	12,317	-	6,494,912
Infrastructure	6,642,756	819,874	-	7,462,630
Machinery, furniture and equipment	5,578,718	523,748	107,211	5,995,255
Total other capital assets at historical cost	21,473,742	1,489,342	107,211	22,855,873
Less accumulated depreciation for:				
Buildings	794,776	70,635	-	865,411
Improvements	2,125,522	268,205	-	2,393,727
Infrastructure	391,013	362,251	-	753,264
Machinery, furniture and equipment	4,569,434	312,553	107,211	4,774,776
Total accumulated depreciation	7,880,745	1,013,644	107,211	8,787,178
Other capital assets, net	13,592,997	475,698	-	14,068,695
Governmental activities capital assets, net	$ 15,766,022	$ 883,209	$ 778,458	$ 15,870,773
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 689,607	$ 25,000	$ -	$ 714,607
Construction in progress	2,529,923	1,595,901	4,125,824	-
Total capital assets not being depreciated	3,219,530	1,620,901	4,125,824	714,607
Other capital assets:				
Buildings	17,602,650	627,451	-	18,230,101
Improvements	218,700	24,217	-	242,917
Machinery, furniture and equipment	2,592,348	85,865	5,000	2,673,213
Utility property	19,827,622	4,648,229	-	24,475,851
Total other capital assets at historical cost	40,241,320	5,385,762	5,000	45,622,082
Less accumulated depreciation for:				
Buildings	994,578	449,923	-	1,444,501
Improvements	186,313	22,881	-	209,194
Machinery, furniture and equipment	1,725,765	150,288	5,000	1,871,053
Utility property improvements	12,087,345	514,724	-	12,602,069
Total accumulated depreciation	14,994,001	1,137,816	5,000	16,126,817
Other capital assets, net	25,247,319	4,247,946	-	29,495,265
Business-type activities capital assets, net	$ 28,466,849	$ 5,868,847	$ 4,125,824	$ 30,209,872

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

Governmental Activities:		Business-Type Activities:	
		Water	$ 650,674
General government	$ 68,878	Sewer	181,906
Public safety	241,150	Sanitation	47,911
Highways and streets	163,005	Administration	84,439
Culture, tourism, and recreation	74,180	Line maintenance	170,550
Airport	466,431	Meter operations	2,336
Depreciation expense	$ 1,013,644		$1,137,816

5. Long-Term Debt and Debt Service Requirements

For the year ended September 30, 2012, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012	Due Within One Year
Governmental Activities:					
Capital lease payable	$ 170,648	$ 347,330	$ 154,364	$ 363,614	$ 46,654
Refundable grant obligation	155,208	-	12,500	142,708	12,500
Notes payable	159,973	-	159,973	-	-
Accrued compensated absences	381,312	438,665	394,241	425,736	42,574
Other Post-Employment Benefits	172,684	86,548	-	259,232	-
Total Governmental Activities	$ 1,039,825	$ 872,543	$ 721,078	$ 1,191,290	$ 101,728
Business-Type Activities:					
Notes Payable	$ 18,571,302	$ 2,176,610	$ 1,193,300	$ 19,554,612	$ 886,094
Capital lease payable	25,739	-	25,739	-	-
Accrued compensated absences	48,192	47,110	43,679	51,623	5,194
Other Post-Employment Benefits	39,634	19,611	-	59,245	-
Total Business-Type Activities	18,684,867	2,243,331	1,262,718	19,665,480	891,288
Total Long-Term Debt	$ 19,724,692	$ 3,115,874	$ 1,983,796	$ 20,856,770	$ 993,016

Reconciliation to Statement of Net Assets:	
Governmental Activities:	
Due within one year	$ 101,728
Due in more than one year	1,089,562
Total Governmental Activities Long-Term Liabilities	$ 1,191,290
Business-Type Activities:	
Due within one year	$ 891,288
Due in more than one year	18,774,192
Total Business-Type Activities Long-Term Liabilities	$ 19,665,480

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

Governmental activities long-term debt:

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

$347,330 lease obligation for the purchase of a backhoe, grader and loader, payable in monthly installments of $2,688 with an annual interest rate of 3.0%, final payment due September 2015.	$	324,330
$110,275 lease obligation for the purchase of a 10 Wheel Dump Truck, payable in 60 monthly installments of $2,031with an annual interest rate of 3.99%, final payment due June 2014.		38,620
$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 January 2013.		664
Total Capital Leases Payable	$	363,614
Current portion	$	46,654
Noncurrent portion		316,960
Total Capital Leases Payable	$	363,614

Refundable Grant Obligation:

CDBG Refundable Grant Obligation contract #14402 dated March 1, 2003, original amount of $250,000 with 0% interest rate, due in monthly installments of $1,041 and an economic payback #9793, secured with lease revenue from Spirit Wing Aviation.	$	142,708
Total Refundable Grant Obligation	$	142,708
Current portion	$	12,500
Noncurrent portion		130,208
Total Refundable Grant Obligation	$	142,708

Accrued Compensated Absences:

Current portion		42,574
Noncurrent portion		383,162
Total Accrued Compensated Absences	$	425,736

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

Notes Payable:

2004 SRF Note Payable to Oklahoma Water Resources Board dated September 1, 2004, original amount of $607,000 with an annual interest rate of 2.17% due in semi-annual installments of principal and interest beginning March 15, 2005, final installment due September 15, 2024, payable from and secured by utility revenues.	$	406,732
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.		1,777,571
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.		7,239,579
2009 SRF Note Payable to Oklahoma Water Resources Board dated January 19, 2009, original amount of $8,000,000 with an annual interest rate of 4.51% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues.		7,897,377
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.		2,233,353
Total Notes Payable	$	19,554,612

Current portion	$	886,094
Noncurrent portion		18,668,518
Total Notes Payable	$	19,554,612

Accrued Compensated Absences:

Current portion	$	5,194
Noncurrent portion		46,429
Total Accrued Compensated Absences	$	51,623

Debt Service Requirements to Maturity:

Year Ending September 30,	Governmental Activities			
	Refundable Grant Obligations		Capital Lease obligations	
	Principal	Interest	Principal	Interest
2013	$ 12,500	$ -	$ 46,654	$ 10,636
2014	12,500	-	38,997	9,022
2015	12,500	-	277,963	8,007
2016	12,500	-	-	-
2017	12,500		-	-
2018-2022	62,500	-	-	-
2023-2025	17,708	-	-	-
Totals	$ 142,708	$ -	$ 363,614	$ 27,665

Year Ending September 30,	Business Type Activities	
	Notes Payable	
	Principal	Interest
2013	$ 886,094	$ 844,133
2014	914,943	808,435
2015	945,057	731,475
2016	976,324	733,361
2017	1,009,295	693,543
2018-2022	5,591,160	2,820,325
2023-2027	5,689,056	2,066,839
2028-2030	4,074,956	254,854
Totals	$ 20,086,885	$ 8,952,965
Less remaining funds to be drawn down:	(532,273)	
	$ 19,554,612	

Defeased Bonds Outstanding:

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

Defeased Bonds Outstanding:	Outstanding at September 30, 2012
1977 Series Bonds - Public Works Authority	
Total Defeased Bonds Outstanding	$60,000

6. Net Assets and Fund Balances

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

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

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

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

	General Fund	Capital Project Fund	Other Governmental Funds	TOTAL Governmental
Fund Balances (Deficit):				
Restricted for:				
East Village Infrasturcture	$ 445,232	$ -	$ -	$ 445,232
Animal shelter	11,240	-	-	11,240
Airport	3,361	-	-	3,361
Specified water and sewer projects	-	-	1,901,835	1,901,835
E911	-	9,848	-	9,848
Industrial Development	-	-	4,768	4,768
Parks	-	-	102,139	102,139
Library grant program	-	-	1,575	1,575
Cemetery	-	-	52,257	52,257
Fire state aid program	-	-	640	640
Revolving loan program for small businesses	-	-	100,567	100,567
Debt Service	-	-	455	455
Sub-total Restricted	459,833	9,848	2,164,236	2,633,917
Assigned to:				
Airport	136,173	-	-	136,173
Tourism/parks	-	-	1,229	1,229
Grant programs	-	-	91,037	91,037
Sub-total Assigned	136,173	-	92,266	228,439
Unassigned (deficit):	1,410,462	(217,296)	-	1,193,166
TOTAL FUND BALANCES (DEFICIT)	$ 2,006,468	$ (207,448)	$ 2,256,502	$ 4,055,522

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.

The restrictions are as follows:

	State Statutes	Enabling Legislation	Contractual Agreements	Total
Governmental Activities:				
Capital Projects:				
General Fund - specific GHM Projects	$ -	$ -	$ 445,232	$ 445,232
Guthrie/OKC Waterline Fund	-	1,901,835	-	1,901,835
Sub-total Capital Projects	-	1,901,835	445,232	2,347,067
Debt Service:				
Sinking Fund	455	-	-	455
Other				
USDA Rural Development Fund	-	-	100,567	100,567
Hotel Motel Tax Fund	-	102,139	-	102,139
Grant Fund	93,252	-	-	93,252
Airport Fund	3,361	-	-	3,361
Cemetery Care Fund	52,257	-	-	52,257
Sub-total Other	148,870	102,139	100,567	351,576
Total Governmental Activities	149,325	2,003,974	545,799	2,699,098
TOTAL RESTRICTED NET ASSETS	$ 149,325	$ 2,003,974	$ 545,799	$ 2,699,098

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.

Beginning balances/net assets were restated as of October 1, 2011 as follows:

	Other Governmental Fund		Government-Wide	
	USDA Rural Development Fund	GPWA	Governmental Activities	Business-type Activities
Beginning fund balance/net assets, as previously reported	$ 30,664	$ 9,892,874	$ 18,685,801	$ 12,764,202
Understatement of receivable	69,840	105,584	69,840	105,584
Beginning fund balance/net assets, restated	$ 100,504	$ 9,998,458	$ 18,755,641	$ 12,869,786

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, 2012, the City reported a fund balance deficit in the amount of $207,448 in the Capital Project 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:

Internal transfers between funds and activities for the year ended September 30, 2012 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
Capital Project Fund	General Fund	213,000	Capital asset purchase
General Fund	Capital Project Fund	265,969	Capital asset purchase
General Fund	GPWA	1,365,333	Sales Tax transfer
Capital Project Fund	GPWA	234,870	Capital asset purchase
Capital Project Fund	Grant Fund	6,250	Capital asset purchase
General Fund	Job Corp Fund	413	Close the fund
General Fund	Grant Fund	13,325	Grant match
GPWA	General Fund	1,365,333	Sales Tax transfer
GPWA	General Fund	152,782	Operating transfer
Hotel Motel Tax Fund	General Fund	38,300	Operating transfer
Grant Fund	General Fund	8,422	Grant match
GPWA	Capital Project Fund	688,549	Capital asset purchase
Grant Fund	Capital Project Fund	13,201	Capital asset purchase
Airport Escrow Fund	Airport Fund	42,375	Close the fund
GPWA	Guthrie Industrial Development Fund	154,383	Operating transfer
Total		$ 4,562,505	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	GW Capital Asset Transfers	Net Transfers
Governmental Funds	$ 2,962,302	$ (2,201,458)	$ (604,366)	$ 156,478
Proprietary Funds	1,600,203	(2,361,047)	604,366	$ (156,478)
	$ 4,562,505	$ (4,562,505)	-	-

Balances:

Interfund receivable and payables at September 30, 2012 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
Capital Project Fund	GPWA	95,601	To cover expenditures/to be reimbursed by Capital Project Fund
Total		$ 95,601	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	$ -	$ (95,601)	$ (95,601)
Proprietary Funds	95,601	-	95,601
Total	$ 95,601	$ (95,601)	$ -

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 $29,039,850 (total principal includes $532,273 remaining to be drawn). Pledged net water and sewer utility revenues in the current fiscal year were $2,581,404. Debt service payments of $2,042,561 for the current fiscal year were 79% of total pledged revenues for these notes.

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

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

9. Risk Management

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

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

(1) Liability Protection Plan

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

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

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

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

(2) Worker's Compensation

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

Specific aggregate stop loss coverage is provided by the State Insurance Fund and covers all claims above the loss reserve fund. The loss reserve fund amount for the fiscal year 2012 was $138,309.

Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

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

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

10. Commitments and Contingencies

Litigation:

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

The City and Guthrie Public Works Authority (Authority) have had multiple claims filed against them by the Rural Water, Sewer, and Solid Waste Management District No.1, Logan County, (District) asserting that the City and Authority have allegedly violated monopoly protection held by the District as a result of outstanding loans from the United States Department of Agriculture. This litigation is in its preliminary stages, and the City cannot predict its outcome, as the litigation process is inherently uncertain. However, the City intends to contest such claims vigorously. As of September 30, 2012, no loss amount has been accrued because a loss, if any, is not estimable. If the claim is upheld and a judgment is rendered against the City and/or Authority, the damage award would be minimal. If a judgment is rendered against the City, the claim will be paid as allowed by state statute explained in the previous paragraph.

Federal and State Award Programs:

The City of Guthrie participates in various federal or state grant/loan programs from year to year. In 2012, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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

Construction Commitments:

The City had no outstanding construction commitments at September 30, 2012.

11. Pension Plan Participation

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

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

Firefighters' Plan:

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

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

Police Plan:

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

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

Summary of Contributions – Cost Sharing Plans:

Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2010	$ 86,295	100%	2010	$ 121,833	100%
2011	$ 83,268	100%	2011	$ 121,303	100%
2012	$ 89,067	100%	2012	$ 126,107	100%

The state made on-behalf payments of $74,679 for the police pension system and $228,049 for the fire pension during the current fiscal year.

Employee Plan:

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

A. Plan Description

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

B. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	8.32% of covered payroll
- Employee Rate	3.69% of covered payroll
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 65 with 10 years of service - Early retirement at age 55 with 10 years of service - Disability retirement upon disability with 10 years of service - Death benefit with 10 years of service for married employees
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.

- Disability Retirement	Benefit computed as for normal retirement based upon age and service at termination
- Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage
- Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect. With City consent, optional form based on actuarial equivalent.

C. Annual Pension Costs

1. Current Year Contribution Information

For the year ended September 30, 2012, the City's annual pension cost and required contributions of $150,339 were made.

2. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2011
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Average of 5.0%
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Amortization Method of Unfunded Actuarial Accrued Liability	Level percentage of projected payroll
g. Remaining Amortization Period	None
h. Asset Valuation Method	Actuarial write-up method

D. Funded Status and Funding Progress

As of January 1, 2012, the funded status of the OMRF defined benefit plan is as follows:

Actuarial accrued liability (AAL)	$5,091,668
Actuarial value of plan assets	4,440,745

Overfunded (Unfunded) actuarial accrued liability (UAAL)	$ (650,922)
Funded ratio (actuarial value of plan assets/AAL)	87.2%
Annual covered payroll (active plan members)	$1,719,767
UAAL as a percentage of covered payroll	37.6%

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 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 2012, 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, 2012:

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	212,318
Net OPEB obligation—end of year	$ 318,477

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net unfunded OPEB obligation for 2012 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Unfunded OPEB Obligation
6/30/10	$115,108	7.78%	$106,158
6/30/11	$115,108	7.78%	$212,318
6/30/12	$115,108	7.78%	$318,477

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, 2012, was twenty-seven years.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule (Budgetary Basis) – Year Ended September 30, 2012

General Fund	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 4,310,500	$ 4,310,500	$ 4,743,334	$ 432,834
Licenses and permits	74,000	74,000	138,795	64,795
Intergovernmental	255,734	257,920	325,473	67,553
Charges for services	879,192	879,192	899,879	20,687
Fees and fines	306,000	306,000	199,463	(106,537)
Investment earnings	2,200	2,200	2,847	647
Miscellaneous	98,870	123,001	186,799	63,798
Total revenues	5,926,496	5,952,813	6,496,590	543,777
EXPENDITURES				
Departmental:				
General Government:				
General government	991,463	963,091	958,192	4,899
City manager	213,449	213,449	209,165	4,284
Human resources	79,469	79,469	78,130	1,339
City clerk	167,557	167,557	165,558	1,999
Building services	81,897	81,897	81,573	324
Information services	92,082	85,551	84,725	826
Planning and zoning	233,958	230,013	216,035	13,978
Economic development	20,975	24,920	23,217	1,703
Vehicle maintenance	138,982	132,736	126,982	5,754
Total General Government	2,019,832	1,978,683	1,943,577	35,106
Public Safety:				
Police administration	317,693	335,420	332,676	2,744
Police operations	766,994	749,921	749,074	847
Criminal investigations	120,893	134,454	133,389	1,065
Police support	55,121	71,921	71,314	607
Communications	143,018	140,583	140,582	1
Animal Control	93,019	103,676	92,123	11,553
Code Compliance	62,500	27,805	26,585	1,220
Fire suppression	658,432	677,382	677,371	11
Fire prevention	85,550	88,961	88,956	5
EMS	775,058	800,547	800,543	4
Total Public Safety	3,078,278	3,130,670	3,112,613	18,057
Street:				
Street	507,693	480,457	480,359	98
Total Street	507,693	480,457	480,359	98
Culture and Recreation:				
Library	196,223	194,149	180,920	13,229
Parks	394,901	420,664	420,661	3
Total Culture and Recreation	591,124	614,813	601,581	13,232
Total Expenditures	6,196,927	6,204,623	6,138,130	66,493
Excess (deficiency) of revenues over expenditures	(270,431)	(251,810)	358,460	610,270
OTHER FINANCING SOURCES (USES)				
Transfers in	1,642,082	1,788,794	1,777,837	(10,957)
Transfers out	(1,426,651)	(1,784,317)	(1,784,316)	1
Total other financing sources and uses	215,431	4,477	(6,479)	(10,956)
Net change in fund balances	(55,000)	(247,333)	351,981	599,314
Fund balances - beginning	1,025,346	1,025,346	1,025,346	-
Fund balances - ending	$ 970,346	$ 778,013	$ 1,377,327	$ 599,314

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	$ 8,274,427
Total expenses - budgetary basis	(7,922,446)
Change in fund balance - budgetary basis	351,981
Revenue accruals	369,636
Expenditure accruals	(319,711)
Change in fund balance - GAAP basis	$ 401,906

Schedule of Pension Plan Funding Progress – OMRF Defined Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded Liability AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/03	$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%
1/1/12	$4,440,745	$5,091,668	$ 650,922	87.2%	$1,719,767	37.6%

Schedule of Contributions - OMRF Defined Benefit Plan

Period Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
September 30, 2010	$ 80,757	100%	-
September 30, 2011	$ 125,431	100%	-
September 30, 2012	$ 151,366	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.

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds – September 30, 2012

	Guthrie Oklahoma City Waterline Fund	Guthrie Job Corps Fund	Airport Escrow Fund	Hotel Motel Tax Fund	Cemetery Care Fund	Grant Fund	USDA Rural Development	Guthrie Industrial Development Fund	Debt Service	Total Governmental Funds
ASSETS										
Cash and cash equivalents	$ 1,901,835	$ -	$ -	$ 95,160	$ 52,257	$ 94,260	$ 41,727	$ 4,768	$ 455	$ 2,190,462
Receivable from other governments	-	-	-	-	-	8,889	-	-	-	8,889
Taxes receivable, net	-	-	-	37,943	-	-	-	-	-	37,943
Note receivable	-	-	-	-	-	-	58,840	-	-	58,840
Total assets	$ 1,901,835	$ -	$ -	$ 133,103	$ 52,257	$ 103,149	$ 100,567	$ 4,768	$ 455	$ 2,296,134
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	$ -	$ -	$ -	$ 29,735	$ -	$ 4,769	$ -	$ -	$ -	$ 34,504
Deferred revenue	-	-	-	-	-	5,128	-	-	-	5,128
Total liabilities	-	-	-	29,735	-	9,897	-	-	-	39,632
Fund balances:										
Restricted	1,901,835	-	-	102,139	52,257	2,215	100,567	4,768	455	2,164,236
Assigned	-	-	-	1,229	-	91,037	-	-	-	92,266
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	1,901,835	-	-	103,368	52,257	93,252	100,567	4,768	455	2,256,502
Total liabilities and fund balances	$ 1,901,835	$ -	$ -	$ 133,103	$ 52,257	$ 103,149	$ 100,567	$ 4,768	$ 455	$ 2,296,134

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended September 30, 2012

	Guthrie Oklahoma City Waterline Fund	Guthrie Job Corps Fund	Airport Escrow Fund	Hotel Motel Tax Fund	Cemetery Care Fund	Grant Fund	USDA Rural Development	Guthrie Industrial Development Fund	Debt Service	Total-Other Governmental Funds
REVENUES										
Taxes	$ -	$ -	$ -	$ 158,423	$ -	$ -	$ -	$ -	$ -	$ 158,423
Intergovernmental	-	-	-	-	-	277,316	-	-	-	277,316
Charges for services	-	-	-	-	8,094	-	-	26,075	-	34,169
Investment earnings	731	-	98	313	109	75	63	1,537	-	2,926
Miscellaneous	-	-	-	38,700	-	1,351	-	-	-	40,051
Total revenues	731	-	98	197,436	8,203	278,742	63	27,612	-	512,885
EXPENDITURES										
Current:										
Public Safety	-	-	-	-	-	3,194	-	-	-	3,194
Culture and recreation	-	-	-	108,376	-	-	-	-	-	108,376
Debt Service:										
Principal	-	-	-	-	-	-	-	172,473	-	172,473
Capital Outlay	-	-	-	24,921	-	261,784	-	-	-	286,705
Total Expenditures	-	-	-	133,297	-	264,978	-	172,473	-	570,748
Excess (deficiency) of revenues over expenditures	731	-	98	64,139	8,203	13,764	63	(144,861)	-	(57,863)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	413	-	-	-	19,575	-	154,383	-	174,371
Transfers out	-	-	(42,375)	(38,300)	-	(21,623)	-	-	-	(102,298)
Total other financing sources and uses	-	413	(42,375)	(38,300)	-	(2,048)	-	154,383	-	72,073
Net change in fund balances	731	413	(42,277)	25,839	8,203	11,716	63	9,522	-	14,210
Fund balances (deficits) - beginning, restated	1,901,104	(413)	42,277	77,529	44,054	81,536	100,504	(4,754)	455	2,242,292
Fund balances (deficits) - ending	$ 1,901,835	$ -	$ -	$ 103,368	$ 52,257	$ 93,252	$ 100,567	$ 4,768	$ 455	$ 2,256,502

Combining Balance Sheet – General Fund Accounts – September 30, 2012

	General Fund	Airport Account	Total General Fund Accounts
ASSETS			
Cash and cash equivalents	$ 1,001,744	$ 125,063	$ 1,126,807
Investments	445,232	-	445,232
Receivable from other governments	773,427	50,785	824,212
Taxes receivable, net	72,731	-	72,731
Court fines receivable, net	57,277	-	57,277
Ambulance receivable, net	85,284	-	85,284
Total assets	$ 2,435,695	$ 175,848	$ 2,611,543
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 159,166	$ 9,063	$ 168,229
Accrued payroll payable	140,274	238	140,512
Due to bondholders	4,776	-	4,776
Payable to other governments	1,747	-	1,747
Deferred revenue	262,654	27,013	289,667
Other payables	144	-	144
Total liabilities	568,761	36,314	605,075
Fund balances:			
Restricted	456,472	3,361	459,833
Unassigned	1,410,462	136,173	1,546,635
Total fund balances	1,866,934	139,534	2,006,468
Total liabilities and fund balances	$ 2,435,695	$ 175,848	$ 2,611,543

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended September 30, 2012

	General Fund	Airport Account	Total General Fund Accounts
REVENUES			
Taxes	$ 4,813,769	$ -	$ 4,813,769
Intergovernmental	645,417	128,414	773,831
Licenses and permits	143,146	-	143,146
Charges for services	883,178	76,536	959,714
Fees and fines	151,478	-	151,478
Investment earnings	5,734	12	5,746
Miscellaneous	223,504	-	223,504
Total revenues	6,866,226	204,962	7,071,188
EXPENDITURES			
Current:			
General government	1,918,061	-	1,918,061
Public safety	3,431,583	-	3,431,583
Public works	481,906	-	481,906
Culture and recreation	602,632	-	602,632
Economic development	23,246	-	23,246
Airport	-	111,175	111,175
Capital outlay	-	141,310	141,310
Total expenditures	6,457,428	252,485	6,709,913
Excess (deficiency) of revenues over expenditures	408,798	(47,523)	361,275
OTHER FINANCING SOURCES (USES)			
Transfers in	1,777,837	182,064	1,959,901
Transfers out	(1,784,729)	-	(1,784,729)
Total other financing sources and uses	(6,892)	182,064	175,172
Net change in fund balances	401,906	134,541	536,447
Fund balances (deficit) - beginning	1,465,028	4,993	1,470,021
Fund balances - ending	$ 1,866,934	$ 139,534	$ 2,006,468

Combining Schedule of Net Assets – Enterprise Fund Accounts – September 30, 2012

	GPWA	Water Treatment Plant Account	Meter Deposit Account	CMOM Account	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 573,704	$ 1,218,950	$ 73,911	$ 331,647	$ 2,198,212
Restricted:					
Cash and cash equivalents	-	-	233,053	-	233,053
Investments	-	-	99,000	-	99,000
Due from other funds	95,601	-	-	-	95,601
Accounts receivable, net	421,941	85,499	-	38,441	545,881
Other receivables	69,758	-	-	-	69,758
Notes receivable	14,004	-	-	-	14,004
Total current assets	1,175,008	1,304,449	405,964	370,088	3,255,509
Non-current assets:					
Notes receivable	162,605	-	-	-	162,605
Capital assets:					
Land and construction in progress	714,607	-	-	-	714,607
Other capital assets,net of accumulated depreciation	14,833,819	14,661,446	-	-	29,495,265
Unamortized note issue costs	18,806	217,506	-	82,800	319,112
Total non-current assets	15,729,837	14,878,952	-	82,800	30,691,589
Total assets	16,904,845	16,183,401	405,964	452,888	33,947,098
LIABILITIES					
Current liabilities:					
Accounts payable	183,170	-	-	248,437	431,607
Salaries payable	27,196	-	-	-	27,196
Accrued interest payable	2,603	26,924	-	5,563	35,090
Deposits subject to refund	-	-	332,053	-	332,053
Compensated absences	5,194	-	-	-	5,194
Notes payable	137,526	529,818	-	218,750	886,094
Total current liabilities	355,689	556,742	332,053	472,750	1,717,234
Non-current liabilities:					
Compensated absences	46,429	-	-	-	46,429
Notes payable	2,106,022	14,607,138	-	2,014,603	18,727,763
Total non-current liabilities	2,152,451	14,607,138	-	2,014,603	18,774,192
Total liabilities	2,508,140	15,163,880	332,053	2,487,353	20,491,426
NET ASSETS					
Invested in capital assets, net of related debt	10,939,282	-	-	-	10,939,282
Unrestricted	3,457,423	1,019,521	73,911	(2,034,465)	2,516,390
Total net assets	$ 14,396,705	$ 1,019,521	$ 73,911	$ (2,034,465)	$ 13,455,672

Combining Schedule of Revenues, Expenses, and Changes in Net Assets – Enterprise Fund Accounts – Year Ended September 30, 2012

	GPWA	Water Treatment Plant Account	Meter Deposit Account	CMOM Account	Total
REVENUES					
Charges for services:					
Water	$ 1,896,412	$ 332,750	$ -	$ -	$ 2,229,162
Sewer	770,364	-	-	316,267	1,086,631
Sewer	1,263,051	-	-	-	1,263,051
Rents and royalties	5,016	-	-	-	5,016
Miscellaneous	11,964	-	-	-	11,964
Total operating revenues	3,946,807	332,750	-	316,267	4,595,824
OPERATING EXPENSES					
General government	339,780	-	-	7,286	347,066
Administration	287,951	-	-	-	287,951
Water	476,407	-	-	-	476,407
Wastewater	257,982	-	-	-	257,982
Sanitation	826,007	-	-	-	826,007
Landfill operations	121,226	-	-	-	121,226
Line maintenance	513,130	1,950	-	-	515,080
Meter operations	60,062	-	86	-	60,148
Municipal pool	13,688	-	-	-	13,688
Amortization expense	1,311	12,084	-	4,600	17,995
Depreciation	761,076	376,740	-	-	1,137,816
Total operating expenses	3,658,620	390,774	86	11,886	4,061,366
Operating income (loss)	288,187	(58,024)	(86)	304,381	534,458
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	11,404	2,468	1,713	1,848	17,433
Miscellaneous revenue	-	116	-	-	116
Interest expense	(76,176)	(694,609)	-	(55,499)	(826,284)
Total non-operating revenue (expenses)	(64,772)	(692,025)	1,713	(53,651)	(808,735)
Income (loss) before transfers	223,415	(750,049)	1,627	250,730	(274,277)
Capital contributions	1,168,254	-	-	452,752	1,621,006
Transfers in	5,789,832	422,207	-	-	6,212,039
Transfers out	(2,783,254)	-	(1,606)	(4,188,023)	(6,972,883)
Change in net assets	4,398,247	(327,842)	21	(3,484,541)	585,885
Total net assets - beginning, restated	9,998,458	1,347,363	73,890	1,450,076	12,869,787
Total net assets - ending	$ 14,396,705	$ 1,019,521	$ 73,911	$ (2,034,465)	$ 13,455,672

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
Department of Libraries:			
State Aid	N/A	$17,070	$17,070
e-Book Grant	N/A	3,000	3,000
Oklahoma Water Resources Board:			
Contract for Financial Assistance	CFA-10-0006	1,500,000	452,752
Oklahoma Department of Agriculture:			
Safetealu	10-06	7,400	7,400
OK Tobacco Settlement Endowment:			
Guthrie Project	No. 05-6578	5,000	5,000
Oklahoma Arts Council:			
OK Arts Project	1621-2594	3,000	3,000
Oklahoma Humanities Council:			
Let's Talk About Oklahoma	N/A	950	396
Oklahoma Department of Emergency Management:			
State Match - Disaster Recovery	FEMA-1876-DR-OK	1,701	1,701
State Match - Disaster Recvoery	FEMA-1989-DR-OK	59,334	26,960
TOTAL STATE AWARDS		$1,597,455	$517,279

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.

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CITY OF GUTHRIE, OKLAHOMA

SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
September 30, 2012

CITY OF GUTHRIE, OKLAHOMA

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Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members of the City Council
City of Guthrie, 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 Guthrie, Oklahoma (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2012-02 through 2012-03 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-01. We noted certain matters that we reported to management of the City in a separate letter dated May 9, 2013

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The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit those responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Arbuckle & Associates, P.C.

Edmond, Oklahoma
May 9, 2013

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Guthrie, Oklahoma (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness over internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditure of Federal Awards

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 as of and for the year ended September 30, 2012, and have issued our report thereon dated May 9, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, the City Council, management, 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.

Arledge & Associates, P.C.

Edmond, Oklahoma

May 9, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
U.S. DEPARTMENT OF JUSTICE:				
Bullet Proof Vest	16.607	-	2,205	2,205
Sub-total CFDA 16.607			2,205	2,205
Passed through Oklahoma State Bureau of Investigation:				
ICAC Grant	16.8	ICAC Grant	4,972	4,972
Sub-total CFDA 16.543			4,972	4,972
Total U.S. Department of Justice			7,177	7,177
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through Oklahoma Aeronautics Commission:				
Airport Improvement Program	20.106	3-40-0036-012-2011	140,410	113,823
Airport Improvement Program	20.106	3-40-0036-013-2012	1,082,890	22,138
Sub-total CFDA 20.106			1,223,300	135,961
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.601	K8-12-03-18-09	12,000	6,749
Sub-total CFDA 20.601			12,000	6,749
Total U.S. Department of Transportation			1,235,300	142,710
U.S. DEPARTMENT OF ENERGY:				
Passed through Oklahoma Department of Commerce:				
State Energy Program	81.041	14185 SSEP 09	710,700	228,622
Sub-total CFDA 81.041			710,700	228,622
U.S. DEPARTMENT OF HOMELAND SECURITY				
Disaster Recovery	97.036	FEMA-1989-DR-OK	200,547	157,182
Bullet Proof Vest	97.008	-	2,617	2,617
Total U.S. Department of Justice			203,164	159,799
TOTAL FEDERAL ASSISTANCE			$ 2,156,341	$ 538,308

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Guthrie and is presented in accordance with the basis for determining federal awards expended as defined by Section 205 of Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified not considered to be material weaknesses?	X yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	_____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
97.036	Disaster Recovery

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	_____ yes	X no

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

2012-01

Internal Control Findings

2012-02 and 2012-03

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None.

Internal Control Findings

None.

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Finding 2012-01: Negative Fund Balances

Criteria: Title 11, Section 17-211 of the Oklahoma State Statutes prohibits the creation of a deficit in any individual fund.

Condition: The City's Capital Project Fund reports a deficit fund balance of $207,000.

Cause: Two charges were recorded in fiscal 2012 totaling $251,000 that was not reimbursed by the Guthrie Public Works Authority until early fiscal 2013.

Effect: Timing between the expenditures being charged and the corresponding reimbursement caused a negative fund balance at September 30, 2012.

Recommendation: We recommend that the City put procedures in place to ensure that negative fund balances are not allowed or that the City reimburses these funds from other unrestricted sources.

City's Response: Amounts were reimbursed by the Guthrie Public Works Authority in fiscal 2013.

Finding 2012-02: Utility Receivables

Criteria: Controls should be in place to ensure that utility receivables are reconciled monthly to the supporting detailed subsidiary ledgers.

Condition: Procedures were not in place to ensure that these receivables were reconciled to the supporting detailed subsidiary ledgers.

Cause: City staff had not been assigned to perform this reconciliation.

Effect: An adjusting audit entry totaling $105,000 was required to reconcile reported amounts to the subsidiary ledgers.

Recommendation: We recommend that the City implement controls to ensure that monthly reconciliations to the subsidiary ledgers are performed.

City's Response: The City will implement a procedure to ensure that quarterly reconciliations to the subsidiary ledgers are performed.

Finding 2012-03: Payroll Approvals

Criteria: Controls should be in place to ensure that payroll transactions have been properly approved.

Condition: The City requires employee's time sheets to be signed by the employee and the employee's supervisor. We noted instances where these signatures were not present.

Cause: The policy requiring these signatures is not being consistently enforced.

Effect: Payroll transactions may be processed in error due to reliance on unapproved time data.

Recommendation: We recommend that the City enforce its policy regarding the signing and approval of employee time sheets.

City's Response: The City will comply with the established policy.

CITY OF GUTHRIE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011

There were no findings related to fiscal 2011.