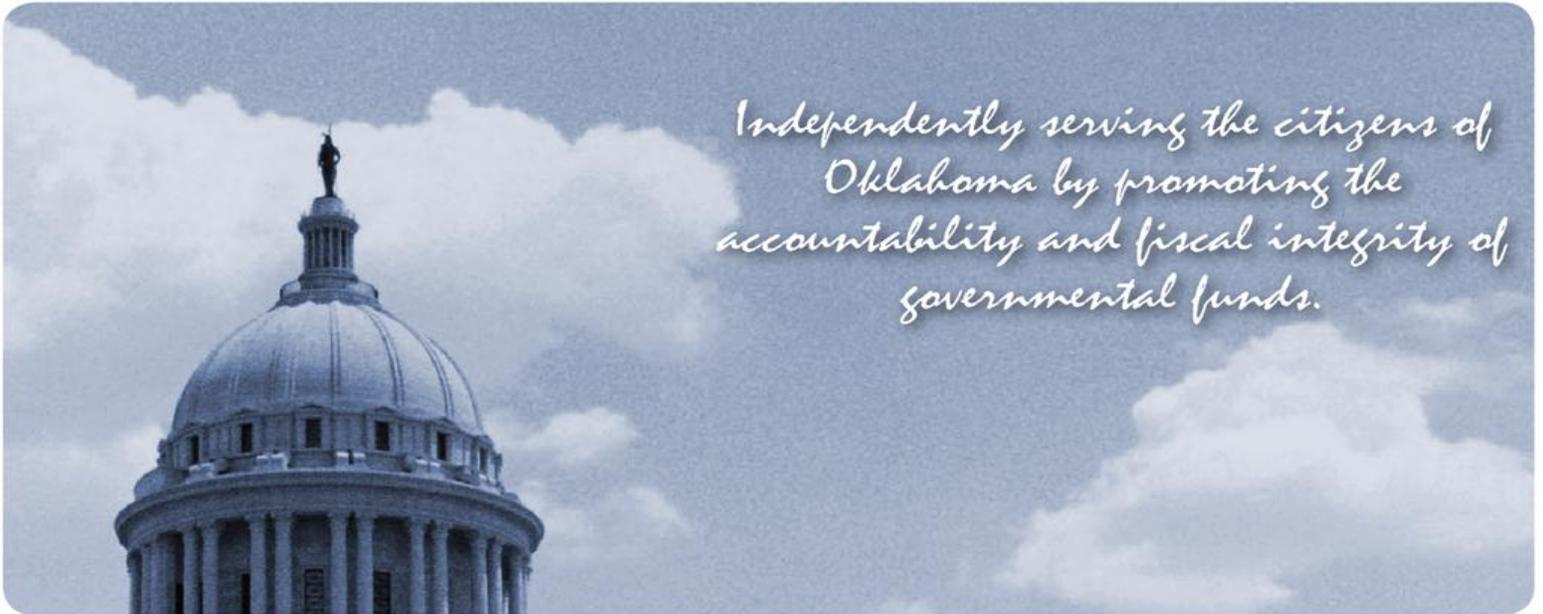


PETITION AUDIT REPORT

# TOWN OF BEAVER BEAVER PUBLIC WORKS AUTHORITY

July 1, 2011 through June 30, 2013



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**TOWN OF BEAVER**  
**BEAVER PUBLIC WORKS AUTHORITY**  
**PETITION AUDIT REPORT**  
**JULY 1, 2011 THROUGH JUNE 30, 2013**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

March 20, 2014

To the Petitioners and Citizens of the  
Town of Beaver:

Transmitted herewith is our Petition Audit Report of the Town of Beaver and its public trust authority.

Pursuant to your request and in accordance with the requirements of **74 O.S. 2011, § 212(L.)**, we performed a petition audit with respect to the Town of Beaver and its public trust authority for the period July 1, 2011 through June 30, 2013.

The objectives of our audit primarily included, but were not limited to, the areas noted in your petition. Our findings and recommendations related to those objectives are presented in the accompanying report.

Because investigative procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Town of Beaver for the period July 1, 2011 through June 30, 2013.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government while maintaining our independence as we provide this service to Oklahoma taxpayers. We also wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our investigation.

This document is a public document pursuant to the Oklahoma Open Records Act, in accordance with **51 O.S. 2011, § 24A.12.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

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## **Introduction**

The municipal government of the Town of Beaver is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. § 12-101, et. seq.** Section 12-101 states:

The form of government provided by Sections 11-12-101 through 11-12-114 of this title shall be known as the statutory town board of trustees form of government. Towns governed under the statutory town board of trustees form shall have all the powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, to towns. Such powers shall be exercised as provided by law applicable to towns under the town board of trustees form, or if the manner is not thus prescribed, then in such manner as the board of trustees may prescribe.

The Town is governed by a town board of trustees (Board), which consists of five members, who file at large and are elected at large. The Town is not divided into wards. The Board of Trustees elects one of its members to serve as mayor. The town clerk and town treasurer officials are also elected. The Town has a town administrator position created by ordinance. The town administrator is appointed by the Board.

The Beaver Public Works Authority (BPWA) is a public trust established by **60 O.S. § 176**. The BPWA operates utility services that provide water, sewer, and garbage services to residential and commercial customers. As provided for by the BPWA's trust indenture, the members of the Town Board serve *ex officio* as the board of trustees of the BPWA.

A private, independent audit firm audits the Town and the BPWA annually. Audit reports for fiscal years ended June 30, 2007 through 2012, were available for our review.

The Office of State Auditor and Inspector conducted a petition audit of the Town and the BPWA, primarily relating to the objectives noted on the petition. The results of the petition audit are included in this report.

All dollar amounts included in this report are rounded to the nearest dollar unless full amounts are specified.

Fiscal years in this report are abbreviated by using the ending calendar year. For example, the fiscal year of July 1, 2011 through June 30, 2012, would be identified as "FY12."

**Objective I      Review purchasing and bid policies and procedures for compliance with city ordinances.**

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- Findings**
- **The Town made some purchases without bids, contrary to Town Code, Sections 7-105 (E) and (F). We did not note any violation of statutory bid laws found in Title 60 and Title 61.**
  - **The Town appeared to be complying with other aspects of its purchasing ordinances, although some improvements could be made for travel reimbursements and documenting the receiving of goods or services ordered.**
  - **The town administrator’s requests for employees and officers to provide timesheets or other records of time were within the requirements of statute, town ordinances and the local personnel policy.**
  - **Improved time recordkeeping and allocation of payroll costs would provide more accurate information for reporting, planning and budgeting purposes.**
  - **A review of the Town’s budget format under the Municipal Budget Act indicated better than average compliance with the provisions required by the Act.**
- 

**Background**      Oklahoma municipalities are governed by statutes, by town or city codes and/or by “municipal charters” with regard to what goods or services are to be bid and under what circumstances. There are two bid statutes for municipalities and/or their public trust authorities.

**Title 60, § 176(H)** applies only to the Beaver Public Works Authority (BPWA). **Title 60, § 176(H)** states, in part:

“H. Contracts for construction, labor, equipment, material or repairs in excess of Fifty Thousand Dollars (\$50,000.00) shall be awarded by public trusts to the lowest and best competitive bidder, pursuant to public invitation to bid, which shall be published in the manner provided...”

**Title 61, § 103** applies to both the Town and to the BPWA. **Title 61, § 103** states, in part:

“A. Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000.00) shall

be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974.”

“Public construction contracts” are defined by **61 § 102 (6.)**:

“6. "Public construction contract" or "contract" means any contract, exceeding Fifty Thousand Dollars (\$50,000.00) in amount, awarded by any public agency for the purpose of making any public improvements or constructing any public building or making repairs to or performing maintenance on the same...”

The Town of Beaver is a statutory town and does not have a “municipal charter” as provided for in **Title 11, § 13-101, et al.** Consequently, the bid limit for the Town is established by its own code of ordinances.

The Town’s Code of Ordinances, Section 7-105 (E.), provides for bids for purchases of “Supplies, materials, equipment or contractual services” in excess of \$7,500, and applies to the various funds (General Fund, Street & Alley Fund, Cash Utility Fund, etc.) utilized by the Town. In a somewhat unique circumstance, Section 7-105 (F.) also applies the requirements of subsection “(E.)” to the Beaver Public Works Authority.

Generally, there are “exceptions” to bid statutes or ordinances that include:

- Professional services, such as legal, medical, nursing, architectural or engineering services.
- Real estate purchases that involve “negotiations” for specific pieces of property, and which are basically “sole source” contracts, based on location or some other unique attribute of the real property.
- “Sole source” contracts which involve a service or product that has attributes so unique that only a specific company has the product or service. The burden of proof is on the public agency to make the case that some product or service is “sole source.”
- Purchases made from other government contracts that have been awarded using a competitive process, such as an item purchased at an Oklahoma “state contract” price, awarded through the state’s Central Purchasing Division.

**Finding**

**The Town made some purchases without bids, contrary to Town Code, Sections 7-105 (E) and (F). We did not note any violation of statutory bid laws.**

The primary petition concern was an allegation regarding the failure to comply with the Town's bid limits for various purchases. We reviewed the Town and BPWA board minutes for the audit period and identified various projects and purchases that would have needed to be "bid" according to Section 7-105, subsections "E." and "F."

In reviewing the various situations and circumstances, we confirmed there were several purchases that should have been bid, but were not bid, contrary to the Town Code. The following are provided as examples:

- (January 2012) A new pump for the sewer lift station was purchased for \$8,700, by the BPWA board. The price included \$350 freight. No bid was obtained, contrary to Section 7-105 (F.) that applies the Town bid threshold of \$7,500 to the BPWA.
- (March/April 2012) After purchasing a video system in December 2011, two police car video systems were purchased one month apart in March and April 2012. The cost was \$3,950 for each system, for a total cost of \$7,900. These video systems could reasonably have been combined as a single purchase and consequently made subject to the Town's bid ordinance.
- (April 2012) A 2012 Ford F-150 4x4 crew cab pick-up was purchased from the local Ford dealership without a bid process. The Town purchase was split: \$14,000 to the street department and \$15,500 to the administrator department, for a total of \$29,500. The minutes record that the purchase was an effort by the Town trustees to "buy local," rather than from a "state contract" that otherwise would have been from an out-of-town dealership.
- (July 2012) The July 14, 2011 minutes, record an agenda item for a used street sweeper. No action was taken at the meeting. One year later, in July 2012, a used street sweeper was purchased at a cost of \$25,000. No formal bid process was used.
- (January 2013) After rejecting an "estimate" of \$32,300 plus the salvage value in July 2010, the BPWA Board accepted an "offer" of \$10,000, plus metal salvage value, for the demolition and removal of an old water tower, without any bid process.

In our review, we did not note any purchasing violations of the \$50,000 bid thresholds of the **Title 60** and **Title 61** bid statutes, applicable to the Town and/or the BPWA.

Town Administrator Moser stated in an interview that he became aware of the Town's more restrictive bid ordinances following the controversies raised. Prior to his employment with the Town of Beaver, Moser's primary administrative experience was with the Town of Keyes where the board's policy was to "follow state law" with regard to bidding situations. Moser made the erroneous assumption that the Town of Beaver was similar in its bid policy.

However, there is no "bid statute" in **Title 11-Cities and Towns**, and municipalities are governed by either their own code of ordinances or their municipal charter (if applicable) for their internal financial administration. A policy that merely follows **Title 60** for public trust authorities or **Title 61** for public construction contracts effectively leaves the municipality with no bid requirement with the exception of "public construction" contracts in excess of \$50,000.

This is not an uncommon error. OSAI recently published a report on a municipality much larger than the Town of Beaver that assumed a similar policy, essentially ignoring the city charter bid provision or local municipal "constitution".

We observed that \$7,500 is an amount that appears to be significantly outdated as a bid threshold for a formal sealed bid process.

**Recommendation**

The Town/BPWA boards should consider a tiered system for competitive purchasing processes. Under a tiered system, purchases could be handled more efficiently and timely than a formal bid process permits.

For example:

<b>\$7,500 to \$25,000</b>	Informal verbal quotes could be solicited from several companies, with a record of the company, salesman, date, time, and product price recorded or logged for board review.
<b>\$25,001 to \$50,000</b>	Written bids/quotes on company letterhead could be solicited for board review, but without a formal "sealed" bid process.
<b>&gt;\$50,000</b>	Formal sealed bids, publication of bid notices, non-collusion affidavits, etc. could be used.

The above tiers are only suggestions. The Town and BPWA Boards should evaluate what may best meet the needs of both public entities.

**Recommendation** It is not unusual for a local governmental entity to wish to “buy local” in order to keep tax revenue raised locally or circulating in the local economy. We recommend the Town/BPWA Board establish a written policy that describes the circumstances (quantity, quality, delivery times, etc.) and the premium in which the Board is willing to incur in order to “buy local.”

**Finding** **The Town appeared to be complying with other aspects of its purchasing ordinances, although some improvements could be made for travel reimbursements and documenting the receiving of goods or services ordered.**

In reviewing other compliance with town ordinances, it appeared that there was an effort to bring purchases in excess of \$3,000 to the board for prior approval, in compliance with Town Code Section 7-104(B)(6).

The board policy found in the Employee Handbook, page 18, indicated that “meals will be *reimbursed* at \$35 per day... (and) *Cash advances* to cover reasonable anticipated expenses may be made to employees after travel has been approved...” [emphasis added]. Our review indicated the board and/or employees were receiving \$35 per day cash advances for out-of-town meetings; they were providing a travel voucher with receipts attached, and occasionally returning excess cash not expended on the business related travel.

We observed that the policy is somewhat contradictory in that while stating the meals will be reimbursed, the policy then goes on to state that “cash advances” can be made. Reimbursements are by definition made after the cost is incurred and are not “advances.”

Our testing of purchase order documentation indicated that the Town’s documentation for expenditures (purchase orders, receipts, invoices, freight tickets, etc.) was generally better than average for similar size municipalities. The filing of purchase orders and supporting documentation was reasonably well organized and maintained by fund/month/check number. The town clerk printed corresponding check registers for the purchase orders that were filed in the monthly folders, a good procedure that we rarely see in a smaller public entity.

However, we noted that few of the invoices, statements, delivery tickets, etc., that were attached to the purchase orders had any kind of signature and date, or initials and date, of a town official or employee to verify that the purchases were for Town or BPWA purposes. With regard to purchase orders and supporting documentation, **62 § 310.1a**, states:

The officer, deputy or employee receiving satisfactory delivery of merchandise shall acknowledge such fact by signing the invoice or delivery ticket and no purchase order shall be approved for payment by the governing board unless the required signed invoices or delivery tickets are attached thereto.

The above statutory language is also reflected in Town Code Section 7-104(B)(2) on the following page:

2. The officer or employee receiving satisfactory delivery of merchandise or contract services shall acknowledge such fact by signing the invoice or delivery ticket. The invoice, along with delivery ticket if applicable, must then be verified by the authorized purchasing officer as to quantities, services, and prices. If correct, the invoice must then be attached to a purchase order that is signed by the authorized purchasing officer and coded with the fund(s) and budget line item(s) to be charged.

**Recommendation** Because of the potential for abuse, as well as the added administrative complications involved, “cash advances” are a public policy that should be avoided. We recommend the Employee Handbook be amended to disallow cash advances. *(The recommendation to no longer use cash advances was implemented during our fieldwork, according to interviews.)*

If travel reimbursements could cause a “hardship” in some circumstances, then the Board may wish to consider a Town credit card to be used for travel expenses. No credit card account should be opened without a reasonable policy governing the use of the credit card, along with controls and sufficient, timely monitoring to verify the policy is being enforced and not abused.

**Recommendation** All invoices, receipts, delivery tickets and statements used to support expenditures should be signed by the department head, official or employee with firsthand knowledge of the receipt of the goods or services being invoiced, in order to acknowledge or verify the invoices/purchases are accurate and for a public purpose.

**Finding** **The town administrator’s requests for employees and officers to provide timesheets or other records of time were within the requirements of statute, town ordinances and the local personnel policy.**

A controversy arose over the present town administrator’s attempts to implement policies for time recordkeeping and job descriptions. In response to this controversy, we reviewed statutes, town ordinances and the employee handbook.

The statutes address a variety of administrative issues in **Title 11**, Articles VIII (Officers - General Provisions), XII (Statutory Town Board of Trustees), and XVII (Municipal Finances), but issues, such as time reporting, office hours, “additional duties” for the town clerk or and/or the town treasurer are covered under **11 O.S. § 12-106** “*Powers vested in the board of trustees – Designated powers.*”

Included in these statutory powers, and “without limitation,” are broad descriptions of the administrative oversight delegated to the Town Board of Trustees by state law:

- The determination of matters of policy...;
- Appointment, removal and/or confirmation of designated town officers and employees, as provided by law or ordinance;
- Make appropriations; *regulate salaries and wages* and all other fiscal affairs of the town...; [emphasis added]
- Inspect the books and accounts maintained by the town treasurer;
- Inquire into the conduct of any office, department or agency of the town, and investigate municipal affairs...;
- Create, *change and abolish offices, departments or agencies*, other than those established by law; *assign additional functions and duties* to offices, departments and agencies established by this article; and *define the duties, powers and privileges of all officers* which are not defined by this article. [emphasis added]

In addition, the Town Code Section 7-104 (C.) for “payroll disbursements” specifically addresses the recordkeeping for payroll:

C. Payroll Disbursements:

1. For all employees and officers of the town of Beaver, a documented record shall be maintained in a personal file of the authorized rate of pay or salary for each employee and officer.
2. For each pay period, a record of time worked shall be prepared in the form of time sheets or logs for each employee and officer to be paid. Such record of time worked shall be verified as to its accuracy in writing by the employee or officer and town clerk.
3. Upon verification of the work record, a payroll register including the amount of gross pay, authorized deductions, and net pay shall be prepared by the town clerk.
4. The net payroll checks shall be prepared from the payroll register, along with checks for payment of related payroll taxes and other payroll benefits required by law or contract.
5. The payroll checks and payroll register shall be presented to at least one other authorized check signer who shall compare the payroll check to the payroll register and verify their accuracy. Upon verification, such other authorized check signer and the town clerk shall sign the checks and distribute them. The town clerk shall then record the checks in the appropriate cash disbursements journals.
6. The payroll register shall be provided to the governing body for informational purposes at the next regular meeting; however, governing body approval is not required prior to payment of payroll related costs if incurred and paid in accordance with the provisions above.

The Employee Handbook also covers “time keeping” for “nonexempt employees,” a term used to describe employees who do not have supervisory or managerial duties and are not “exempt” from overtime provisions under the federal Fair Labor Standards Act. It is beyond question that the statutes, the Town Code, and the Employee Handbook address the broad powers of the Town/BPWA Board to set policies; monitor these policies and enforce such policies as necessary.

As part of the controversy, a position was taken that the elective offices of town clerk and town treasurer did not necessarily have to respond to requests by the administration or Board for timesheets or job descriptions, since they were accountable to the citizens and voters of Beaver. However, without an effective system of time recordkeeping, there is no practical method for accounting for or monitoring of annual leave accrual and use, sick leave accrual and use, or other potential payroll errors or abuses.

**Recommendation**

There are several options for addressing the issue of “elective” duties versus additional duties, if this continues to spark controversy:

- Hire or contract for the actual and necessary work to be done by employees and/or contractors under the Board and administrator supervision. For example, the processing of payroll and payroll accounting/reporting for benefits and withholdings, etc., could be conducted by a local CPA or bookkeeping service.
- Explore the legal process for making the town clerk and town treasurer “appointive” similar to the town administrator and chief of police, and fill the positions based on reasonable qualifications for the duties assigned by statute, code and/or the Board. Under

this option, there would be no need to distinguish between statutory versus additional duties.

- Make a reasonable estimate or allocation of time for “elective” versus “additional” duties and require timesheets at least for the additional duties assigned and regulated by the Board. For example, in the normal 8-hour day, one or two hours would be allocated for “elective” duties, and the balance of the day would be allocated for additional Board assigned duties.

## **Finding**

### **Better time recordkeeping and improved allocation of payroll costs would provide more accurate cost and budgetary information for reporting, planning and budgeting purposes.**

For many years, the Town/BPWA has assigned somewhat arbitrary allocations of some employee payroll costs to the various funds and budgetary accounts of the Town and BPWA.

According to interviews, the town administrator salary has been assigned 50% Town and 50% BPWA. The “maintenance” crew works on streets and parks for the Town and water and sewer maintenance for the BPWA.

The payroll for three of the four maintenance employees is charged to the BPWA, while the payroll for one is charged to the Town. The maintenance crew helped with the repairs in the Beaver Dunes Park which was not allocated under the present system. While the town *treasurer* payroll has been split between the Town and BPWA, the town *clerk* payroll has been charged entirely to the Town, although the town clerk keeps records (i.e. minutes, expenditure records, payroll records) for both the Town and the BPWA.

In a smaller municipality with fewer employees, it is very common for individual employees to have to wear “multiple hats” and perform a variety of duties that are not necessarily attributable to one fund or even to one entity. The Town and BPWA are legally separate public entities, even though the same individuals serve on the boards of both entities and portions of the payroll of some employees may be charged to both. Arbitrary allocations based on inadequate recordkeeping for employee or officer time could result in inaccurate accounting for payroll and benefits and inaccurate financial reporting.

We concur with the efforts of the current town administrator to develop better job descriptions and better time records for all payroll costs as a necessary improvement for administrative and financial functions.

**Recommendation** Implement a Town/BPWA time sheet form that allows the allocation of time to more than one fund and/or departments within a fund, and is signed by the employee and by the supervisor/official with supervisory responsibility. Use the new form on a permanent basis for allocation of payroll or perform a “study” based on a period of three to six months to develop a less arbitrary allocation of payroll than the percentages currently in use.

**Recommendation** Consider implementing an “imprest payroll bank account” to use for allocating the costs of individual employees to various funds and/or departments, while issuing a single paycheck for each employee for a pay period. A more complete description of an imprest payroll bank account is provided in Attachment #1.

**Finding** **A review of the Town’s budget format under the Municipal Budget Act indicated better than average compliance with the provisions required by the Act.**

We reviewed the FY13 budget format for the Town and concluded the Town’s compliance with the Municipal Budget Act was better than many municipalities of similar size. The format included the required three fiscal years of revenue and expenditure data (prior year, current year and proposed budget year). A budget summary was prepared by the town administrator to explain various budgetary issues, changes from the prior year and proposed/budgeted projects for the future fiscal year under consideration.

**Objective II      Review costs associated with the operation of the Beaver Dunes recreational area and its budgetary impact.**

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- Findings**
- Leasing the recreational area known as the Beaver Dunes was within the scope and purpose of the Beaver Public Works Authority, as described in its 1984 BPWA trust indenture.
  - According to a profit and loss report for the August 2011 through June 2013 period, the Beaver Dunes Park was operating “at a loss” for the period.
  - The economic impact for the BPWA of operating the Beaver Dunes is larger and more varied than the basic profit and loss associated with the actual operations.
  - The initial costs of operating the Beaver Dunes were increased due to various maintenance issues that had developed during the period of operation by the State Department of Tourism and Recreation.
  - A sales tax passed for the operations of the Beaver Dunes and a new municipal swimming pool facility indicated considerable community support for these recreational activities.
- 

**Background**      In the spring of 2011, news stories were published describing an initiative by the Oklahoma Department of Tourism and Recreation (Tourism) to cease operating seven state parks and redirect the funding from those parks to other departmental operations. One of those seven parks was the Beaver Dunes of Beaver, Oklahoma.



Source: The Oklahoman, April 6, 2011

The park was operated by Tourism since the start of its lease, dated November 1, 1971. As a result of the decision by Tourism to terminate its

“99 years” lease with the Pioneer Memorial Park Association, the BPWA Board decided to lease and operate the Beaver Dunes, beginning in August 2011.



One of the petition issues was to review the propriety and the budgetary impact of the decision to lease the park area north of the Town and begin operating and maintaining the Beaver Dunes.

### Finding

**Leasing the park and recreational area known as the Beaver Dunes was within the scope and purpose of the Beaver Public Works Authority, as described in the 1984 BPWA trust indenture.**

In December 1984, the Beaver Public Works Authority (BPWA) was created under **60 O.S. § 176, et al**, primarily to operate the utility services for the Town. The trust document creating the BPWA included Article III, which defines the purposes of the public trust authority:

The purposes of this Trust are:

(1) To assist the Beneficiary, Governmental Agencies and private enterprises in making the most efficient use of their resources and powers in providing, expanding, improving and operating and maintaining utility service of whatever nature including, but without limitation, water, sewer, garbage, trash disposal, gas, electric, airport, parking, recreational and industrial facilities, within and without the territorial limits of the Beneficiary in furtherance of the promotion of the public safety, health and welfare of the residents of the Beneficiary.

From the above excerpt, it is clear that “recreational... facilities, within and without the territorial limits” of the Town of Beaver were included in the purposes of the Beaver Public Works Authority. The trust was created approximately 13 years following the lease of the park by Tourism. The inclusion of “recreational” facilities appeared to indicate that in 1984, the

Town/BPWA's former Board of Trustees anticipated the possibility that the Town might someday take responsibility for the Beaver Dunes operations.

The second paragraph under Article III, purposes of the trust, included the "lease" of facilities to accomplish the purposes of the BPWA and for the benefit of the Town of Beaver, the "beneficiary" of the BPWA:

(2) To acquire, construct, reconstruct, extend **lease,** purchase, install, equip, maintain, repair, enlarge, remodel and operate buildings, utilities and other facilities for use by the United States of America, or the State of Oklahoma, or for use by authorities or agencies

Based on the above excerpts from the BPWA trust indenture language and the fact that the State of Oklahoma had leased the park property from the Pioneer Park Memorial Association from 1971 to 2011, there appeared to be no "impropriety" in the BPWA leasing and operating the Beaver Dunes for the "benefit" of the Town of Beaver and the public at large.

**Finding**

**According to a profit and loss report for the August 2011 through June 2013 period, the Beaver Dunes Park was operating "at a loss" for the period.**

A second concern of petitioners was the budgetary impact on the Town and the BPWA of the costs of operating the Beaver Dunes. When the BPWA took over the park, a separate bank account was opened to help the BPWA Board plan and account for revenues and expenditures of the Beaver Dunes. Town Administrator Moser has maintained a "profit and loss" spreadsheet since the BPWA began its operation of the park. For the almost 23 month period of August 2011 through June 2013, the spreadsheet indicates a "loss" of (\$22,450), or approximately (\$976) per month.

However, the Pioneer Memorial Park Association had committed to supporting the initial BPWA operation of the Beaver Dunes in the amount of \$20,000 per year for three (3) years. The spreadsheet kept by Moser recorded "reimbursements" from the Association of \$42,714 during the first 23 months, which helped offset the maintenance and operating costs incurred.

Only additional time and data will provide better estimates for the potential profit or loss of the park and/or the average monthly "break-even" figure. Also, the actual operating loss would have to be adjusted to include any labor costs contributed by the BPWA maintenance crew that

was insufficiently allocated to park operations, as noted in our Objective I findings on the timekeeping and recording issues.

**Finding**

**The economic impact of the BPWA operating the Beaver Dunes is larger and more varied than the basic profit and loss associated with the actual operations.**

We observed that the Town of Beaver is not situated on any major highway. This can be problematic for any municipality seeking to grow and/or simply maintain its “status quo” of population and local economy.

By contrast, the neighboring county seat of Guymon, Oklahoma, is a “crossroads” for two significant highways and a railroad, with a far greater number of visitors and highway traffic passing through daily.

The Beaver Dunes Park is a primary attraction to draw out-of-town visitors. Given good weather conditions, the park likely attracts some visitors for a major portion of the year. Basic economic development theory teaches that a dollar brought in and spent locally for fuel, groceries, restaurants, motel rentals, etc., will tend to “circulate” several more times in local transactions, boosting the local economy, before being used or spent elsewhere.

Local sales tax revenue is without doubt impacted by visitors to the Beaver Dunes Park. Measuring the overall impact would be difficult, but not impossible. One method may be to ask park visitors to fill out a paper or “online” survey and estimate what they had spent in Beaver while visiting the Beaver Dunes. Another method may be researching “economic development” reports and/or studies, looking for situations similar to the Town and the Beaver Dunes and making comparisons.

Any evaluation of the overall “benefit” of the BPWA operating the park should include an estimate of the local sales taxes generated and an estimate of the local business impact for the community.

**Recommendation**

The Town may be able to seek assistance from the Panhandle State University or the Northwestern State University business departments to evaluate or estimate the overall economic impact of the Beaver Dunes for a clearer understanding of the larger “profit and loss” picture for the community. Sometimes, upper level and/or graduate students will be assigned “projects” as part of their business training.

**Finding**

**The initial costs of operating the Beaver Dunes were increased due to various maintenance issues that had developed during the period of operation by the State Department of Tourism and Recreation.**

Because Tourism had been operating the park for approximately 40 years, the costs of operations and maintenance versus the fee revenues generated by the park were necessarily only estimates, until the BPWA had sufficient experience and financial data to adequately plan.

According to interviews with Steve Kemp, the BPWA Parks and Recreation Director, there were a number of maintenance issues that required significant attention by the time the BPWA assumed operations. The maintenance issues were due to budget cuts and Tourism staff vacancies at the park, largely but not entirely since the 2008 financial crisis. Kemp, who had worked for Tourism for seventeen plus years, including some years spent at the Beaver Dunes, knew much of the history involved.

Kemp provided a list of park issues and projects that he and others have been working on steadily since August 2011. The list included:

- extensive maintenance and repairs at the Hackberry Bend Campground (sewer lift pump replaced and lateral field work done, water line from dump station, frost-free hydrants, removal of the old railroad bridge that was a safety hazard, and building a new pier);
- replacing water shut-off valves at the Pioneer Campground;
- repairing ground irrigation systems at the picnic area and residence;
- repairs to the lateral lines in the picnic area;
- repairs to a vandalized cabin (including new door, windows, heater and a ceiling fan);
- repainting all park structures (park office, bath houses, picnic shelters and tables, water sealant on the stage);
- replacing the motor on the Gator utility vehicle, along with transmission repair and new tires;
- rebuilding or replacing sections of fencing, and more.

Some of the work was done with minimal cost using in-kind equipment and labor assistance from the county and/or the local soil conservation district. Other work was accomplished with assistance from the BPWA maintenance crew.

The more or less neglected condition of the park by August 2011 contributed to the higher initial costs of maintenance and operations. Some of these costs should diminish as more maintenance projects are completed. Reduced maintenance costs should help to improve the “bottom-line” for the park moving forward. In part, the three-year commitment of \$20,000 per year by the Pioneer Memorial Park

Association resulted from the recognition of the poor condition of the park facilities.

**Finding**

**A sales tax passed for the operations of the Beaver Dunes and a new municipal swimming pool facility indicated considerable community support for these recreational activities.**

On April 2, 2013, an additional 1% municipal sales tax was passed by the voters of the Town of Beaver. The dual purpose of the new tax was to provide funding for recreational facilities, with sixty percent (60%) designated to “renovate the swimming pool and other recreational projects” and forty percent (40%) to “pay expenses and repairs at Beaver Dunes Park” and purchase equipment for the park.

The ballot measure was passed by approximately 53% to 47% margin, indicating support for one or both recreational initiatives. At the time of fieldwork, the recreational sales tax revenue had not yet begun, but a separate bank account/sales tax fund was planned to provide the Board and public with assurance that the new revenue would be used as designated.

**Recommendation**

The purposes of the BPWA include “recreational” facilities. Since the Beaver Dunes Park is being leased and operated through the BPWA, and as a new swimming pool renovation will likely involve the need to issue revenue bonds or otherwise provide financing, it seems reasonable to include the new sales tax fund and bank account in the BPWA to more easily facilitate the objectives approved by the voters and provide accountability for the designated purposes of the new 1% sales tax.

**Objective III    Review possible irregularities and and/or misuse of public funds in regard to utility billing, operations and usage reporting.**

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- Findings**
- There is a significant discrepancy between water pumped from the Town's wells versus water usage billed monthly.
  - Explanation for the unmetered water usage at the former American Legion building, now owned by Prairie Wind, Inc.
  - An alleged improper billing for bulk water did exceed the quantity approved by the board, but was billed at a premium rate, not at a discounted rate, as was alleged.
  - The Town/BPWA has no written policy or written payment agreements for past due customers making payments on their utility service accounts.
  - The Meter Deposit Fund has a modest overage versus the printout of customer deposits.
  - The BPWA has a policy of refunding meter deposits after only six months which may need review.
- 

**Background**                      Town Code §17-101 to 108 sets the policies for utility billing, fees, and authorizes the board of trustees to require new customers of the Town's utility system to pay a deposit and set the sum for such deposit.

According to Lori Downing, present town treasurer and utility clerk, the following summarizes the policies and procedures that have been in place, since she became utility clerk in November 2012.

New customers of the Town's utility services must complete a service agreement, and pay an \$80.00 deposit. The Service Agreement states, "The deposit will be refunded after six months if payments for services have been received in a timely manner for 6 consecutive months." The service agreement clearly states the due date for utility payments, as well as the charges for a discontinuation of service. The customer and a representative of the Town of Beaver sign the service agreement.

In addition to obtaining the service contract and service deposits, the utility clerk's responsibilities include, utility billing, to include entering the meter readings into the computer, assessing penalties on past due accounts, acceptance of utility payments, scheduling the installation and removing of water meters.

Utility billing is processed on the 4<sup>th</sup> or 5<sup>th</sup> day of each month; the payments are due the 3<sup>rd</sup> day of the following month. Customers that have not paid are assessed a 10% penalty on the 4<sup>th</sup> day of the month.

Around the 10<sup>th</sup> of the month, door hangers are placed on customer doors, as a reminder to those who have not paid. Around the 20<sup>th</sup> of the month, a second door hanger is placed advising that the water service has been disconnected, and advising the customer of the payment necessary to have service restored. The meters are serial numbered; therefore, when service is reinstated, the same meter is reinstalled at the location.

There were a number of concerns and allegations with regard to the utility services and billing issues. Those issues have been largely publicized locally and there are not likely to be any “revelations” in this objective.

**Finding**

**There is a significant discrepancy between water pumped from the Town’s wells versus water usage billed monthly.**

One of the concerns was an allegation of a large difference between the water pumped from the municipal well field and the amount of water billed to commercial and residential customers in town. We obtained the monthly operational report filed with the Department of Environmental Quality, as well as the monthly billing recap for the months of July 2012 and 2013. In reviewing the reports, we confirmed a significant discrepancy between the amounts of water pumped from municipal wells versus water usage billed monthly.

	<b>Gallons Pumped</b>	<b>Gallons Billed</b>	<b>Variance</b>	<b>% Overage</b>
July 2012	36,100,000	17,916,018	18,183,982	98.53%
July 2013	25,200,000	12,399,008	12,800,992	96.86%

There were various explanations including the meter on well #4 was registering “air” rather than water for a time, some locations in town are not metered, such as the town swimming pool, the “public” water dispenser, fire station, shop building, and lift station building. Aging and leaking water mains are another probable reason for the differential.

In order to compare the pumping versus billing percentage to other municipalities, we spoke with Scott Vaughn, Public Works Director for the City of Duncan, who explained that Duncan has an average loss ratio of 6%. However, the city now uses an automated meter reading system (AMR). Prior to implementing the AMR, the loss ratio was normally 10% to 15%, and at times would spike as high as 25%. In other words, part of

the City of Duncan water losses was due to an inefficient or aged meter reading system that has since been updated.

An internet search produced an EPA report on water system losses stating that the average water loss is 16%. We also obtained a water loss survey for the State of Texas, issued by GDS Associates Inc., reporting that in water systems with populations less than 3,300 the average loss was 14%, but municipalities in the Texas study ranged from less than 10% losses to 50% losses in some larger municipalities [see Attachment #2].

We contacted the Oklahoma Department of Environmental Quality (DEQ). After legislation passed in 2012, DEQ is developing a water loss evaluation study for the state's "1,612" active public water systems. This study is in an early stage. Informally, public water supply engineers at DEQ estimated an *average* "30%" loss for Oklahoma water systems, with the higher end estimates approaching "80%."

While a 96% to 98% loss ratio is significant and should be evaluated, it does not necessarily indicate wrongdoing or malfeasance.

**Recommendation** As part of the BPWA's future projects to upgrade its water system, we recommend an engineering study be conducted to determine the probable reasons for the water loss between the wells and end-users and a strategy be formulated to address the problem(s) identified.

**Finding** **Explanation for the unmetered water usage at the former American Legion building, now owned by Prairie Wind, Inc.**

One concern or allegation involved the former Beaver School Gymnasium and an alumni event that was held there. According to interviews, the old Beaver School Gymnasium and former American Legion building had not had a meter installed for as long as any employee, past or present, could remember. The building is now owned by Prairie Wind, Inc., a nonprofit corporation. Don Jenkins, the former long-time town administrator, is on the board of this nonprofit entity.

Jenkins explained the purpose of Prairie Wind, Inc. is to raise grant funds and donations to preserve and renovate the old Beaver School Gymnasium building as a community center. The building had significant plumbing problems and had been without water for a lengthy period of time. A plumbing contractor was called to work on the plumbing issues in advance of a planned "alumni" event scheduled for the 2012 Memorial Day weekend.

The plumber did not have sufficient time to make all of the needed repairs. James Pratt, BPWA utility foreman, connected the water direct for the one-day event. The “unmetered” use was only a temporary situation for the alumni reunion, with the water disconnected afterward, due the unresolved plumbing problems.

Figure i: Meter Installed at Community Center



Since the alumni event, a meter has been installed for future purposes, and future utility services will be billed according to usage. We visited the site and observed the meter was installed. We concluded the matter was resolved.

## Finding

**An alleged improper billing for bulk water did exceed the quantity approved by the BPWA board, but the water was sold at a premium rate, not at a discounted rate, as was alleged.**

There was a concern that a company purchased, at a discount, 271,000 gallons of water during a time of drought. Our review determined that Nichols Water Company purchased 271,000 gallons of water, which exceeded the 210,000 gallons that had been approved by the Board. The BPWA did not sell the bulk water at a discount, but rather at a premium.

We spoke with Blake Nichols, of Nichols Water Company. His company drilled a salt water disposal well and needed the bulk water for this project. The jobsite was located just south of Plateau Energy Services; therefore Nichols approached Plateau Energy Services about the possibility of purchasing water. Plateau Energy Services agreed, provided Nichols could get approval from the Town Board of Trustees. During the summer of 2012, the Town was experiencing drought conditions and a moratorium was placed on bulk water sales.

According to board minutes, Nichols Water Company requested to purchase 210,000 gallons of water which the BPWA board approved on June 14, 2012.

Nichols tied into the water line at Plateau Energy Services and ran poly pipe from Plateau Energy Services to the jobsite. Billing history for Plateau Energy Services revealed billing and payment for the full 271,000 gallons on July 5, 2012. Mr. Nichols told us he was not aware of a limit to the number of gallons his company could use.

The bulk water sale was priced at \$6.25 per thousand gallons and exceeded the gallons approved by the Board by 61,000 gallons. For comparison, the *highest* residential rate starts at 40,001 gallons or more per month, and that price is \$2.12 per thousand gallons. Nichols Water Company paid a \$4.13 per thousand gallons premium for the bulk water purchase.

While Nichols Water Service did exceed the board approved usage, we observed that the overage of 61,000 gallons was only 0.34% ( $61,000 / 17,900,000 = .0034$ ) of the total gallons billed for the same month. The amount of overuse by the company did not appear to be a significant issue.

**Finding**

**The Town/BPWA has no written policy or written payment agreements for past due customers making payments on their utility service accounts.**

Town Code Section 17-105 addresses the failure to pay utility bills, authorizing a 10% penalty be assessed to a past due bill. There is no provision authorizing payment agreements.

Although the Town has no written policy allowing customers to make payments on the past due amounts, for some time informal allowances have been made for some customers facing difficult circumstances. Most utility systems have the need to address customers with temporary circumstances and difficulty paying their bills. It has been the responsibility of the utility clerk to negotiate and track the informal agreements.

**Recommendation**

We suggest the BPWA Board adopt a written policy addressing payment agreements for customers with past due balances. The policy should include a short written agreement specifying the terms and signed by the customer and the utility clerk and/or town administrator.



“inactive” customers. Most of the inactive accounts showed a \$-0-balance, indicating that either the final bills had been paid or had been fully covered by meter deposits.

However, there were some outstanding and presumably uncollectible balances. Some of those balances exceeded \$200. The total for the printout was \$11,742, indicating final bills that were not covered by a meter deposit.

**Recommendation** The BPWA should review its current policy to evaluate whether a) the \$80 deposit should be increased for current utility rates; and/or b) the length of time the meter deposit is retained should be extended, in order to minimize losses from uncollectible final bills.

**Objective IV    Review compliance with the Open Meeting/Open Records Acts.**

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**Findings**

- **The minute and agenda records for the Town/BPWA were better than average for a smaller community or public entity in terms of the amount and clarity of content.**
  - **Our review indicated a few issues that could be improved. Alleged examples of noncompliance could be corrected by re-approving the action/motion of the board in a subsequent open meeting.**
  - **During our fieldwork, copies of “tentative” (unofficial) minutes began to be provided to the local newspaper within the statutory five (5) days.**
  - **Most court and police records are subject to Open Records statutes. The board should establish a policy for access to court and police department records, including video.**
  - **The oath of office for Board Member Kathal Bales was not found in town records to confirm compliance with 51 O.S. § 36.1 oath of office requirements.**
- 

**Background**

Some of the petitions concerns related to alleged violations of the Open Meeting Act and/or the Open Records Act. Allegations were made the board violated the Open Meeting Act by acting on agenda items when agenda would state, “discuss.” Part of the controversies related to the police department involved requests for police records.

Cities and towns are required to comply with **25 O.S. §§ 301-314**, the **Oklahoma Open Meeting Act, § 303** states in part:

All meeting of such public bodies shall be preceded by advance public notice specifying the time and place of each such meeting to be convened, as well as the subject matter or matters to be considered at such meeting...

Cities and towns are also required to comply with provisions of the Open Records Act, found at **51 O.S. § 24A.1-24A.29**. **Title 51 O.S. § 36.1** also includes provisions for oaths of office by public officials and public employees.

**Finding**

**The minute and agenda records for the Town/BPWA were better than average for a smaller community or public entity in terms of the amount and clarity of content.**

Our review of the agendas and board minutes indicated considerable compliance with the Open Meeting Act, probably above average compared to many smaller municipalities. The minutes were reasonably clear, were mostly consistent with agendas and seemed to contain sufficiently clear descriptions of board discussions, public input and board actions taken.

**Finding**

**Our review indicated a few issues that could be improved. Alleged examples of noncompliance could be corrected by re-approving the action/motion of the board in a subsequent open meeting.**

Some agenda items listed “discussion” only. For example, the March 1, 2012 agenda, item # 3 listed only discussion, but action was taken. The agenda for Special Meeting, March 01, 2012, described agenda item # 3 as:

“Contract with sheriff office for administrative services FY 12/13: Discussion on contract with sheriff office for administrative services FY 12/13.”

The minutes recorded the following:

“Motion was made by Maness and seconded by Janko to approve the contract with the sheriff office for administrative services in the amount of \$27,000.00 for the 2012/2013 fiscal year. Motion carried: Aye: Cates, Bales, Sallee, Maness, and Janko. Nay: None”

However, later in the meeting, we found the following motion and action:

“Motion was made by Cates and seconded by Janko to rescind the motion that was made by Brenda Maness to approve the 2012/13 contract with the sheriff’s office in the amount of \$27,000.00. Motion carried: Aye: Cates, Bales, Sallee, Maness, and Janko. Nay: None”

Since the action was rescinded later in the meeting, the Board appeared to have appropriately corrected the error.

A more recent example was the October 28, 2013, agenda Item 2A called for discussion of a stop sign issue.

**A. STOP SIGNS AT 3<sup>RD</sup> AND AVE M:** Barry and Jaci Geheb to discuss the stop signs on the corner of 3<sup>rd</sup> and Avenue M.

However, the minutes reflect discussion and a vote on the item.

Motion was made by Maness and seconded by Cates to have the stop sign removed from the corners of 3<sup>rd</sup> and M. Motion failed. Aye: Maness and Cates. Nay: Smylie, Brennon and Janko.

Occasional errors in compliance with the Open Meeting Act are not uncommon, particularly in smaller municipalities. Generally, the remedy for such errors is to restart the process with a correctly posted agenda and have the public board reaffirm its earlier actions in a meeting that fully complies.

**Recommendation** In order to avoid inadvertent non-compliance with the Open Meeting Act agenda items, the Board should consider using wording, such as “discussion and possible action” *routinely* when preparing the meeting agendas, unless it is absolutely certain that no action is contemplated or will be taken by the Board.

**Finding** **During our fieldwork, copies of “tentative” (unofficial) minutes began to be provided to the local newspaper within the statutory five (5) days.**

One issue mentioned was some difficulty in the Town providing “tentative” minutes “within five (5) days after all such regular and/or special meetings,” as required per **25 O.S. § 115**. We spoke with the local newspaper owner/editor, who explained that he believed the Town was making an effort to improve compliance in this area. Considering the limited number of staff, a 5 day turnaround for “tentative” minutes may be more difficult for the Town than a larger municipality.

**Recommendation** If this continues to be an issue, the Town and newspaper should consider developing a “short-hand” form or template that could be used to communicate the basic information, discussion, and actions taken by the Board.

**Finding** **Most court and police records are subject to Open Records statutes, yet the Town does not have a formal policy or procedures in place to administer the public’s requests for access to court and/or police records.**

Some of the controversies concerning the Town’s police department involved requests for police records. **Title 51 O.S. § 24.3(1)** of the Open Records Act (ORA) defines the term “record” for the Act. **Title 51 O.S. § 24.8** lists the “law enforcement records” that are to be made “available for public inspection.”

The Town does not have a formal policy to address public requests for the court and police records, other than the Open Records statute provisions.

**Recommendation** We suggest the chief of police and/or the town administrator survey larger police departments and municipal courts that have implemented formal policies and procedures to comply with the Open Records Act and evaluate those policies and procedures for adoption or adaptation for the Town's administration of public requests for court and police records.

**Finding** **The oath of office for Board Member Kathal Bales was not found in town records to confirm compliance with 51 O.S. § 36.1 oath of office requirements.**

An allegation was made that a board member arrived at her initial meeting late, but was not administered the oath of office. There are a number of the statutes regarding oaths of office, **11 O.S. § 8-103** and **51 O.S. § 36.1**, as well as **Article 15, §§ 1-2** of the State Constitution, which states in part:

Every officer and employee of the State of Oklahoma, ...or of a municipality, who, on or after July 1, 1953, is appointed or elected to office, or who after said date is employed, for a continuous period of thirty (30) days or more, in order to qualify and enter upon the duties of his office or employment and/or receive compensation, if any, therefore, shall first take and subscribe to the loyalty oath or affirmation required by this act and file the same as hereinafter set forth.

According to Mr. Moser, he was unable to locate the oath of office signed by Ms. Bales. Moser contacted her, and Bales indicated that she had come to the town office to sign the oath, and gave it back to Town Clerk Chockley. However, at the time of this report, he had not located the document but discovered three additional "oaths" that were not on file and was continuing his search.

There is an attorney general opinion, **1997 OK AG 9**, citing state Supreme Court cases which makes the following conclusion:

The failure of an elected municipal official to file an oath of office in the municipal clerk's office within thirty (30) days of taking and subscribing such oath does not operate to disqualify the official or create a vacancy in the office.

**1997 OK AG 9** also provided:

Even if there were a subsequent determination that elected municipal officials failed to qualify for their offices as required by statute, such incumbents would be officers de facto, and their

official acts would be upheld as valid upon principles of policy and justice.

Based on **1997 OK AG 9**, the failure to file a formal oath of office does not disqualify Board Member Bales from serving on the board or create a vacancy in that office.

**Recommendation** As a matter of record, all newly elected officials of the Town should be sworn in at their first official meeting and have the oaths of office ready to be signed at the same meeting for filing purposes.

**Objective V      Review possible misappropriation of public property, equipment or resources for personal use.**

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- Findings**
- A computer purchase for the fire chief did not appear to be a “misuse or misappropriation,” although potential use of the computer for non-Town purposes could occur.
  - The purchase of ACER “tablets” for use by board members did not appear to be a “misuse or misappropriation,” although potential use of the tablets for non-Town reasons could occur. We observed the use of the tablets to be an efficient and effective use of an easily portable reference tool with greater potential for providing the board with additional information for making decisions.
  - With regard to issuing equipment to officials and/or employees, the Town has no written policy and has not compiled a complete and up to date inventory of municipal equipment and other fixed assets.
  - Allegations concerning the use of a Town pickup for personal reasons and/or the misuse of the “Keyes City Hall” Sam’s Club card were unsubstantiated.
- 

**Background**      There were several vague allegations for misuse or misappropriation of public resources, in addition to the water issues reported in Objective III. Two of the issues involved a computer provided to the part-time fire chief and “tablets” provided to the Town Board. Other issues were alleged misuses of a Town of Keyes Sam’s Club card and a Town owned pickup.

**Finding**      **A computer purchase for the fire chief did not appear to be a “misuse or misappropriation,” although potential use of the computer for non-Town purposes could occur.**

The Town Fire Chief is a more or less volunteer position that pays a small monthly salary or stipend of \$200. A computer was purchased for the fire chief, and the concern was that the computer was used at his home for personal purposes.

James Pratt is the BPWA maintenance crew supervisor, who also serves as the fire chief for the town. Pratt explained that fire run reports are sent to the State Fire Marshall’s Office.

As utility supervisor, he makes reports to the Oklahoma Department of Environmental Quality. Neither the utility shop nor the fire department has internet access, so he uses his personal internet connection at home to

access information on the State Fire Marshall's website and the Department of Environmental Quality website.

**Recommendation** An alternative to the "at-home" use of the municipal owned computer is to supply internet access at the maintenance shop and/or the fire department or provide temporary access to a work station at town hall for the fire and utility reporting purposes. The savings of the fire chief providing his own internet connection for municipal purposes may offset some of the cost of the Town's computer.

**Finding** **The purchase of ACER "tablets" for use by board members did not appear to be a "misuse or misappropriation," although potential use of the tablets for non-Town reasons could occur.**

In March 2012, six ACER "tablets" were purchased for the use of the board members and administrator, along with a number of "thumb" or "stick" USB drives. The town administrator provides meeting agendas, minutes, contracts, reports and other meeting documentation on the USB drives to the board members for their review prior to and during the board meetings.

While the "tablets" could be used for personal purposes, service on a public board can generate a lot of paperwork that has historical and reference value for board members' discussion and review. Using current technology to make this paperwork more readily available and more easily transportable is a great improvement over the "hard copies in 3-ring binders" method of providing information for public board members.

We observed the use of the tablets to be an efficient and effective use of an easily portable reference tool with *greater potential* for providing the board with the information needed for making better decisions relating to the Town and BPWA.

**Recommendation** In addition to the board meeting information provided on the USB drives, other information could be loaded on the tablets themselves for "24/7" use by the board members. We suggest the list could include digital copies of:

- The Town Code of Ordinances;
- The Employee Handbook and other approved internal policies;
- The BPWA Trust Indenture;
- The lease agreements between the Town and BPWA and between the BPWA and Pioneer Memorial Park Association;
- Revenue bond indentures, loan agreements, lease-purchase agreements, construction and/or maintenance contracts;

- Employment and professional services contracts;
- Annual budgets and year-to-date budget reports;
- Historical board minutes on specific issues, such as the creation of the BPWA;
- Oklahoma Municipal League handbooks provided for the various offices and functions of municipal government;
- The Oklahoma Press Association's Open Meeting & Open Records Book;
- State constitutional sections applying to local governments and various relevant statutes from **Titles 11, 25, 51, 60, 61, 62, and 68.**

The above is a “short” list of the potential information that could help board members make more informed and presumably better decisions relating to Town/BPWA policies and operations and directly impacting the public interest.

#### **Finding**

**With regard to issuing equipment to officials and/or employees, the Town has no written policy and has not compiled a complete and up to date inventory of its equipment and other fixed assets.**

Accounting and audit standards for local governments now require “fixed asset” accounting for land, buildings, utility infrastructure and other assets, such as equipment. The **Title 11 Municipal Budget Act** also includes a “long-term debt ledger” and a “fixed asset ledger” to be maintained for full compliance with this Act.

The Town maintains asset records, such as insurance lists, annual police department weapons reports, purchase orders, contracts, deeds, etc., but these records are scattered among various files, storage boxes and file cabinets. The Town has no policy or centralized recordkeeping for maintaining an inventory of assets, such as land, buildings, computer equipment, vehicles, utility or street maintenance equipment or municipally owned weapons, etc.

#### **Recommendation**

The administration should work with its accounting consulting firm to develop and maintain a fixed asset inventory policy and recordkeeping system for the Town and BPWA. The policy should cover the records to be maintained and the procedure for issuing equipment, such as the ACER tablets and/or the fire department computer to officials and employees, and the process for return of such equipment upon the termination, retirement or other separation from the Town and/or BPWA.

**Finding**

**Allegations concerning the use of a Town pickup for personal reasons and/or the misuse of the “Keyes City Hall” Sam’s Club card were unsubstantiated.**

We reviewed the circumstances and explanations for the allegations concerning the use of a Town pickup for personal reasons or benefit and the use of a “Keyes City Hall” Sam’s Club card for the Town of Beaver. At the March 14, 2013 board meeting, Town Administrator Moser gave explanations for various allegations, including these two issues.

With regard to the use of the Town pickup for personal purposes, the allegation was a Town pickup was seen at the United Wireless business in Liberal, KS. Since the Town does not use United Wireless, the assumption was made that the pickup was being driven for personal use or personal benefit. The explanation was that Moser was at the Planning and Zoning office of the City of Liberal having a copy made of a rare map borrowed from the Beaver County Abstract Company. The map was needed for an Oklahoma Water Resources Board meeting in Oklahoma City.

United Wireless is located at 402 N. Kansas Avenue in Liberal. The Liberal “Planning and Zoning Department” is located at 324 N. Kansas Avenue, across the street. A photo of the alleged pickup parked in front United Wireless was of insufficient detail to confirm whether it was a Town of Beaver vehicle. We concluded the allegation was unsubstantiated, and the explanation was more probable than the allegation.

We observed the Sam’s Club card use to be a non-issue. Sam’s Club membership cards are used only to get into the building in order to make a purchase. The receipt in question clearly showed “Keyes City Hall.” It was equally clear from the purchase order, receipt and debit card transaction recorded on the Town’s bank statement that the purchase of an HP Pavilion computer for the police department was a Town of Beaver purpose and paid with Town of Beaver funds. Moser has since replaced the “Keyes” card to avoid any future confusion.

## **Objective VI    Other findings, comments and issues noted.**

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### **Findings**

- During the audit period, a number of smaller, inactive funds were closed and the balances transferred.
- The Town has a growing Street & Alley Fund carryover balance (\$169,305 at June 30, 2012) that could have been used for recent street projects, instead of using General Fund appropriations.
- The Town has a long standing “Cash Utility Fund” (\$281,973 at June 30, 2012) that appeared to be primarily a residual balance from thirty years ago (1984) when the Town operated the utility services and prior to the creation of the Beaver Public Works Authority.
- The BPWA maintains a “Reserve” Fund (\$99,448 as of June 30, 2012) in connection with its former OWRB notes payable that was no longer needed following the BPWA’s refinancing through a local bank.
- The collections for municipal bonds for traffic tickets and/or other municipal offenses were not handled according to the proper procedure.
- Allegation: Conflict of interest. Purchases made from Downing Food Pride, Inc., since Treasurer Lori Downing was hired, was not a conflict of interest under the Title 11 conflict of interest statute.
- Allegation: “The books are out-of-balance...have not been reconciled” since the former treasurer resigned. If the former treasurer’s monthly reports are the “measure” of books being in balance, then the allegation has been true for an extended period prior to the present treasurer.
- The cash drawer for the office collections included both the money for “change,” as well as the funds used for “petty cash” purposes. These are two entirely separate functions, and the funds for each function should be accounted for and kept separate. *(This procedure has been implemented at the time of fieldwork, and the two functions separated.)*

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### **Background**

We noted a variety of issues in the course of our review and/or there were issues brought to our attention that we believed needed to be addressed in addition to the petition issues addressed in the previous five objectives. Those various issues are discussed in this report section.

### **Finding**

**During the audit period, a number of smaller, inactive funds were closed and the balances transferred.**

In May 2012, the Town Board voted to close several small and inactive funds. We concur with this initiative. Besides the funds specified by statute, debt service agreements or grant contracts, the number of funds used by the Town and/or BPWA should be the minimum necessary for accountability. If a fund has been inactive for a year or longer, it may be a good candidate for closure.

The annual budget process is an appropriate time to review and evaluate the overall fund/department/budget account structure and the bank accounts used by the Town and BPWA and to determine how improvements or adjustments can be made to the chart of accounts and funds.

**Recommendation** Another “candidate” for consolidation may be the Town’s Airport Fund, which had little activity and an unencumbered fund balance of \$5,336 as of June 30, 2012. The trust indenture for the BPWA includes “airport” in its Article III purposes. The Town’s Airport Fund could be closed and the airport operated as a “department” within the BPWA, along with the water, sewer and garbage services. Airport revenue and expenditures could be accounted for and through the BPWA.

**Finding** **According to annual financial audit reports, the Town has a growing Street & Alley Fund carryover balance (\$169,305 at June 30, 2012) that could have been used for recent street projects, instead of using General Fund appropriations.**

**Title 11 § 36-114** requires gasoline and motor vehicle tax revenues collected and shared by the state to be accounted for in:

“...the street and alley fund or the street and alley account of the general fund of the municipality for construction, maintenance, repair, improvement, or lighting of streets and alleys.”

We noted from the annual financial audit reports an accumulating balance in the Town’s Street and Alley Fund that is not typically seen in a municipality. Like the Town of Beaver, most municipalities have street “departments” included in their General Fund. However, those municipalities expend their “street and alley fund” appropriations whenever and wherever possible to avoid using the “general fund” street department appropriations that can be transferred and used for other purposes.

Part of the increasing balance was due to additional “miscellaneous” revenue recorded in the Street and Alley Fund, something not normally found in our experience. As far back as FY08, receipts from the sale of old paving bricks and reimbursements for trenching damages on streets

were recorded in the Street & Alley Fund. These revenues would be more appropriately included as *General Fund* revenues rather than commingled with the gasoline and motor vehicle tax revenues restricted by statute for the Street & Alley Fund.

This accumulating fund balance could have been used for the Town's portion of recent street improvements, such as the Douglas Avenue project or for the purchase of the used street sweeper in July 2012. According to the FY14 budget, the Town expended from their General Fund "streets and alleys" department: \$138,156 in FY12 and \$688,546 in FY13 including grants and local matching funds related to the Douglas Avenue project.

Failure to expend the Street and Alley Fund for its intended purposes needlessly depleted General Fund cash which is not "restricted" and provides more flexibility in allowed expenditures.

**Recommendation**

Because the Street and Alley Fund can be used only for the "construction, maintenance, repair, improvement, or lighting of streets and alleys," the Town Board should consider using these revenues and cash balances for *any street and alley related expenditure*, in order to conserve the General Fund cash for other priorities.

This could be accomplished by using the FY15 budgetary process to budget and expend most, if not all, of its street expenditures from the Street and Alley Fund, with a much reduced "street and alley" budget for the General Fund. In a year or two, the more restrictive Street and Alley Fund would be reduced to a more appropriate level, with a minimal carryover balance from year to year.

**Finding**

**The Town has a long standing "Cash Utility Fund" (\$281,973 at June 30, 2012) that appeared to be primarily a residual balance from thirty years ago (1984) when the Town operated the utility services and prior to the creation of the Beaver Public Works Authority.**

We noted in our review of the annual audit reports a "Cash Utility Fund" containing a large carryover balance from year to year. Since the BPWA operates the utility services, we inquired what this "town" utility fund was and where it originated.

We spoke with both the town clerk and the former town clerk concerning the nature and origin of this fund, averaging approximately \$290,000 carryover from FY07 through FY12. The former town clerk indicated that the fund was present in the 1980s when she began as town clerk. Based on

this timeframe, the Fund was most likely used to account for the Town's utility collections and expenditures prior to the creation of the BPWA.

The Fund is reported as an "internal service fund" and temporarily used to pay the BPWA employees, then reimbursed by the BPWA. It is rarely used for any other purpose and amounts to a "reserve" to be used on occasion as the Board directs.

**Recommendation** Because the Cash Utility Fund apparently has been largely on "auto-pilot" for thirty years, we suggest the Board consider repurposing and renaming this fund as a "Capital Improvements Fund" under the provisions of **11 O.S. § 17-109**. A capital improvements fund could be used for future projects, such as the pressing need for new water system improvements, which could be added to the "utility infrastructure" leased to the BPWA, and/or for matching funds for future grant projects involving capital improvements.

**Finding** **The BPWA had a "Reserve" Fund (\$99,448 as of June 30, 2012) in connection with its former OWRB notes payable that was no longer needed, following the Town's refinancing through a local bank.**

Sometimes lenders will require a "reserve" fund in addition to the normal monthly debt service payments. The Oklahoma Water Resources Board (OWRB) had such a requirement attached OWRB loans provided to the Beaver Public Works Authority.

As of August 2013, the Town/BPWA refinanced the OWRB notes through a new loan at the local First Security Bank. Due to this refinancing, the "BPWA Reserve" balance was no longer necessary and became another fund "candidate" for closure and consolidation.

As of the end of our fieldwork, the BPWA Board approved the repurposing of the "reserve" fund to provide matching funds and "up front" money for a new grant for the Beaver Dunes Park. The new Recreational Trails Program (RTP) grant is for \$62,000 in federal funds (plus \$15,500 local match), and will be used for five miles of boundary fencing, upgrades to the staging and parking areas, a mini-excavator, an off-road vehicle and signage.

**Finding** **The collections for municipal bonds for traffic tickets and/or other municipal offenses were not being handled according to the proper procedure.**

Our review of the annual audit reports indicated a CLEET Fund was used during the FY07 through FY12 period. CLEET is the acronym for the

Oklahoma Council on Law Enforcement, Education and Training. A “CLEET Fund” is not commonly found in Oklahoma municipalities, so we inquired about its use and purpose.

According to interviews, collections for bonds and fines were split and deposited into the Town General Fund and the CLEET Fund. CLEET and OSBI (Oklahoma State Bureau of Investigation) fees were deposited to the CLEET Fund and disbursed monthly to these state agencies. The balance of the bonds, fines and forfeitures was recorded as revenue to the General Fund.

Collections for municipal offenses, including traffic tickets, are not “revenue” until court is held, and the offenses are adjudicated. Technically, those “bond” collections are still the property of the alleged offenders, until the judge makes a ruling. By depositing the “fines” portion of the bonds directly into the General Fund, prior to a judge’s ruling, the Town essentially commingled private funds with public funds.

**Recommendation** The more proper procedure is to deposit 100% of court collections into a “trust” fund or “Municipal Court” bank account, until a judge rules. Then disbursements are made to pay the state agency fees and fines and court cost revenue can be transferred to the General Fund. Using a municipal court bank account makes it simpler to issue the occasional refund of a bond, if the judge rules in favor of the defendant, without the refunded amount affecting the General Fund revenues and expenditures. The municipal court bank account should be reflected on all treasurer reports as a “trust or agency” fund.

**Finding** **Allegation: Conflict of interest. Purchases made from Downing Food Pride, Inc., since Treasurer Lori Downing was hired, was not a conflict of interest under the Title 11 conflict of interest statute.**

State law involving conflict of interest statutes generally prohibits public officials from “doing business with themselves”, in other words, buying from or selling to the public entity which they represent or are employed; however, the legislature recognized that the absolute prohibition of such transactions often would exclude some of the few local business people in smaller communities from serving on municipal boards and using their knowledge and experience to benefit their fellow citizens.

Consequently, for municipalities with a population of not more than 5,000, according to the latest census, the municipal conflict of interest statute at **Title 11 § 8-113**, was amended to permit municipal officers and employees and/or the spouses to transact business with the municipality *under certain limited circumstances*. We spoke with Steve Fair,

Marketing Director, Clements Foods, Inc., dba Garden Club, to ask about the profit margins that grocery stores typically operate. Mr. Fair told us 25% gross markup with a net margin of only 2% is common in the industry.

We reviewed transactions for Downing Food Pride, Inc., both before and after Lori Downing was appointed to the treasurer office in December 2012:

Date	Gross Sales	Net Profit (2%)
Nov 2011 - Oct 2012	\$908.10	\$18.16
Nov 2012 - Oct 2013	\$2,389.97	\$47.80

We found that the relatively minor amount of business conducted between the Town/BPWA and the Downing grocery store was well within the limited circumstances excepted by the legislature. Consequently, the transactions were not in violation of the **Title 11**, conflict of interest statute.

## Finding

**Allegation: “The books are out-of-balance...have not been reconciled” since the former treasurer resigned in the fall of 2012.**

The computer generated “trial balance” reports for FY13 showed significant “out-of-balance” amounts at the end of many funds. We asked if this was the basis for the allegation. The town clerk indicated that the trial balance reports were for the FY13 financial audit, and the CPA audit firm would provide the “adjusting entries” to balance the FY13 books.

After further inquiry, the apparent concern was that the bank statements had not been reconciled since the former treasurer had resigned, and the assumption was that the books were “out-of-balance” without those reconciliations. We reviewed the monthly reports filed by the former treasurer. We observed that if these monthly reports were the “measure” of books being in balance, then the allegation has been true for an extended period of time and prior to the present treasurer.

The Town uses a single bank account for the majority of its funds and uses a second bank account that combines its two BPWA “operating” and “reserve” fund balances. The monthly “bank reconciliation sheet” prepared by the former treasurer appeared to be more of an *allocation* of the debit card and check disbursements clearing the bank during the month being reported. The allocation of the disbursements to the various fund balances was necessary due to using the same bank account(s) for multiple “Funds.”

At first glance (see Attachment #3), one unusual feature of the reports was that they did not begin with the end-of-month balance from the prior month. There was some agreement with the ending bank statement balance that was allegedly being “reconciled” and the “reconciling” items added or subtracted.

However, a significant amount of the Town and BPWA check disbursements occurred at the end of each month, yet there did not appear to be any reconciling and allocation of those month-end “outstanding” checks to the monthly bank reconciliation sheet balances. Consequently, the monthly balances reported by the *former* treasurer were routinely overstated on the “bank reconciliation sheets” by tens of thousands of dollars for the Town bank account and the BPWA bank account.

Also, the monthly reports excluded some Town and BPWA balances, such as the CLEET Fund, the Meter Deposit Fund, the Airport “Grant” Fund (a second fund in addition to the Town’s Airport Fund), and the Alice Newton Fund. Certain investment balances were also excluded from the reported balances. So the monthly “bank reconciliation sheets” did not appear to be an effort to provide a full and complete “treasurer’s report” to the board.

We concluded that the allegation that the books were out-of-balance and/or had not been reconciled was correct, but the issue was not a recent development that stemmed from the resignation of the former treasurer in late 2012. The incomplete bank reconciliations had been an ongoing issue for some years prior to 2012.

The present town administrator is using the popular “QuickBooks” program to basically keep a second set of books (separate from the regular accounting software) on the Town’s various funds and bank accounts and prepare monthly bank reconciliations using this software program. Although not an optimal solution to the problem, this process appears to be more reliable than the prior reconciliation procedures.

**Recommendation** The Board and administration should discuss the issue with RSM CPAs and Advisors, their present accounting consultants, and develop a plan to simplify accounting procedures and processes, in order to reduce the complexity and redundancy of operating multiple systems.

**Finding** **The cash drawer for the office collections included both the money for “change,” as well as the money used for “petty cash” purposes. These are two entirely separate functions, and the money for each function should be accounted for and kept separately.**

During our first week of fieldwork, we reviewed the end-of-day cash count and collection reconciliation process. We also inquired about “petty cash” procedures and how this function was handled. We observed the “change” drawer and petty cash money was more or less commingled, and a log or journal of entries was kept of petty cash disbursements from the change drawer/petty cash balance and reimbursements to petty cash.

The money for providing “change” for the daily collection transactions is a completely separate function from the “petty cash” function. The “change” drawer is part of the collection of *revenue* process. The petty cash is part of the *expenditure* or disbursement process. For accountability and ease of administration, it is important that these two functions be maintained separately.

The issue was addressed during our final fieldwork. We observed a change drawer amount of \$250 was separated from the petty cash, and a petty cash amount of \$275.49 was moved to a different bank bag. These two issues or functions are now accounted for separately by the present town treasurer.

The town has an ordinance for “petty cash” in its Town Code:

1. As provided for in 11 Oklahoma Statutes section 17-102(D), the town may have petty cash accounts for use in making certain small payments for costs incurred in operating the town.
2. Each petty cash account established shall require governing body approval, including the impress amount of the petty cash account. However, in no case should the impress balance exceed two hundred fifty dollars (\$250.00).

It requires the “impress (sic) balance” not exceed \$250. “Imprest” means the level of money or authorized balance of petty cash that should be reconciled periodically and reimbursed to bring back to the original “imprest” balance.

**Recommendation**

A “long/short” revenue account should be implemented to account for errors that will occasionally occur when handling money and making change, etc. When a daily reconciliation of collections results in a “long” or “short” amount, that reconciling amount can be recorded as a “credit” (plus) or a “debit” (minus) to the “long/short” revenue account.

This procedure accomplishes two purposes: 1) For the *change drawer* amount to remain “imprest” at \$250, and 2) Provides an “on books” transaction to record any error in making change for future reference and possible resolution at a later time (i.e. discovery of what caused the error).

**Recommendation** The present excess balance of *petty cash* (> \$250.00) should be receipted and deposited. The collection should be reported in the “Long/Short” revenue account.

**Disclaimer** In this report, there may be references to state statutes and legal authorities that appear to be potentially relevant to the issues reviewed by the Office of State Auditor and Inspector. The State Auditor and Inspector has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

## Attachment #1

### Description of an “Imprest” Payroll Bank Account

Many public and private entities have the need to pay their payroll costs from different funds, sources of funding or subsidiary entities. An example would be a university employee or department with salary and fringe benefits paid from various state appropriations and/or government or private grants. An “*imprest*” payroll bank account is used to collect the funding for the employee or department from the various sources and allow a single paycheck to be issued to the employee.

At present, the Town’s “Cash Utility Fund” is used to pay for the BPWA payroll and is subsequently reimbursed by the BPWA for those payroll costs. Essentially, the Town Cash Utility Fund is already being used as a “Payroll internal service fund.” *Internal service funds* are used to account for services provided to other sections, departments, divisions or *Funds* within a governmental or private sector entity.

An “imprest” payroll bank account would provide the same service but would have a designated or “imprest” balance of \$2,500 or \$5,000 that would be used to reconcile the account. ALL payroll transactions would then be processed through the “Payroll” internal service fund/bank account.

The suggested “Payroll” internal service fund/bank account would “charge” the *gross payroll* and related *employer paid* fringe benefits (such as employer portion of health insurance, FICA employer matching, matching pension and OMRF retirement benefits, etc.) to the BPWA Dunes, BPWA administration and maintenance departments, the various General Fund departments (administration, police, street). Purchase orders would document the transfers into the payroll internal service fund/bank account to provide the money for payroll and employer paid fringe benefits.

The advantages to implementing a “Payroll” internal service fund would be:

1. The administrative staff can continue to process only one payroll for the whole municipality, with only one paycheck being issued to each employee.
2. Single checks could be issued for the health insurance invoice, OMRF contributions, and other withholdings.
3. The gross payroll and employer paid fringe benefit costs could be allocated and charged more directly to each fund/department of the Town and BPWA through the purchase order process, which would allow for more flexibility in where to charge payroll costs.
4. The commingling of BPWA payroll transactions with the Town’s Cash Utility Fund could be avoided.
5. The process and procedures would be in place to accommodate “payrolls” from *other* Funds or revenue sources, such as a federal grant or other special purpose revenue fund, e.g. the BPWA Dunes Fund, or the Street and Alley Fund, as discussed in Objective VI.

6. Establishing a *specific* “imprest balance,” and then reconciling the monthly payroll account bank statement to the established imprest balance, will provide a point of reconciliation that could indicate whether some paycheck, garnishment, insurance check, etc., had not cleared the bank.

Since virtually all payroll transactions should clear the bank relatively quickly, promptly addressing any outstanding balances identified (those in excess of the “imprest” balance) in the monthly reconciliation would be a valuable control to ensure that all payroll and withholdings were completely processed and paid. The “imprest balance” would be more effective as a control if *all* gross payroll and employer paid benefit transactions related to payroll flow through the single bank account.

Attachment #2

Table A-1

What is the system's water loss as a percentage of total water entering the system?						
Population:	<u>500-3,300</u>	<u>3,301-10,000</u>	<u>10,001-50,000</u>	<u>50,001-100,000</u>	<u>100,000+</u>	<u>TOTAL</u>
x > 25%	8.5%	7.7%	7.3%	7.1%	7.1%	8.0%
25% > x > 20%	11.1%	9.0%	4.9%	7.1%	0.0%	9.0%
20% > x > 15%	15.7%	15.4%	22.0%	7.1%	0.0%	15.3%
15% > x > 10%	17.6%	24.4%	39.0%	7.1%	35.7%	22.7%
10% > x > 5%	20.9%	21.8%	19.5%	50.0%	50.0%	23.7%
x < 5%	11.8%	10.3%	2.4%	21.4%	7.1%	10.3%
Don't calculate	12.4%	10.3%	2.4%	0.0%	0.0%	9.3%
Non-respondents	2.0%	1.3%	2.4%	0.0%	0.0%	1.7%
N	153	78	41	14	14	300

GDS Associates, Inc. • Chris Brown Consulting • Tony Gregg • Grier-Bankett Consulting  
 Source: GDS Associates Inc. Website

**Attachment #3**

**7/31/2012 BANK RECONCILIATION SHEET**

<b>FUND</b>			<b>CHECKS PD.</b>	<b>BALANCE</b>
GENERAL	\$	308,753.28	\$ 55,144.62	\$ 253,608.66
CASH UTILITY	\$	91,939.26	\$ 30,316.02	\$ 61,623.24
AIRPORT	\$	5,885.87	\$ 299.57	\$ 5,586.30
STREET & ALLEY	\$	95,640.80	\$ -	\$ 95,640.80
FIREMEN'S	\$	15,207.02	\$ -	\$ 15,207.02
BUS TRANSIT	\$	2,965.98	\$ 1,802.20	\$ 1,163.78
SUMMER REC.	\$	-	\$ -	\$ -
DOC MAINTENANCE	\$	1,046.63	\$ 474.21	\$ 572.42
DARE	\$	-	\$ -	\$ -
CHRISTMAS LIGHT	\$	-	\$ -	\$ -
<b>TOTALS</b>	<b>\$</b>	<b>521,438.84</b>	<b>\$ 88,036.62</b>	<b>\$ 433,402.22</b>
NOW ACCT. INT.				\$ 292.60
<b>BANK TOTAL</b>				<b>\$ 433,694.82</b>
<b>P.W.A</b>				
OPERATING FUND	\$	219,151.71	\$ 55,891.99	\$ 163,259.72
RESERVE FUND	\$	56,698.52		\$ 56,698.52
<b>TOTALS</b>	<b>\$</b>	<b>275,850.23</b>	<b>\$ 55,891.99</b>	<b>\$ 219,958.24</b>
NOW ACCT. INT.				\$ 139.93
<b>BANK TOTAL</b>				<b>\$ 220,098.17</b>

**Notes:**

- The first (untitled) column essentially represents the prior month's ending fund balances plus the report month's collections deposited at the bank.
- The "CHECKS PD." column represents checks and debit card transactions clearing the bank during the report month, but not the outstanding checks that had been issued at month-end, which had not yet cleared the bank. Those month-end checks should have been included to have an accurate reconciliation between the bank balance and the "book balance."



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