



**THE TOWN OF DEPEW,
OKLAHOMA
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**TOWN OF DEPEW, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Board of Trustees

Robert Talley	Mayor
Randy Campbell	Trustee
Janet Jones	Trustee
Mylora Tuttle	Trustee
Tommy Whitely	Trustee

Town Clerk

Susan B. Case

Chief of Police

Jimmy Boyett

**City Hall
407 East Main
PO Box 357
Depew, Oklahoma 74028
(918) 324-5251**

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INDEPENDENT AUDITOR'S REPORT

TOWN OF DEPEW, OKLAHOMA
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Anne Marie Elfrink, MS, CPA

Certified Public Accountant

3119 E 87th Street
Tulsa, Oklahoma 74137

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Independent Auditor's Report

Honorable Mayor and Board of Trustees
Depew, Oklahoma

I have audited the accompanying financial statements of the governmental activities and the business-type activities, each major fund, and the remaining aggregate fund activity of the Town of Depew, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Depew's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the Town of Depew, Oklahoma prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Depew, Oklahoma as of June 30, 2011, and respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated January 26, 2012, on my consideration of the Town of Depew's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with

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Government Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10-15 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Anne Marie Elfrink, MS, CPA

Anne Marie Elfrink, MS, CPA
Tulsa, Oklahoma

January 26, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis

The management of the Town of Depew is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, 2011. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the Town's total net assets decreased by \$50,400 and the assets of the Town exceed its liabilities at June 30, 2011, by \$1,148,208 (net assets). Of this amount, \$149,520 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the unassigned fund balance on a modified cash basis for the General Fund was \$19,390 or 13.3% of General Fund revenues.

ABOUT THE TOWN

The Town of Depew is a municipality with a population of approximately 564 located in Creek County in central Oklahoma. Under this form of government, the Town is governed by the Mayor and a four-member Board of Trustees and operates under state laws and Town ordinances.

The Town provides typical municipal services such as public safety, street and alley maintenance, and through its Public Works Authority, certain utility services including water, wastewater, and sanitation.

The Town's Financial Reporting Entity

This annual report includes all activities for which the Town of Depew's Board of Trustees is financially accountable. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities that make up the primary government.

The Town's financial reporting entity includes the following separate legal entities.

- **The Town of Depew** – a Town established in 1904 through a deed of dedication that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town – *reported as part of the primary government*
- **The Depew Public Works Authority** – a public trust created in 1997 pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the Town – *considered part of the primary government presentation for reporting purposes*

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In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town's Board of Trustees. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the Town's financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Depew (the "Town") and the Depew Public Works Authority (the "DPWA"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the Town from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's general fund. These statements include all assets of the Town acquired since July 1, 2004 when the Town began recording fixed assets as well as all liabilities (including long-term debt). On July 1, 2009, real assets and vehicles listed on the Town's insurance schedule were added to the fixed asset schedule at replacement cost per the insurance schedule deflated to estimated acquisition date or effective age using the Consumer Price Index (CPI).

Reporting the Town as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the Town's finances is, "Has the Town's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the Town's sales tax base, the condition of the Town's roads, and quality of service to assess the overall health of the Town. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those Town assets and liabilities resulting from cash transactions.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities: *Governmental activities* - Most of the Town's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the Town's General Fund - Fund Financial Statements

Fund Financial Statements

The Town's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital

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assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the Town, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 30-38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund.

THE TOWN AS A WHOLE

For the year ended June 30, 2011, net assets on a modified cash basis for the governmental and business-type activities decreased \$50,400.

	Net Assets (Modified Cash Basis)		
	June 30, 2011		
	Governmental	Business-type	
	Activities	Activities	Total
Beginning net assets	\$ 363,128	\$ 835,480	\$ 1,198,608
Decrease	(7,975)	(42,425)	(50,400)
Ending net assets	<u>\$ 355,153</u>	<u>\$ 793,055</u>	<u>\$ 1,148,208</u>

Following is a summary of net assets reported on a modified cash basis for the Town of Depew.

	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Current and other assets	\$ 90,168	\$ 86,897	\$ 177,065
Capital assets, net	<u>264,985</u>	<u>1,023,703</u>	<u>1,288,688</u>
Total assets	<u>355,153</u>	<u>1,110,600</u>	<u>1,465,753</u>
Liabilities:			
Long-term liabilities		309,800	309,800
Other liabilities		<u>7,745</u>	<u>7,745</u>
Total liabilities	<u>-</u>	<u>317,545</u>	<u>317,545</u>

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Net assets:			
Invested in capital assets, net	264,985	713,903	978,888
Restricted		19,800	19,800
Unrestricted	90,168	59,352	149,520
Total net assets	<u>\$ 355,153</u>	<u>\$ 793,055</u>	<u>\$ 1,148,208</u>

The largest portion of the Town's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

**Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 22,214	\$ 151,319	\$ 173,533
Grants	13,336	-	13,336
General revenues:			
Sales and use tax	83,590	-	83,590
Other taxes	23,747	-	23,747
Other general revenues	2,972	-	2,972
Total revenues	<u>145,859</u>	<u>151,319</u>	<u>297,178</u>
Program expenses:			
General government	113,979	-	113,979
Public safety	39,665	-	39,665
Highways and streets	8,568	-	8,568
Water		57,062	57,062
Sewer		90,068	90,068
Sanitation		38,416	38,416
Total expenses	<u>162,212</u>	<u>185,546</u>	<u>347,758</u>
Transfers	8,378	(8,378)	-
Increase/(decrease) net assets	<u>(7,975)</u>	<u>(42,605)</u>	<u>(50,580)</u>
Beginning net assets	<u>363,128</u>	<u>835,480</u>	<u>1,112,010</u>
Ending net assets	<u>\$ 355,153</u>	<u>\$ 793,055</u>	<u>\$ 1,148,208</u>

Governmental Activities

The decrease of \$7,975 for governmental activities is attributable to the filling of vacant positions and the addition of health insurance benefits in the current year.

Business-type Activities

The decrease of \$42,605 for business-type activities is due to the addition of health insurance benefits for employees in the current year, the payment of professional fees to assist in the development of plans to improve the sewer lagoon, as well as utility rates insufficient to fully recover costs including depreciation.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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As the Town completed its 2011 fiscal year, the General Fund reported a fund balance of \$90,168. For the year ended June 30, 2011, the General Fund's total fund balance decreased by \$150,601 primarily due to the purchase of land for the sewer lagoon and materials for street paving projects.

Budgetary Highlights

During the year the Board approved an increase in General Fund appropriations of \$103,879 in order to fund the purchase of land to improve the Town's sewer lagoon.

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues under final estimates of \$16,657 or a 9.7% unfavorable variance. General Fund actual expenditures were under final appropriations by \$9,868 or a 3.1% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the Town had approximately \$1.3 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, building improvements, utility systems, infrastructure and equipment. Below are details regarding the Town's capital assets for the year ended June 30, 2011:

	Capital Assets		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 112,391	\$ 145,156	\$ 257,547
Building improvements	76,690		76,690
Equipment	195,296		195,296
Utility systems and equipment		1,104,486	1,104,486
Infrastructure	57,627		57,627
Totals	<u>442,004</u>	<u>1,249,642</u>	<u>1,691,646</u>
Less accumulated depreciation	<u>(177,019)</u>	<u>(225,939)</u>	<u>(402,958)</u>
Totals, net	<u>\$ 264,985</u>	<u>\$ 1,023,703</u>	<u>\$ 1,288,688</u>

This year's capital asset additions include the following:

- The purchase of land with total costs of \$112,391
- The purchase of street paving materials with total costs of \$35,868

Debt Administration

At year-end, there was no long-term debt, arising from cash transactions, payable from government fund resources.

At June 30, 2011, the Town's business-type activities had \$309,800 in long-term debt outstanding which was attributable to a note payable to the USDA, Rural development, for sewer improvements.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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The following information outlines significant known factors that will affect subsequent year finances:

- The Town has entered into a consent order with the Oklahoma Department of Environmental Quality (DEQ) to complete required improvements to the DPWA's sewer lagoon. The engineer's estimate of cost to complete the project on May 19, 2011 was \$872,000. The Town is working with the Oklahoma Water Resources Board to obtain the financing to complete the project, which is anticipated to be a combination of grants and debt issuance to be amortized by an increase in sewer rates.
- On July 28, 2011 the Town's Board of Trustees approved annexation of several tracts of land along the State Highway 66 corridor.

Contacting the Town's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 357, Depew, Oklahoma, 74028 or telephone at 918-324-5251.

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BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES

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Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 90,168	\$ 67,097	\$ 157,265
Restricted cash and cash equivalents	--	19,800	19,800
Capital assets:			
Land	112,391	145,156	257,547
Other capital assets, net of depreciation	152,594	878,547	1,031,141
Total assets	355,153	1,110,600	1,465,753
Liabilities:			
Meter deposit liability	--	7,745	7,745
Long term liabilities:			
Due within one year	--	5,197	5,197
Due in more than one year	--	304,603	304,603
Total liabilities	-	317,545	317,545
Net Assets:			
Invested in capital assets, net of related debt	264,985	713,903	978,888
Restricted for debt service	--	19,800	19,800
Unrestricted	90,168	59,352	149,520
Total net assets	\$ 355,153	\$ 793,055	\$ 1,148,208

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		Total
		Charges for Services	Capital Grants	Operating Grants	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 113,979	\$ 12,904	\$ -	\$ 8,938	\$ (92,137)	\$ -	\$ (92,137)
Public safety	39,665	9,310	-	4,398	(25,957)	-	(25,957)
Highways and streets	8,568	-	-	-	(8,568)	-	(8,568)
Total governmental activities	162,212	22,214	-	13,336	(126,662)	-	(126,662)
Business-type activities							
Water	57,062	81,943	-	-	-	24,881	24,881
Sewer	90,068	36,528	-	-	-	(53,540)	(53,540)
Sanitation	38,416	32,848	-	-	-	(5,568)	(5,568)
	185,546	151,319	-	-	-	(34,227)	(34,227)
Total primary government	\$ 347,758	\$ 173,533		\$ 13,336	(126,662)	(34,227)	(160,889)
General revenues:							
Taxes:							
Sales and use tax					83,590	-	83,590
Franchise and public service taxes					15,640	-	15,640
Intergovernmental revenue					8,107	-	8,107
Investment income					73	180	253
Miscellaneous					2,899		2,899
Total general revenues					110,309	180	110,489
Transfers					8,378	(8,378)	-
Change in net assets					(7,975)	(42,425)	(50,400)
Net assets - beginning					363,128	835,480	1,198,608
Net assets - ending					\$ 355,153	\$ 793,055	\$ 1,148,208

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2011

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 90,168
Total Assets	<u>90,168</u>
Fund Balance:	
Unrestricted:	
Assigned	70,778
Unassigned	19,390
Total Fund Balance	<u>\$ 90,168</u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2011

	General Fund
Revenues:	
Taxes	\$ 99,230
Intergovernmental	8,107
Fire policies	5,600
Grant revenue	4,398
State health insurance subsidy	8,938
Fines and forfeitures	3,710
Licenses and permits	360
Tower lease income	12,000
Donations	544
Refunds	2,046
Investment income	73
Miscellaneous	853
Total Revenues	145,859
 Expenditures:	
General government	110,144
Public safety	31,954
Highways and streets	7,774
Capital outlay:	
General government	112,391
Public safety	6,707
Highways and streets	35,868
Total expenditures	304,838
Excess of revenues over expenditures	(158,979)
 Other financing sources (uses):	
Transfer from Depew Public Works Authority	8,378
 Net change in fund balance	 (150,601)
Fund balance - beginning	240,769
Fund balance - ending	\$ 90,168

See accompanying notes to the basic financial statements.

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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Fund balances of governmental funds \$ 90,168

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

Capital assets used in governmental activities of \$442,004, net of accumulated depreciation of \$177,019 are not financial resources and, therefore, are not reported in the funds. 264,985

Net assets of governmental activities \$ 355,153

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net changes in fund balances - total governmental funds \$ (150,601)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized 154,966
Depreciation expense (12,340)
142,626

Change in net assets of governmental activities \$ (7,975)

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Funds Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	<u>Depew Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 67,097
Noncurrent assets:	
Restricted cash and cash equivalents	19,800
Capital assets, net of accumulated depreciation	1,023,703
Total noncurrent assets	1,043,503
Total assets	1,110,600
 LIABILITIES	
Current Liabilities:	
Note payable - current portion	5,197
Total current liabilities	5,197
Noncurrent Liabilities:	
Meter deposit liability	7,745
Notes payable - long term portion	304,603
Total Noncurrent Liabilities	312,348
Total liabilities	317,545
 NET ASSETS	
Invested in capital assets, net of related debt	713,903
Restricted for:	
Debt service	19,800
Unrestricted	59,352
Total net assets	\$ 793,055

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) –
Year Ended June 30, 2011**

	Depew Public Works Authority
Operating revenues:	
Charges for sales and services:	
Water	\$ 81,943
Sewer	36,528
Sanitation	32,848
Total operating revenues	151,319
 Operating expenses:	
Costs of sales and services:	
Water	43,939
Sewer	45,737
Sanitation	29,774
Administration	25,928
Depreciation	25,324
Total operating expenses	170,702
Operating income	(19,383)
 Nonoperating revenue (expense):	
Interest expense	(14,844)
Investment income	180
Transfer to primary government	(8,378)
	(23,042)
Change in net assets	(42,425)
Net assets - beginning	835,480
Net assets - ending	\$ 793,055

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2009

	Depew Public Works Authority
Cash flows from operating activities:	
Receipts from customers	\$ 151,319
Payments to suppliers	(86,084)
Payments to employees (including benefits)	(59,294)
Receipt of customer utility deposits, net of refunds	660
Net cash provided by (used in) operating activities	6,601
Cash flows from noncapital financial activities:	
Transfer of land option to Town	2,500
Operating transfer to Town	(8,378)
Payment of liability to Town	(1,838)
Net cash flows from noncapital financial activities	(7,716)
Cash flows from capital and related financial activities:	
Purchases of capital assets	(1,951)
Investment income	180
Principal paid on capital debt	(4,956)
Interest paid on capital debt	(14,844)
Net cash provided by (used in) capital and related financing activities	(21,571)
Net increase (decrease) in cash and cash equivalents	(22,686)
Cash and equivalents - beginning of year	89,783
Cash and equivalents - end of year	\$ 67,097
Reconciliation to State of Net Assets:	
Operating income	(19,383)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	25,324
Change in meter deposit liability	660
Net cash provided by operating activities	\$ 6,601

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town's financial reporting entity includes two separate legal entities reported as the primary government as follows:

- **The Town of Depew** – operates the public safety, streets, and administrative activities of the Town. The Town is governed under the statutory town board of trustees form of government.
- **The Depew Public Works Authority (DPWA)** – a trust that operates the water, wastewater, and sanitation services of the Town. The Town of Depew is the beneficiary of DPWA. There are five trustees for the DPWA; three of the Town's elected officials are appointed by the Town Board of Trustees to serve and two members are appointed at large from the community.

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and includes all component units for which the Town is financially accountable.

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

As required by state law, all debt obligations incurred by the above trust must be approved by two-thirds vote of the Town's Board of Trustees. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the Town's financial reporting entity. The public trust does not issue separate annual financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based inter-fund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: License and permits and operating grants
- Public safety: Fine revenue, fire runs, rural fire policies, and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Governmental Funds:

The Town accounts for all governmental activities through the general fund. The general fund is reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund financial statement uses fund balance as its measure of available spendable financial resources at the end of the period. The reconciliation of the governmental fund financial statement to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Funds:

The Town accounts for all proprietary activities through the Depew Public Water Authority fund. For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

The general fund is legally required to adopt an annual budget or appropriations. The public trust (DPWA) is not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of six months or less. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

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Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Prior to July 1, 2004, the Town did not maintain capital asset records. Since that time, cash expenditures for capital assets have been recorded at cost but management has not estimated or otherwise valued assets acquired prior to that date. On July 1, 2009, the Town added assets shown on its insurance records to improve disclosure to its citizens. The assets were valued at replacement cost as shown by the insurer, deflated to estimated acquisition date (for equipment) or effective age (for buildings) using the Consumer Price Index. The addition of the assets resulted in a restatement of beginning net assets in the amount of \$73,048 for the General Fund and \$90,267 for the DPWA fund.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives by type of asset are as follows:

- Buildings 20 years
- Machinery, furniture and equipment 10 years
- Utility property and improvements 50 years
- Infrastructure 50 years

E. Long-Term Debt

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

G. Fund Balances and Net Assets

Fund Balances:

Fund balances are generally reported in the governmental funds financial statements are displayed in the following components:

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- a. *Nonspendable* – amounts that cannot be spent due to form; for example, inventories and prepaid amounts
- b. *Restricted* – amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.
- c. *Committed* – amounts constrained for a specific purpose by the Town’s Board of Trustees
- d. *Assigned* – residual amounts for any funds other than the general fund; in the general fund, amounts constrained by the Board for a specific purpose
- e. *Unassigned* – in the general fund, residual amounts not classified in another classification; for all other funds, only residual deficit amounts

It is the Town’s policy to use restricted assets first when they are available for expenditure. When restricted assets are not available, unrestricted assets are used in the following order: committed, assigned, and then unassigned amounts.

Net Assets:

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

H. Internal and Inter-fund Balances and Transfers

The Town’s policy is to eliminate inter-fund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

During the year ended June 30, 2011, the DPWA transferred \$8,378 to the Town of Depew for partial offset of the Town Clerk’s salary to compensate for utility billing services provided to DPWA.

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2011, the Town recognized \$253 of investment income. At June 30, 2011, all of the Town’s cash was deposited in demand accounts with Spirit Bank bearing little to no interest.

At June 30, 2011, the primary government held the following deposits and investments:

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<u>Type</u>	<u>Financial Institution</u>	<u>Carrying Value</u>
Demand deposits	Spirit Bank	\$ 177,065
Reconciliation to the statement of net assets:		
Cash and cash equivalents		\$ 157,265
Restricted cash and cash equivalents		19,800
Total		\$ 177,065

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2011 all deposits were covered by FDIC insurance. Spirit Bank has not pledged collateral to the Town.

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

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the Town's public trusts.

As of June 30, 2011, the Town did not hold any securities

Concentration of Investment Credit Risk - the Town places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for debt service.

3. Capital Assets and Depreciation

For the year ended June 30, 2011, capital asset balances changed as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2011</u>
Governmental:				
Capital assets not being depreciated:				
Land	\$ -	\$ 112,391	\$ -	\$ 112,391
Capital assets being depreciated:				

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Building	76,690			76,690
Infrastructure	21,759	35,868		57,627
Equipment	188,589	6,707		195,296
Total capital assets being depreciated	<u>287,038</u>	<u>42,575</u>	-	<u>329,613</u>
Less accumulated depreciation:				
Building	34,806	3,835		38,641
Infrastructure	218	794		1,012
Equipment	129,655	7,711		137,366
Total accumulated depreciation	<u>164,679</u>	<u>12,340</u>	-	<u>177,019</u>
Governmental, net capital assets	<u>\$ 122,359</u>	<u>\$ 142,626</u>	<u>\$ -</u>	<u>\$ 264,985</u>
Business-type				
Capital assets not being depreciated:				
Land	<u>\$ 145,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,156</u>
Capital assets being depreciated:				
Sewer system and equipment	925,119			925,119
Water system and equipment	177,416	1,951		179,367
Total capital assets being depreciated	<u>1,102,535</u>	<u>1,951</u>	-	<u>1,104,486</u>
Less accumulated depreciation				
Sewer system and equipment	114,864	20,844		135,708
Water system and equipment	85,751	4,480		90,231
Total accumulated depreciation	<u>200,615</u>	<u>25,324</u>	-	<u>225,939</u>
Business-type, net capital assets	<u>\$ 1,047,076</u>	<u>\$ (23,373)</u>	<u>\$ -</u>	<u>\$ 1,023,703</u>

On July 1, 2004, the Town began recording capital acquisitions at cost. Prior to that date, there were no fixed asset records. On July 1, 2009, the Town added assets shown on its insurance records to improve disclosure to its citizens. The assets were valued at replacement cost as shown by the insurer, deflated to estimated acquisition date (for equipment) or effective age (for buildings) using the Consumer Price Index.

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

Governmental activities:		Business-type activities:	
General government	\$ 3,835	Sewer	\$ 20,844
Public safety	7,711	Water	4,480
Streets and alleys	794		
Total depreciation	<u>\$ 12,340</u>	Total depreciation	<u>\$ 25,324</u>

4. Long-Term Debt and Debt Service Requirements

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

	Balance			Balance	Amount Due
	July 1, 2010	Additions	Deductions	June 20, 2011	Within One Year
Business-type:					
Note payable	<u>314,756</u>	<u>-</u>	<u>4,956</u>	<u>309,800</u>	<u>5,197</u>

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At June 30, 2011 the Town had the following debt outstanding, arising from cash transactions, to be repaid from business-type activities:

Note payable to USDA, Rural Development for sewer improvements, payable in monthly installments of \$1,650, including principal and interest at 4.75%, final payment due May 2041. \$309,800

Payment Requirements to Maturity:

Year ended	Business-type activities	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 5,197	\$ 14,603
2013	5,449	14,351
2014	5,714	14,087
2015	5,991	13,809
2016	6,282	13,518
2017 to 2021	36,290	62,710
2022 to 2026	45,997	53,003
2027 to 2031	58,300	40,700
2032 to 2036	73,895	25,105
2037 to 2041	66,685	6,125
Total	<u>\$ 309,800</u>	<u>\$ 258,011</u>

5. Risk Management

The Town and its public trust are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks except workers' compensation. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. The deductibles for each line of coverage are as follows:

General liability, including property	\$0 - \$5,000 per occurrence
Automobile liability	\$0

The Town participated in the Oklahoma Municipal Assurance Group's (OMAG) Workmen's Compensation Plan.

The OMAG Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins at 12:01 am on July 1, in any year and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

The Town has entered into an agreement with the Plan to participate in the coverage and services that the Plan offers. The Town has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, the Town is

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responsible for complying with all requirements of the Oklahoma Workers Compensation Act. The Town has a right to the return of any Loss Funds set aside for claims which have not been paid out in benefits.

6. Employee Retirement Plan Participation

The Town of Depew does not provide retirement benefits to its employees, but contributes an amount as required by State law to the Oklahoma Firefighter's Pension and Retirement System (OFPRS) on behalf of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ fulltime or volunteer firefighters. For 2011, the Town's annual required contribution was \$680 for the OFPRS plan which was equal to the Town's actual contribution.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

7. Commitments, Contingencies, and Subsequent Events

Compensated Absences:

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) earned but unpaid at year-end are not reflected in the basic financial statements. It is the practice of the current Town's management to require that leave is taken in the same fiscal year in which it is earned. Consequently, there were no unused leave balances as of June 30, 2011.

Litigation:

From time to time, the Town and its public trust may be parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations; however the town's legal counsel advises that at report date there were no pending issues. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a sinking fund for the payment of any court assessed judgment rendered against the Town. (This provision is not available to public trusts.) The Town also carries insurance that provides some degree of protection for litigation and legal proceedings.

Federal and State Award Programs:

The Town of Depew participates in various federal or state grant/loan programs from year to year. In 2011, the Town's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements.

Oklahoma Department of Environmental Quality:

On February 1, 2007, the Oklahoma Department of Environmental Quality (DEQ) and the Town of Depew agreed to Consent Order (CO) Case No. 06-338 that requires the Town to submit and execute plans to correct deficiencies found in the Town's wastewater lagoon. A revised schedule issued by DEQ on June 2009

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provided deadlines for submission of a revised plan, funding for the proposal, and completion of construction of the upgrades with a target of full compliance by October 1, 2012. The engineer's estimate of cost to complete the project submitted on May 4, 2010 totaled \$749,000 plus an estimated additional \$150,000 for the purchase of land. The Town working with the Oklahoma Water Resource Board to seek grant and long-term financing through several rural development programs to finance the project.

Subsequent Events

These financial statements considered subsequent events through January 26, 2012, the date the financial statements were available to be issued.

8. Operating Leases

Effective June 1, 2007 the Town entered into a lease agreement with Cellco partnership d/b/a Verizon Wireless to allow Cellco to place equipment on the Town's water tower. The initial term of the lease was 5 years with extension options for four additional five-year terms. The annual lease payment through June 2012 is set at \$12,000, and increases at five year intervals after that time. The lease provides for cancellation on the annual anniversary with a 90-day notification from Cellco. The revenue generated by the lease agreement is deposited into the General Fund.

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REQUIRED SUPPLEMENTAL INFORMATION

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Budgetary Comparison Statements (Modified Cash Basis) – Year Ended June 30, 2011 - UNAUDITED

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
Beginning budgetary fund balance	\$ 238,931	\$ 238,931	\$ 240,769	\$ 1,838
Resources (inflows)				
Taxes	99,233	99,233	99,230	(3)
Intergovernmental	7,421	7,421	8,107	686
Fines and forfeitures	16,500	16,500	3,710	(12,790)
Licenses and permits	-	-	360	360
Fire policies and donations	12,917	12,917	6,144	(6,773)
Grant revenue	29,590	29,590	4,398	(25,192)
Health insurance subsidies	-	-	8,938	8,938
Tower lease income			12,000	12,000
Investment income	4,139	4,139	73	(4,066)
Miscellaneous	2,267	2,267	4,072	1,805
Transfers from DUA	-	-	8,378	8,378
Total resources (inflows)	172,067	172,067	155,410	(16,657)
			-	
Amounts available for appropriation	410,998	410,998	396,179	(14,819)
Charges to appropriations (outflows):				
General and streets	150,000	253,879	267,350	(13,471)
Police	46,000	46,000	23,673	22,327
Fire	16,000	16,000	14,988	1,012
Total charges to appropriations	212,000	315,879	306,011	9,868
Ending budgetary fund balance	\$ 198,998	\$ 95,119	\$ 90,168	\$ (4,951)

Footnotes to Budgetary Comparison Schedule:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the fund level. Supplemental appropriations require the Board of Trustees' approval.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

Anne Marie Elfrink, MS, CPA

Certified Public Accountant

3119 E 87th Street
Tulsa, Oklahoma 74137

918-361-2133
Fax: 918-512-4280

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

Honorable Mayor and Board of Trustees
Town of Depew, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Depew, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Depew, Oklahoma's basic financial statements – modified cash basis and have issued my report thereon dated January 26, 2012. As discussed in Note 1, the Town of Depew prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I did not identify any significant deficiencies other than the material weakness referred to in the preceding paragraph.

Compliance and Other Matters

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

I noted certain other matters that I reported to management of the Town of Depew in a separate letter dated January 26, 2012.

The Town of Depew, Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Town of Depew, Oklahoma's response and, accordingly, I express no opinion on it

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



Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma
January 26, 2012

SCHEDULE OF FINDINGS AND RESPONSES

This schedule is presented as an addendum to accompany the *“Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards”*. Consideration of items listed should be made in conjunction with that report.

2012-1 External Financial Reporting

Criteria:

Government Auditing Standards require that management assume responsibility for preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, even if the auditor assisted in drafting those financial statements. Consequently, the Town should have a designated individual who possesses suitable skill, knowledge, or experience to effectively oversee the preparation of the Town’s financial statements.

Condition and effect:

Several significant correcting entries were required in order to produce financial statements, indicating the Town personnel lack suitable knowledge and experience in the area of accounting in order to assume oversight of the preparation of the financial statements.

Recommendation:

The Town should employ someone with suitable knowledge and experience to review and correct the trial balance as well as oversee the preparation of the financial statements.

Response:

A new Town Treasurer was hired in October, 2011. The Board has approved additional training in the area of municipal finances for both the Town Clerk and the Town Treasurer who will be attending courses provided by Oklahoma State University in conjunction with the Oklahoma Municipal League. In addition, the Treasurer is working on re-configuring the categories in their financial accounting system to correspond to the financial statements.