



**THE CITY OF DEWEY,
OKLAHOMA**

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

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

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

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**CITY OF DEWEY, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT



Ronald C. Cottrell, CPA

Independent Auditor's Report

January 26, 2012

City Council
City of Dewey
Dewey, Oklahoma

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Dewey's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dewey, Oklahoma, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012, on our consideration of the City of Dewey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and pension plan information, on pages 9-16 and 47 and 48, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles

Ronald C. Cottrell, CPA

generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dewey's basic financial statements. The accompanying combining schedules, federal and state awards information, and debt service coverage information listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ronald C. Cottrell, CPA

**CITY OF DEWEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011**

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF DEWEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

The management of the City of Dewey is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities for the year ended June 30, 2011. Management of the City 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.

FINANCIAL HIGHLIGHTS

- As reported, the City's total net assets increased by approximately \$146,000, and the assets of the City exceed its liabilities at June 30, 2011, by \$5.5 million (net assets). Of this amount, \$1.7 million (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances of approximately \$1.2 million.
- At the end of fiscal year 2011, unassigned fund balance for the General Fund was \$285,805 or 24% of General Fund revenues.

About the City

The City of Dewey is an incorporated municipality with a population of approximately 3,200 located in northeastern Oklahoma. The City is a home rule charter form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, sewer, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Dewey City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

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

- **The City of Dewey** – that operates the public safety, cemetery, streets and public works, culture and recreation, and administrative activities of the City
- **The Dewey Public Works Authority (DPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer and sanitation services of the City. The City of Dewey is the beneficiary of the trust and the City Council serves as the governing body of the trust.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Dewey (the "City") and the Dewey Public Works Authority (the "Authority"). 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 City from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). 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 City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.

These two government-wide statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, and sanitation activities and economic development activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. For example, these funds report the acquisition of capital 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 City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the City, through the Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows. In fact, the City's enterprise fund is essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. The City's proprietary fund is the Dewey Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities.

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 28-45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, federal and state award schedules, pension trend information, and a debt service coverage schedule.

CITY OF DEWEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by \$5.5 million at the close of the most recent fiscal year.

NET ASSETS - Modified Cash Basis (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current assets	\$ 1,221	\$ 1,278	-4%	\$ 1,293	\$ 1,186	9%	\$ 2,514	\$ 2,464	2%
Capital assets, net	1,803	1,838	-2%	2,298	2,407	-5%	4,101	4,245	-3%
Other non-current assets	7	8	-13%	2	3	-33%	9	11	-18%
Total assets	3,031	3,124	-3%	3,593	3,596	0%	6,624	6,720	-1%
Current liabilities	153	159	-4%	218	226	-4%	371	385	-4%
Non-current liabilities	621	733	-15%	136	251	-46%	757	984	-23%
Total liabilities	774	892	-13%	354	477	-26%	1,128	1,369	-18%
Net assets									
Invested in capital assets, net of related debt	1,073	991	8%	2,063	2,058	0%	3,136	3,049	3%
Restricted	513	423	21%	140	135	4%	653	558	17%
Unrestricted	671	818	-18%	1,036	926	12%	1,707	1,744	-2%
Total net assets	\$ 2,257	\$ 2,232	1%	\$ 3,239	\$ 3,119	4%	\$ 5,496	\$ 5,351	3%

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. For 2011, this investment in capital assets, net of related debt amounted to \$3.1 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance in unrestricted net assets of \$1.7 million is available to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets for both the governmental and business-type activities.

In business-type activities, the decrease in non-current liabilities of approximately \$115,000 or 46% is primarily due to principal payments made on outstanding debt.

CITY OF DEWEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Changes in Net Assets

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

	CHANGES IN NET ASSETS								
	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues									
Charges for service	\$ 281	\$ 274	3%	\$ 1,406	\$ 1,360	3%	\$ 1,687	\$ 1,634	3%
Operating grants and contributions	69	101	-32%	-	-	-	69	101	-32%
Capital grants and contributions	3	-	100%	-	-	-	3	-	100%
Taxes	1,023	988	4%	-	-	-	1,023	988	4%
Intergovernmental revenue	20	9	122%	2	-	100%	22	9	144%
Investment income	17	-	100%	13	-	100%	30	-	100%
Miscellaneous	58	76	-24%	69	55	25%	127	131	-3%
Total revenues	1,471	1,448	2%	1,490	1,415	5%	2,961	2,863	3%
Expenses									
General government	457	415	10%	-	-	-	457	415	10%
Public safety	708	778	-9%	-	-	-	708	778	-9%
Streets	72	81	-11%	-	-	-	72	81	-11%
Cemetery	13	12	8%	-	-	-	13	12	8%
Culture and Recreation	14	14	0%	-	-	-	14	14	0%
Economic development	23	18	28%	-	-	-	23	18	28%
Interest on long-term debt	29	44	-34%	-	-	-	29	44	-34%
Water	-	-	-	1,097	940	17%	1,097	940	17%
Sewer	-	-	-	144	250	-42%	144	250	-42%
Sanitation	-	-	-	258	241	7%	258	241	7%
Total expenses	1,316	1,362	-3%	1,499	1,431	5%	2,815	2,793	1%
Excess (deficiency) before transfers	155	86	80%	(9)	(16)	-44%	146	70	109%
Transfers	(129)	(120)	8%	129	120	8%	-	-	0%
Change in net assets	26	(34)	-176%	120	104	15%	146	70	109%
Beginning net assets	2,232	2,266	-2%	3,119	3,015	3%	5,351	5,281	1%
Ending net assets	\$ 2,258	\$ 2,232	1%	\$ 3,239	\$ 3,119	4%	\$ 5,497	\$ 5,351	3%

CITY OF DEWEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Governmental Activities

The City's governmental activities had an increase in net assets of approximately \$26,000. The increase is due in part to a decrease in interest expense.

Net Revenue (Expense) of Governmental Activities
(In Thousands)

	<u>Total Expense</u>		<u>% Inc.</u>	<u>Net Revenue</u>		<u>% Inc.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2011</u>	<u>2010</u>	<u>(Dec.)</u>	<u>of Services</u>	<u>(Dec.)</u>	
General government	\$ 457	\$ 415	10%	(\$436)	(\$357)	22%
Public safety	708	778	-9%	(464)	(546)	-15%
Streets	72	81	-11%	(44)	(52)	-15%
Cemetery	13	12	8%	47	44	7%
Culture and Recreation	14	14	0%	(14)	(13)	8%
Economic Development	23	18	28%	(23)	(18)	28%
Interest on long-term debt	29	44	-34%	(29)	(44)	-34%
Total	\$ 1,316	\$ 1,362	-3%	(\$963)	(\$986)	-2%

Business-type Activities

The business-type activities had an increase in net assets of approximately \$120,000. In reviewing the departmental net (expense)/revenue, all utility activity charges for services except for water were sufficient to cover expenses. The wastewater expenses decreased approximately \$106,000 or 42% primarily due to the decrease in personnel expenses of approximately \$70,000. These expenses were transferred to the water department, which partially caused the increase in water expenses of approximately \$157,000 or 17%. The remainder of the difference is due to the increase in administrative expenses in the current year.

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

	<u>Total Expense</u>		<u>% Inc.</u>	<u>Net Revenue</u>		<u>% Inc.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2011</u>	<u>2010</u>	<u>(Dec.)</u>	<u>of Services</u>	<u>(Dec.)</u>	
Water	\$ 1,097	\$ 940	17%	\$ (358)	\$ (244)	47%
Wastewater	144	250	-42%	211	99	113%
Sanitation	258	241	7%	55	74	-26%
Total	\$ 1,499	\$ 1,431	5%	\$ (92)	\$ (71)	30%

In the current year, administrative expenses have been allocated to the remaining business-type activities based on the percentage of revenues of each activity.

CITY OF DEWEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$1.2 million or a 4.2% decrease. The enterprise funds reported combined net assets of \$3.2 million or a 3.9% increase from 2010.

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance decreased by approximately \$70,000 or 8.8%.
- For the year ended June 30, 2011, the Proprietary Fund net asset increased approximately \$120,000 or 3.9%.

Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues over final estimates by approximately \$157,000 or a 15.1% positive variance. General Fund actual expenditures were over final appropriations by approximately \$1,000 or a 0.1% negative variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had \$4.1 million invested in capital assets (net of depreciation) including land, buildings, machinery and equipment, and park facilities. This represents a net decrease of approximately \$143,000 over last year.

Capital Assets						
(In Thousands)						
(Net of accumulated depreciation)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ -	\$ -	\$ 263	\$ 263	\$ 263	\$ 263
Buildings	1,460	1,471	81	84	1,541	1,555
Imp. other than buildings	322	367	-	-	322	367
Machinery, furniture and equipment	-	-	130	156	130	156
Utility property	-	-	1,813	1,896	1,813	1,896
Construction in progress	22	-	11	8	33	8
Totals	\$ 1,804	\$ 1,838	\$ 2,298	\$ 2,407	\$ 4,102	\$ 4,245

This year's more significant capital asset additions included:

- City Hall roof \$32,150
- 2 Mowers for Parks Department \$19,648

CITY OF DEWEY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

See Note 3 to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had approximately \$1.0 million in long-term debt outstanding which represents a decrease of approximately \$234,000 or 19.0% from the prior year. The City's changes in long-term debt by type of debt are as follows:

	Long-Term Debt (In Thousands)							
	Governmental Activities		Business-Type Activities		Total		% Inc. (Dec.)	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>	
Accrued absences	\$ 26	\$ 30	\$ 16	\$ 15	\$ 42	\$ 45	-6.7%	
Notes payable	-	-	234	349	234	349	-33.0%	
General obligation bonds	340	405	-	-	340	405	-16.0%	
Capital leases	383	434	-	-	383	434	-11.8%	
Totals	\$ 749	\$ 869	\$ 250	\$ 364	\$ 999	\$ 1,233	-19.0%	

See Note 4 to the financial statements for more detail information on the City's long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2012 budget is consistent to prior years.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 411 East Don Tyler, Dewey, Oklahoma 74029 or telephone at 918-534-2274.

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Statement of Net Assets – June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,148,366	\$ 800,547	\$ 1,948,913
Investments	-	140,164	140,164
Accounts receivable, net of allowance	189,007	230,303	419,310
Internal Balances	(116,103)	116,103	-
Due from other governmental agencies	-	6,301	6,301
Capital Assets:			
Land and construction in progress	21,815	273,709	295,524
Other capital assets, net of depreciation	1,781,476	2,024,771	3,806,247
Unamortized bond issuance costs	6,768	1,700	8,468
Total Assets	<u>3,031,329</u>	<u>3,593,598</u>	<u>6,624,927</u>
LIABILITIES			
Accounts payable and accrued expenses	19,360	67,020	86,380
Accrued interest payable	5,239	-	5,239
Meter deposit liability	-	36,825	36,825
Long-term liabilities:			
Due within one year	128,331	113,832	242,163
Due in more than one year	620,619	135,569	756,188
Total liabilities	<u>773,550</u>	<u>354,146</u>	<u>1,127,696</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,073,427	2,063,089	3,136,516
Restricted by:			
Enabling legislation	1,441	-	1,441
Statutes	61,793	-	61,793
Debt service	84,354	140,164	224,518
Contractual agreement	365,804	-	365,804
Unrestricted	670,960	1,036,199	1,707,159
Total net assets	<u>\$ 2,257,779</u>	<u>\$ 3,239,452</u>	<u>\$ 5,497,231</u>

See accompanying notes to the basic financial statements.

CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Statement of Activities –Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 457,033	\$ 20,977	\$ -	\$ -	\$ (436,056)	\$ -	\$ (436,056)
Public Safety	707,848	200,750	39,912	3,000	(464,186)	-	(464,186)
Streets	72,517	-	28,934	-	(43,583)	-	(43,583)
Cemetery	12,800	59,721	-	-	46,921	-	46,921
Culture and Recreation	13,519	-	-	-	(13,519)	-	(13,519)
Economic Development	22,794	-	-	-	(22,794)	-	(22,794)
Interest on Long-term debt	29,002	-	-	-	(29,002)	-	(29,002)
Total governmental activities	<u>1,315,513</u>	<u>281,448</u>	<u>68,846</u>	<u>3,000</u>	<u>(962,219)</u>	<u>-</u>	<u>(962,219)</u>
Business-type activities							
Water	1,096,849	739,021	-	-	-	(357,828)	(357,828)
Wastewater	143,690	354,790	-	-	-	211,100	211,100
Sanitation	257,953	312,589	-	-	-	54,636	54,636
Total business-type activities	<u>1,498,492</u>	<u>1,406,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,092)</u>	<u>(92,092)</u>
Total primary government	<u>2,814,005</u>	<u>1,687,848</u>	<u>68,846</u>	<u>3,000</u>	<u>(962,219)</u>	<u>(92,092)</u>	<u>(1,054,311)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 768,957	\$ -	\$ 768,957
Franchise taxes and public service taxes					170,474	-	170,474
Ad valorem taxes					82,505	-	82,505
Intergovernmental revenue not restricted to specific programs					19,585	2,128	21,713
Unrestricted investment earnings					16,626	13,130	29,756
Miscellaneous					58,493	68,457	126,950
Transfers					(128,568)	128,568	-
Total general revenues and transfers					<u>988,072</u>	<u>212,283</u>	<u>1,200,355</u>
Change in net assets					25,853	120,191	146,044
Net assets - beginning					<u>2,231,928</u>	<u>3,119,261</u>	<u>5,351,187</u>
Net assets - ending					<u>\$ 2,257,779</u>	<u>\$ 3,239,452</u>	<u>\$ 5,497,231</u>

See accompanying notes to the basic financial statements.

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Governmental Funds Balance Sheet - June 30, 2011

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 597,907	\$ 335,833	\$ 214,626	\$ 1,148,366
Due from other funds	26,195	-	2,227	28,422
Taxes receivable, net	91,575	17,524	6,334	115,433
Other receivables	72,134	-	1,441	73,575
Total assets	<u>787,811</u>	<u>353,357</u>	<u>224,628</u>	<u>1,365,796</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	6,913	-	-	6,913
Accrued payroll payable	12,159	-	288	12,447
Due to other funds	2,227	142,298	-	144,525
Deferred revenue	33,428	-	-	33,428
Total liabilities	<u>54,727</u>	<u>142,298</u>	<u>288</u>	<u>197,313</u>
Fund balances:				
Restricted	-	206,484	222,554	429,038
Committed	110,653	-	-	110,653
Assigned	336,626	4,575	1,786	342,987
Unassigned	285,805	-	-	285,805
Total fund balances	<u>733,084</u>	<u>211,059</u>	<u>224,340</u>	<u>1,168,483</u>
Total liabilities and fund balances	<u>\$ 787,811</u>	<u>\$ 353,357</u>	<u>\$ 224,628</u>	<u>\$ 1,365,796</u>

See accompanying notes to the basic financial statements.

CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2011

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 808,441	\$ 130,696	\$ 82,505	\$ 1,021,642
Intergovernmental	49,509	-	36,047	85,556
Charges for services	72,410	-	7,458	79,868
Fees and fines	177,382	-	-	177,382
Licenses and permits	17,090	-	-	17,090
Investment earnings	12,620	2,448	1,559	16,627
Miscellaneous	48,041	-	33,366	81,407
Total revenues	<u>1,185,493</u>	<u>133,144</u>	<u>160,935</u>	<u>1,479,572</u>
EXPENDITURES				
Current:				
General Government:				
Administration	372,866	33,900	-	406,766
Municipal Court	11,849	-	-	11,849
Public Safety:				
Police	544,004	-	547	544,551
Fire	98,643	-	4,906	103,549
Cemetery	3,232	-	3,554	6,786
Streets	11,716	-	21,000	32,716
Economic development	-	-	22,794	22,794
Culture and recreation:				
Library	59,118	-	4,744	63,862
Park and recreation	4,000	-	-	4,000
Capital Outlay	21,872	9,813	5,520	37,205
Debt Service:				
Principal	-	70,579	65,778	136,357
Interest and other charges	-	18,052	13,751	31,803
Total Expenditures	<u>1,127,300</u>	<u>132,344</u>	<u>142,594</u>	<u>1,402,238</u>
Excess (deficiency) of revenues over expenditures	<u>58,193</u>	<u>800</u>	<u>18,341</u>	<u>77,334</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(128,568)</u>	<u>-</u>	<u>-</u>	<u>(128,568)</u>
Total other financing sources and uses	<u>(128,568)</u>	<u>-</u>	<u>-</u>	<u>(128,568)</u>
Net change in fund balances	(70,375)	800	18,341	(51,234)
Fund balances - beginning	803,459	210,259	205,999	1,219,717
Fund balances - ending	<u>\$ 733,084</u>	<u>\$ 211,059</u>	<u>\$ 224,340</u>	<u>\$ 1,168,483</u>

See accompanying notes to the basic financial statements.

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	1,168,483
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		1,803,291
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Deferred Revenues receivable within 60 days are only reported at the fund level		33,427
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Debt issuance costs paid on long-term liabilities are capitalized and amortized over the terms of the bonds		6,768
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Some liabilities, (such as Capital Lease Contracts Payable, Long-term Compensated Absences, Bonds Payable, and Accrued Interest Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(754,190)
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Net Assets of Governmental Activities in the Statement of Net Assets		2,257,779
--	--	-----------

Net change in fund balances - total governmental funds:	\$	(51,234)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized		126,446
Depreciation expense		(160,981)

Governmental funds report bond issuance costs as expenditures while governmental activities report amortization expense to allocate those expenditures over the term of the bonds:

Amortization expense		(1,353)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue		(9,637)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Principal payments on long-term debt		135,579
Proceeds on long-term debt		(19,648)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest expense		2,800
Accrued compensated absences expenses		3,881

Change in net assets of governmental activities	\$	25,853
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See accompanying notes to the basic financial statements.

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Net Assets - June 30, 2011

	<u>Dewey Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 763,253
Restricted:	
Cash and cash equivalents	37,294
Due from other funds	129,152
Accounts Receivable, net	188,282
Other receivables	48,322
Total current assets	<u>1,166,303</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	140,164
Capital Assets:	
Land and construction in progress	273,709
Other capital assets, net of accumulated depreciation	2,024,771
Unamortized note issue costs	1,700
Total non-current assets	<u>2,440,344</u>
Total assets	<u><u>3,606,647</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	56,765
Accrued payroll liabilities	8,245
Accrued interest payable	2,010
Due to other funds	13,049
Deferred revenue	900
Meter deposit liability	36,825
Current portion of:	
Compensated absences	1,571
Notes payable	112,261
Total current liabilities	<u>231,626</u>
Non-current liabilities:	
Compensated absences	14,139
Notes payable	121,430
Total non-current liabilities	<u>135,569</u>
Total liabilities	<u><u>367,195</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	2,063,089
Restricted for debt service	140,164
Unrestricted	1,036,199
Total net assets	<u><u>\$ 3,239,452</u></u>

See accompanying notes to the basic financial statements.

CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets - Year Ended June 30, 2011

	Dewey Public Works Authority
REVENUES	
Charges for services:	
Water	\$ 708,583
Sewer	353,690
Sanitation	312,589
Penalties	20,350
Tap fees	3,500
Miscellaneous	9,074
Total operating revenues	1,407,786
OPERATING EXPENSES	
Administration	237,609
Water treatment plant	825,862
Wastewater treatment plant	108,743
Sanitation	195,216
Amortization	850
Depreciation	126,840
Total Operating Expenses	1,495,120
Operating income (loss)	(87,334)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	13,130
Interest expense	(3,372)
Miscellaneous	61,322
Operating grants and contributions	7,877
Total non-operating revenue (expenses)	78,957
Income (loss) before transfers	(8,377)
Transfers in	128,568
Change in net assets	120,191
Total net assets - beginning	3,119,261
Total net assets - ending	\$ 3,239,452

See accompanying notes to the basic financial statements.

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011

	<u>Dewey Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,468,383
Payments to suppliers	(786,713)
Payments to employees	(583,758)
Receipts of customer meter deposits	14,275
Refunds of customer meter deposits	(16,200)
Interfund receipts/payments	(116,103)
Deferred revenue	900
Net cash provided by (used in) operating activities	<u>(19,216)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	128,568
Net cash provided by (used in) noncapital financing activities	<u>128,568</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(18,322)
Principal paid on debt	(115,061)
Interest and fiscal agent fees paid on debt	(7,163)
Net cash provided by (used in) capital and related financing activities	<u>(140,546)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	-
Interest and dividends	13,130
Net cash provided by (used in) investing activities	<u>13,130</u>
Net increase (decrease) in cash and cash equivalents	(18,064)
Balances - beginning of year	<u>958,775</u>
Balances - end of year	<u>\$ 940,711</u>
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	763,253
Restricted cash and cash equivalents - current	37,294
Restricted cash and cash equivalents - noncurrent	140,164
Total cash and cash equivalents, end of year	<u>940,711</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (87,334)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	126,840
Amortization expense	850
Miscellaneous revenue	61,322
Operating grants	7,877
Change in assets and liabilities:	
Due from other funds	(129,152)
Due to other funds	13,049
Accrued payroll payable	1,689
Deposits subject to refund	(1,925)
Accounts receivable	(1,305)
Other receivables	(7,297)
Accrued compensated absences	253
Accounts payable	(4,983)
Deferred revenue	900
Net cash provided by (used in) operating activities	<u>\$ (19,216)</u>

See accompanying notes to the basic financial statements.

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes two separate legal entities reported as the primary government.

- **The City of Dewey** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities.
- **The Dewey Public Works Authority** – that operates the water, sewer, and sanitation services of the City through a public trust of which the City is the beneficiary. The City Council serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the City Council.

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- General government: License and permits, rents and royalties
- Public safety: Fine revenue, operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Cemetery: Cemetery lot sales

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All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Capital Improvement Fund – a capital projects fund, accounts for funds designated for capital outlay and debt service on capital related debt. One cent sales tax is being transferred to this fund for capital improvements as required by voter-restriction.

Non-Major Funds (Reported as Other Governmental Funds):

- Cemetery Care Fund – accounts for 25% of proceeds from the sale of cemetery lots, which are set aside for the care and maintenance of the premises and grounds of the cemetery.
- Street and Alley Fund – accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
- PSO Franchise/Economic Development Fund – accounts for a 1% franchise fee to be used for economic development.
- Police Department Benefits Fund – accounts for revenue from fundraisers and donations for the purchase of educational materials and equipment for the police department. Use of the funds is directed by a vote of the police officers.
- Special Fire Fund – accounts for revenue generated from donations, grants, and fundraisers by the fire department to be used for the purchase of equipment for the department.
- Special Library Fund – accounts for all library revenue retained for library use only.
- GO Bond Sinking Fund – accounts for the ad valorem taxes collected to repay the 2005 bond issue.

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary fund is the following:

- Dewey Public Works Authority – accounts for the operation of the water, sewer, and sanitation activities.

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

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

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

D. Capital Assets and Depreciation

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. Capital assets are reported at actual or estimated historical cost. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1996. Prior to July 1, 2000, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2000 are recorded at cost.

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

- Buildings 40-50 years
- Improvements other than buildings 10-25 years
- Machinery, furniture and equipment 3-20 years
- Utility property and improvements 10-50 years
- Infrastructure 5-50 years

E. Long-Term Debt

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

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. Compensated absences are reported in governmental funds only if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement).

G. Fund Balances and Net Assets

Fund Balances:

Governmental fund equity is classified as fund balance. Since the City has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

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

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

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."

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

H. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund 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.

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 City recognized \$29,756 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

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

Type	Rating	Carrying Value
Deposits:		
Petty cash		\$ 575
Demand deposits		1,948,338
Total deposits		\$ 1,948,913
Investments:		
Cavanal Hill U.S. Treasury Admin Fund	AAAm	\$ 140,164
Total investments		\$ 140,164
Total deposits and investments		\$ 2,089,077
 Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 1,948,913
Investments		140,164
		\$ 2,089,077

Custody 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 City is governed by the State Public Deposit Act which requires that the City 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, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable. All time deposits will mature within the next 12 months.

At June 30, 2011, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

Investment Credit Risk

The City 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

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ANNUAL FINANCIAL STATEMENTS
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government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2011, the City's investments consisted of \$140,164 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of AAA_m as rated by Standard and Poor's.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2011, the City had no concentration of credit risk as defined above.

Restricted cash and investments

The amounts reported as restricted assets on the proprietary fund statement of net assets are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2011 are as follows:

	Current	Noncurrent
	Cash and cash equivalents	Cash and cash equivalents
Utility Deposits	\$ 37,294	\$ -
OWRB debt service	-	140,164
 Total	 \$ 37,294	 \$ 140,164

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3. Capital Assets and Depreciation

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2011, capital assets balances changed as follows:

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 21,815	\$ -	\$ 21,815
Total capital assets not being depreciated	<u>-</u>	<u>21,815</u>	<u>-</u>	<u>21,815</u>
Other capital assets:				
Buildings	1,602,537	32,150	-	1,634,687
Machinery, furniture and equipment	1,678,941	72,481	500	1,750,922
Total other capital assets at historical cost	<u>3,281,478</u>	<u>104,631</u>	<u>500</u>	<u>3,385,609</u>
Less accumulated depreciation for:				
Buildings	131,366	43,684	-	175,050
Machinery, furniture and equipment	1,312,286	117,297	500	1,429,083
Total accumulated depreciation	<u>1,443,652</u>	<u>160,981</u>	<u>500</u>	<u>1,604,133</u>
Other capital assets, net	1,837,826	(56,350)	-	1,781,476
Governmental activities capital assets, net	<u>\$ 1,837,826</u>	<u>\$ (34,536)</u>	<u>\$ -</u>	<u>\$ 1,803,290</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 263,200	\$ -	\$ -	\$ 263,200
Construction in progress	7,500	3,009	-	10,509
Total capital assets not being depreciated	<u>270,700</u>	<u>3,009</u>	<u>-</u>	<u>273,709</u>
Other capital assets:				
Buildings	103,825	-	-	103,825
Machinery, furniture and equipment	609,630	15,313	16,090	608,853
Utility property	3,354,155	-	-	3,354,155
Total other capital assets at historical cost	<u>4,067,610</u>	<u>15,313</u>	<u>16,090</u>	<u>4,066,833</u>
Less accumulated depreciation for:				
Buildings	19,894	2,590	-	22,484
Machinery, furniture and equipment	453,301	41,657	16,090	478,868
Utility Property Improvements	1,458,117	82,593	-	1,540,710
Total accumulated depreciation	<u>1,931,312</u>	<u>126,840</u>	<u>16,090</u>	<u>2,042,062</u>
Other capital assets, net	2,136,298	(111,526)	-	2,024,772
Business-type activities capital assets, net	<u>\$ 2,406,998</u>	<u>\$ (108,517)</u>	<u>\$ -</u>	<u>\$ 2,298,481</u>

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 33,680	Administration	\$ 35,672
Public safety	67,886	Water	20,081
Highways and streets	38,448	Sewer	71,087
Cemetery	6,014		
Culture and recreation	14,953		
	<u>\$ 160,981</u>		<u>\$ 126,839</u>

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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:

<u>Type of Debt</u>	<u>Balance July 01, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$ 405,000	\$ -	\$ 65,000	\$ 340,000	65,000
Accrued compensated absences	29,735	-	3,881	25,854	2,585
Capital lease payable	434,027	19,648	70,579	383,096	60,746
Total Governmental Activities	<u>\$ 868,762</u>	<u>\$ 19,648</u>	<u>\$ 139,460</u>	<u>\$ 748,950</u>	<u>\$ 128,331</u>
Business-Type Activities:					
Notes payable	\$ 348,752	\$ -	\$ 115,061	\$ 233,691	112,261
Accrued compensated absences	15,457	253	-	15,710	1,571
Total Business-Type Activities	<u>364,209</u>	<u>253</u>	<u>115,061</u>	<u>249,401</u>	<u>113,832</u>
Total Long-Term Debt	<u>\$ 1,232,971</u>	<u>\$ 19,901</u>	<u>\$ 254,521</u>	<u>\$ 998,351</u>	<u>\$ 242,163</u>

Reconciliation to Statement of Net Assets:

Governmental Activities:

Due within one year	\$ 128,331
Due in more than one year	620,619
Total Governmental Activities Long-term liabilities	<u>\$ 748,950</u>

Business-Type Activities:

Due within one year	\$ 113,832
Due in more than one year	135,569
Total Business-Type Activities Long-term liabilities	<u>\$ 249,401</u>

Governmental activities compensated absences as of June 30, 2011 are payable from taxes and other general revenues.

Capital Lease Obligations:

\$433,244 lease obligation for the downtown capital improvement project, payable in 12 quarterly installments of \$18,001 with an annual interest rate of 4.30%, final balloon payment due March 2013	365,582
\$19,648 lease obligation for two Hustler mowers, payable in 10 semiannual installments of \$2,227 with an annual interest rate of 5.564%, final payment due October 2015	17,514
Total Capital Leases Payable	<u>\$ 383,096</u>
Current portion	60,746
Noncurrent portion	322,350
Total Capital Leases Payable	<u>\$ 383,096</u>

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General Obligation Bonds:

General obligation bond dated September 1, 2005, authorized amount of \$670,000, payable in annual installments of \$65,000, including principal with an interest rate ranging from 3.10% to 3.75%, with final payment of \$80,000 due September 1, 2015 secured by and payable from ad valorem.

		340,000
Total G.O. Bonds Payable	\$	340,000
Current portion		65,000
Noncurrent portion		275,000
Total G.O. Bonds Payable	\$	340,000

Accrued Compensated Absences:

		2,585
Current portion		2,585
Noncurrent portion		23,269
Total Accrued Compensated Absences	\$	25,854

Business-type activities long-term debt payable from net revenues generated by the utility resources pledged to the debt include the following:

Notes Payable:

1991 Promissory Note payable to Oklahoma Water Resources Board, original amount of \$255,000, dated December 1, 1991, by Dewey Public Works Authority, secured by and payable from utility revenues and pledged sales tax, variable interest rate at 1.55%, with final payment due May 15, 2014.

\$ 42,400

1994 Promissory Note payable to Oklahoma Water Resources Board, original amount of \$570,929, dated August 1, 1994, by Dewey Public Works Authority, secured by and payable from utility revenues and pledged sales tax, fixed interest rate at 0.0%, with final payment due August 15, 2012.

46,291

2004 Promissory Note payable to Oklahoma Water Resources Board, original amount of \$550,000, dated May 12, 2004, by Dewey Public Works Authority, secured by and payable from utility revenues and pledged sales tax, variable interest rate at 3.20%, with final payment due September 1, 2012.

145,000

Total Notes Payable	\$	233,691
Unamortized Note Premium	\$	1,700
Total Notes Payable (Net of Unamortized Premium)		235,391
Current portion		112,261
Noncurrent portion		123,130
Total Notes Payable	\$	235,391

Accrued Compensated Absences:

		1,571
Current portion		1,571
Noncurrent portion		14,139
Total Accrued Compensated Absences	\$	15,710

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Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	Governmental Activities			
	Capital		Bonds payable	
	Lease obligations			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	60,746	15,710	65,000	12,038
2013	312,089	10,180	65,000	9,978
2014	3,936	517	65,000	7,906
2015	4,159	295	65,000	5,733
2016	2,166	60	80,000	899
Totals	\$ 383,096	\$ 26,762	\$ 340,000	\$ 36,554

<u>Year Ending June 30,</u>	Business-Type Activities	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2012	112,261	3,966
2013	106,730	1,367
2014	14,700	-
Totals	\$ 233,691	\$ 5,333

5. Sales Tax Revenue

Sales tax revenue represents a 3.0 cent local tax on each dollar of taxable sales within the City. 1/2 cent is voter-restricted for debt service on DPWA debt (per ordinance 99-02-01), 1 cent is voter-restricted for capital improvements and/or job growth if needed (per ordinance 99-02-01), and 1/2 cent voter-restricted for economic development (per ordinance 99-03-01). Ordinance 99-03-01 is the only ordinance with a termination date of December 31, 2019. 1 cent of the sales tax is received and recorded in the General Fund, with 2 cents recorded in the appropriate funds as noted above.

Pledge of Future Revenues:

Sales Tax Pledge- The City has pledged 1/2 cent (or 16.7%) of future sales tax revenues to repay \$1,120,929 of 1994 and 2004 Series Oklahoma Water Resources Board Notes Payable. Proceeds from the notes provided financing for the utility system capital assets. The bonds are payable through 2012. Total pledged sales tax for the year was \$128,568. Debt service payments of \$107,195 for the current fiscal year were 83% of the pledged sales taxes.

Utility Net Revenue Pledge- The City has also pledged future water and sewer revenue to repay \$1,375,929 of 1991, 1994, and 2004 Series Oklahoma Water Resources Board Notes Payable. Proceeds from the bonds and notes provided financing for the utility system capital assets. The 1991 bonds are payable through 2014 and the 1994 and 2004 bonds are payable through 2012. The total principal and interest payable for the remainder of the life of these notes is \$239,024. Total pledged utility revenues for the year were \$53,486. Debt service payments of \$122,167 for the current fiscal year were 228% of the pledged utility revenues.

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6. Property Tax Levy

The City presently levies property tax as allowed by state law for the retirement of general obligation debt. The City has outstanding general obligation debt of \$340,000 for its Series 2005 bonds. These bonds mature in 2015. The debt service payments for these bonds this year were \$78,751. During the year ended June 30, 2011, the City collected property taxes of \$82,505.

7. Internal and Interfund Balances and Transfers

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

Transfers:

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	PWA	\$ 128,568	Sales tax transfer
Total		<u>\$ 128,568</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ -	\$ (128,568)	\$ (128,568)
Proprietary Funds	128,568	-	128,568
	<u>\$ 128,568</u>	<u>\$ (128,568)</u>	<u>-</u>

Balances:

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Street & Alley Fund	\$ 555	To correct misposting
Special Street Fund	Street & Alley Fund	525	To correct misposting
Special Street Fund	Sinking Fund	1,147	To correct misposting
Capital Improvement Fund	General Fund	13,146	To cover expenditures/to be reimbursed by Capital Improvement Fund
Capital Improvement Fund	DPWA	129,152	Portion of sales tax due to DPWA
DPWA	General Fund	6,783	To correct misposting
DPWA	General Fund	6,266	To correct misposting
Total		<u>\$ 157,574</u>	
Reconciliation to Fund Financial Statements:			
	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 28,422	\$ (144,525)	\$ (116,103)
Proprietary Funds	129,152	(13,049)	116,103
Total	<u>\$ 157,574</u>	<u>\$ (157,574)</u>	<u>-</u>

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Judgments against the City may be paid by a property tax assessment over a three-year period. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

9. Pension Plan Participation

The City of Dewey participates in four pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement Fund Defined Benefit Plan (OMRF-DBP) – an agent multi-employer defined benefit pension plan
4. Oklahoma Municipal Retirement Fund Defined Contribution Plan (OMRF-DCP) – an agent multi-employer defined contribution plan

Firefighter Pension System:

Plan Summary Information. The City of Dewey, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). 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 City must participate in the plan if they employ full-time or volunteer firefighters.

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.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's annual required contribution was \$1,140 for the OFPRS plan and was equal to the City's actual contribution for the fiscal year 2011.

Police Pension System:

Plan Summary Information. Pursuant to the requirements of Title 11, section 50-102, the City of Dewey participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

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The OPPRS issues a publicly available financial report that includes financial statements, which may be obtained by writing to OFPRS, 1001 N.W. 63rd Street, Oklahoma City, OK 73116-7335.

Funding Policy. The paid police officer contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2011, the City's annual required contribution was \$32,890 for the OPPRS plan and was equal to the City's actual contribution. The state made on behalf payments of \$25,521 (or 9.1% of covered payroll) for the fiscal year.

OMRF Defined Contribution Plan:

Plan Summary Information. Effective October 1, 2008, the City has provided a defined contribution plan and trust known as the City of Dewey City Manager Retirement Plan and Trust (CMO Plan). The defined contribution plan is only available to any person who holds the position of City Manager. Separate audited GAAP basis financial statements are not available.

Funding Policy. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. The employee does not contribute to the plan and the employer makes variable contributions to the fund. Contributions to the plan for the year ended June 30, 2011 were \$4,075.

Summary of Contributions:

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System			Oklahoma Municipal Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2009	\$ 1,140	100%	2009	\$ 39,321	100%	2009	\$ 1,548	100%
2010	\$ 1,558	100%	2010	\$ 37,113	100%	2010	\$ 2,079	100%
2011	\$ 1,140	100%	2011	\$ 32,890	100%	2011	\$ 4,075	100%

OMRF Defined Benefit Plan:

The City provides retirement plan, the Oklahoma Municipal Retirement Fund Employee Retirement System of Dewey, Oklahoma, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Firefighter and Police Pension Systems. The plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. BankOne of Oklahoma City acts as administrator and securities custodian.

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Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Regular full-time employees except police, firefighters and other employees who are covered under an approved system
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	8.03% of covered payroll
-Employee Rate	4.00% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	3% of final average compensation multiplied by the number of years credited service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 7 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2010
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by Age
d. Post Retirement cost-of-Living Increase	N/A
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Mortality	1994 Group Annuity Mortality
h. Asset Valuation Method	Actuarial method

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Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2009	37,033	100%
June 30, 2010	41,503	100%
June 30, 2011	43,687	100%

Funded Status and Funding Progress

As of January 1, 2011, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$1,105,118
Actuarial value of plan assets	<u>1,257,448</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$152,330</u>
Funded ratio (actuarial value of plan assets/AAL)	87.9%
Annual covered payroll (active plan members)	\$476,611
UAAL as a percentage of covered payroll	32.0%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

10. Commitments and Contingencies

Litigation:

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

During FY 2011, the City of Dewey was under a consent order from the State of Oklahoma Department of Environmental Quality (DEQ) for violations of permit requirements for the City's wastewater plant.

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On April 2, 2004, the DEQ issued a Notice of Violation (NOV) to the City for unpermitted discharges. On May 6, 2004 the DEQ received a reply to the NOV from the City stating that correction of the wastewater collection system overflow problem could not be completed within thirty (30) days. A consent order establishing a schedule of corrective actions was put in place. The City received a final written confirmation and release from the consent order from the DEQ on January 28, 2011.

Federal and State Award Programs:

The City of Dewey participates in various federal or state grant/loan programs from year to year. In 2011, the City's involvement in federal and state award programs was not 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 City has not been notified of any noncompliance with federal or state award requirements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – General Fund (Budgetary Basis) – Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 234,900	\$ 234,900	\$ 696,093	\$ 461,193
Resources (Inflows):				
Taxes	581,298	615,171	679,873	64,702
Intergovernmental	9,700	9,700	49,509	39,809
Charges for services	49,500	49,500	64,954	15,454
Fines and forfeitures	133,665	133,665	168,218	34,553
Licenses and permits	18,900	18,900	17,090	(1,810)
Investment income	500	500	11,774	11,274
Miscellaneous	20,277	55,408	48,041	(7,367)
Total resources (Inflows)	813,840	882,844	1,039,459	156,615
Amounts available for appropriation	1,048,740	1,117,744	1,735,552	617,808
Charges to Appropriations (Outflows):				
Administration	317,300	387,716	372,863	14,853
Municipal court	11,635	11,635	11,849	(214)
Police	499,355	497,296	556,769	(59,473)
Fire	117,650	117,650	98,643	19,007
Streets	29,000	29,000	11,716	17,284
Cemetery	3,600	3,600	3,232	368
Parks and Recreation	4,000	4,000	4,000	-
Library	66,200	66,200	59,118	7,082
Total Charges to Appropriations	1,048,740	1,117,097	1,118,190	(1,093)
Other Financing Sources				
Transfer in	-	-	104	104
Total Other Financing Sources	-	-	104	104
Ending Budgetary Fund Balance	\$ -	\$ 647	\$ 617,466	\$ 616,819

Footnotes to Budgetary Comparison Schedules:

1. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.
2. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue - budgetary basis	\$ 1,039,459
Tax revenue budgeted in proprietary funds	128,568
Total revenue from other General Fund accounts	0
Total revenue - GAAP basis	\$ 1,168,027
Total expenditures - budgetary basis	1,118,190
Total expenditures from other General Fund accounts	0
Total expenses - GAAP basis	\$ 1,118,190

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Schedule of Pension Plan Funding Progress – OMRF Defined Benefit Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>(1) Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/06	1,134,332	964,451	(169,881)	117.6%	334,637	-50.8%
1/1/07	1,167,004	1,035,027	(131,977)	112.8%	348,081	-37.9%
1/1/08	1,207,403	1,143,215	(64,188)	105.6%	421,983	-15.2%
1/1/09	1,082,405	1,136,022	53,617	95.3%	454,547	11.8%
1/1/10	1,073,576	1,205,815	132,239	89.0%	486,642	27.2%
1/1/11	1,105,118	1,257,448	152,330	87.9%	476,611	32.0%

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – Non-Major Governmental Funds – June 30, 2011

	Special Revenue Funds			
	Cemetery Care Fund	Street and Alley	PSO Franchise/Economic Development	Police Department Benefits
ASSETS				
Cash and cash equivalents	\$ 33,097	\$ 23,154	\$ -	\$ 6,720
Due from other funds	-	1,080	-	-
Taxes receivable, net	-	5,185	-	-
Other receivables	-	-	1,441	-
Total assets	<u>33,097</u>	<u>29,419</u>	<u>1,441</u>	<u>6,720</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Other payables	-	288	-	-
Total liabilities	<u>-</u>	<u>288</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	32,857	28,936	1,441	6,671
Assigned	240	195	-	49
Total fund balances (deficits)	<u>33,097</u>	<u>29,131</u>	<u>1,441</u>	<u>6,720</u>
Total liabilities and fund balances	<u>\$ 33,097</u>	<u>\$ 29,419</u>	<u>\$ 1,441</u>	<u>\$ 6,720</u>

	Special Revenue Funds		Debt Service Fund	Total Governmental Funds
	Special Fire Fund	Special Library Fund	GO Bond Sinking Fund	
ASSETS				
Cash and cash equivalents	\$ 60,116	\$ 9,481	\$ 82,058	\$ 214,626
Due from other funds	-	-	1,147	2,227
Taxes receivable, net	-	-	1,149	6,334
Other receivables	-	-	-	1,441
Total assets	<u>60,116</u>	<u>9,481</u>	<u>84,354</u>	<u>224,628</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Other payables	-	-	-	288
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>
Fund balances:				
Restricted	59,675	9,210	83,764	222,554
Assigned	441	271	590	1,786
Total fund balances (deficits)	<u>60,116</u>	<u>9,481</u>	<u>84,354</u>	<u>224,340</u>
Total liabilities and fund balances	<u>\$ 60,116</u>	<u>\$ 9,481</u>	<u>\$ 84,354</u>	<u>\$ 224,628</u>

CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds – For the Year Ended June 30, 2011

	Special Revenue Funds			
	Cemetery Care Fund	Street and Alley	PSO Franchise/Economic Development	Police Department Benefits
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	28,934	-	-
Charges for services	7,458	-	-	-
Investment earnings	240	168	-	49
Miscellaneous	-	27	22,841	50
Total revenues	7,698	29,129	22,841	99
EXPENDITURES				
Current:				
Police	-	-	-	547
Cemetery	3,554	-	-	-
Economic development	-	-	22,794	-
Fire	-	-	-	-
Streets	-	21,000	-	-
Library	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	3,554	21,000	22,794	547
Excess (deficiency) of revenues over expenditures	4,144	8,129	47	(448)
Net change in fund balances	4,144	8,129	47	(448)
Fund balances (deficits) - beginning	28,953	21,002	1,394	7,168
Fund balances (deficits) - ending	\$ 33,097	\$ 29,131	\$ 1,441	\$ 6,720

	Special Revenue Funds		Debt Service Fund	Total-Other Governmental Funds
	Special Fire Fund	Special Library Fund	GO Bond Sinking Fund	
REVENUES				
Taxes	\$ -	\$ -	\$ 82,505	\$ 82,505
Intergovernmental	4,398	2,715	-	36,047
Charges for services	-	-	-	7,458
Investment earnings	441	71	590	1,559
Miscellaneous	9,599	849	-	33,366
Total revenues	14,438	3,635	83,095	160,935
EXPENDITURES				
Current:				
Police	-	-	-	547
Cemetery	-	-	-	3,554
Economic development	-	-	-	22,794
Fire	4,906	-	-	4,906
Streets	-	-	-	21,000
Library	-	4,744	-	4,744
Capital Outlay	5,520	-	-	5,520
Debt Service:				
Principal	-	-	65,778	65,778
Interest	-	-	13,751	13,751
Total Expenditures	10,426	4,744	79,529	142,594
Excess (deficiency) of revenues over expenditures	4,012	(1,109)	3,566	18,341
Net change in fund balances	4,012	(1,109)	3,566	18,341
Fund balances (deficits) - beginning	56,104	10,590	80,788	205,999
Fund balances (deficits) - ending	\$ 60,116	\$ 9,481	\$ 84,354	\$ 224,340

CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Combining Balance Sheet – General Fund Accounts – June 30, 2011

	General Fund	CDBG Fund	Tech Support	Law Enforcement Tech Network	Don Tyler Park Improvements	Employee Benefits Fund	Cemetery Perpetual Fund	Special Street Fund	Total Combined General Fund
ASSETS									
Cash and cash equivalents	\$ 480,617	\$ -	\$ 5,520	\$ 29,269	\$ 176	\$ 725	\$ 81,594	\$ -	\$ 597,907
Due from other funds	26,195	-	-	-	-	-	-	-	26,195
Taxes receivable, net	91,575	-	-	-	-	-	-	-	91,575
Other receivables	72,134	-	-	-	-	-	-	-	72,134
Total assets	670,521	-	5,520	29,269	176	725	81,594	-	787,811
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	6,913	-	-	-	-	-	-	-	6,913
Accrued payroll payable	12,159	-	-	-	-	-	-	-	12,159
Due to other funds	555	-	-	-	-	-	-	1,672	2,227
Deferred revenue	33,428	-	-	-	-	-	-	-	33,428
Total liabilities	53,055	-	-	-	-	-	-	1,672	54,727
Fund balances									
Committed	-	-	-	29,059	-	-	81,594	-	110,653
Assigned	331,681	-	5,520	210	176	725	-	(1,672)	336,626
Unassigned	285,805	-	-	-	-	-	-	-	285,805
Total fund balances (deficits)	617,486	-	5,520	29,269	176	725	81,594	(1,672)	733,084
Total liabilities and fund balances	\$ 670,521	\$ -	\$ 5,520	\$ 29,269	\$ 176	\$ 725	\$ 81,594	\$ (1,672)	\$ 787,811

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

	General Fund	CDBG Fund	Tech Support	Law Enforcement Tech Network	Don Tyler Park Improvements	Employee Benefits Fund	Cemetery Perpetual Fund	Special Street Fund	Total-Other Combined General Fund
REVENUES									
Taxes	\$ 808,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 808,441
Licenses and permits	17,090	-	-	-	-	-	-	-	17,090
Intergovernmental	49,509	-	-	-	-	-	-	-	49,509
Charges for services	64,954	-	-	-	-	-	7,456	-	72,410
Fines and forfeitures	168,218	-	4,635	4,529	-	-	-	-	177,382
Investment earnings	11,774	1	38	210	1	-	596	-	12,620
Miscellaneous	48,041	-	-	-	-	-	-	-	48,041
Total revenues	1,168,027	1	4,673	4,739	1	-	8,052	-	1,185,493
EXPENDITURES									
Current									
Administration	372,863	3	-	-	-	-	-	-	372,866
Municipal court	11,849	-	-	-	-	-	-	-	11,849
Police	534,897	-	4,200	4,907	-	-	-	-	544,004
Fire	98,643	-	-	-	-	-	-	-	98,643
Cemetery	3,232	-	-	-	-	-	-	-	3,232
Streets	11,716	-	-	-	-	-	-	-	11,716
Library	59,118	-	-	-	-	-	-	-	59,118
Parks	4,000	-	-	-	-	-	-	-	4,000
Capital outlay	21,872	-	-	-	-	-	-	-	21,872
Total Expenditures	1,118,190	3	4,200	4,907	-	-	-	-	1,127,300
Excess (deficiency) of revenues over expenditures	49,837	(2)	473	(168)	1	-	8,052	-	58,193
OTHER FINANCING SOURCES (USES)									
Transfers out	(128,464)	(104)	-	-	-	-	-	-	(128,568)
Total other financing sources and uses	(128,464)	(104)	-	-	-	-	-	-	(128,568)
Net change in fund balances	(78,627)	(106)	473	(168)	1	-	8,052	-	(70,375)
Fund balances (deficits) - beginning	696,093	106	5,053	29,437	175	725	73,542	(1,672)	803,459
Fund balances (deficits) - ending	\$ 617,466	\$ -	\$ 5,526	\$ 29,269	\$ 176	\$ 725	\$ 81,594	\$ (1,672)	\$ 733,084

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Schedule of Federal and State Awards – Year Ended June 30, 2011

State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Civil Emergency Management:				
Disaster Grants - Public Assistance	97.036	PA-06-OK-1985-PW-00032(0)	\$ 5,401	\$ 5,401
Disaster Grants - Public Assistance	97.036	PA-06-OK-1876-PW-00606(0)	2,476	2,476
			<u>7,877</u>	<u>7,877</u>
<u>DEPARTMENT OF JUSTICE:</u>				
Passed through Oklahoma District Attorneys Council:				
Recovery Act Justice Assistance Grant - Local Law Enforcement	16.803	2009-SU-B9-003	10,000	9,993
TOTAL FEDERAL AWARDS			<u>\$ 17,877</u>	<u>\$ 17,870</u>
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid	N/A		\$ 2,715	\$ 2,715
State Library Assistance	N/A		-	-
			<u>\$ 2,715</u>	<u>\$ 2,715</u>
<u>OKLAHOMA DEPARTMENT OF CIVIL EMERGENCY MANAGEMENT:</u>				
Emergency Management Assistance	N/A		900	900
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A		4,398	4,398
Rural Fire Protection Grant	N/A		-	-
			<u>\$ 4,398</u>	<u>\$ 4,398</u>
TOTAL STATE AWARDS			<u>\$ 8,013</u>	<u>\$ 8,013</u>

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2011

	1994 and 2004 OWRB NOTES PAYABLE	1991 OWRB NOTES PAYABLE
GROSS REVENUE AVAILABLE:		
Charges for services (water, sewer and sanitation revenues)	\$ 1,407,786	\$ 1,407,786
Investment income	13,130	13,130
Sales tax pledged by City	128,568	-
 Total Gross Revenue Available	 <u>1,549,484</u>	 <u>1,420,916</u>
 OPERATING EXPENSES:		
Total Operating Expenses	<u>1,367,430</u>	<u>1,367,430</u>
 Net Revenue Available for Debt Service	 <u>\$ 182,054</u>	 <u>\$ 53,486</u>
 Debt Service Requirements:		
Maximum annual debt service	<u>111,025</u>	<u>17,588</u>
 Total Debt Service Requirements	 <u>\$ 111,025</u>	 <u>\$ 17,588</u>
 Computed Coverage	 <u>164%</u>	 <u>304%</u>
 Coverage Requirement	 <u>125%</u>	 <u>125%</u>

Schedule of Reserve Requirement Compliance

	2004 OWRB RESERVE ACCOUNT	1991 OWRB RESERVE ACCOUNT
Required reserve balance	<u>\$ 55,000</u>	<u>\$ 17,588</u>
 Balance in Reserve Account, June 30, 2011	 <u>55,000</u>	 <u>23,740</u>
 Excess of Account Balance over Required Balance	 <u>\$ -</u>	 <u>\$ 6,152</u>

**CITY OF DEWEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

INTERNAL CONTROL AND COMPLIANCE



Ronald C. Cottrell, CPA

Independent Auditor's 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*

January 26, 2012

City Council
City of Dewey
Dewey, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dewey as of and for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012. We did not audit management's discussion and analysis, the budgetary comparison information, and pension plan information, which is required supplementary information, and therefore, expressed no opinion on it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Dewey is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Dewey's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dewey's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dewey's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or

Ronald C. Cottrell, CPA

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Dewey in a separate letter dated January 26, 2012.

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

This report is intended solely for the information and use of the city council and management of the City of Dewey and is not intended to be and should not be used by anyone other than these specified parties.

Ronald C. Cottrell, CPA

**City of Dewey, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2011**

2011-1 Utility Accounts Receivable Reconciliation

Criteria – General ledger control account balances should be reconciled with supporting detail each month to help ensure that all transactions have been properly recorded and that all transactions recorded actually occurred.

Condition – The utility clerk completes a monthly reconciliation of utility accounts receivable, however, the balance does not agree with the month-end accounts receivable aging report or the general ledger control account balance.

Cause and Effect – The ending balance on the reconciliation is carried forward to the next month. The balance is not compared with the aging report or the general ledger balance. Without a proper reconciliation of the detail with the general ledger control account balance, errors or irregularities may occur and go undetected or uncorrected.

Recommendation – We recommend the City of Dewey perform proper reconciliations of the utility accounts receivable aging reports with the general ledger control account balances on a monthly basis.

Management's Response – Utility Clerk is already preparing the report. Waiting on the prior year adjusts to start looking into the General Ledger/Utility Ledger to ensure that these account start balancing.

City of Dewey, Oklahoma
Follow-up on Prior Year Audit Findings
Year Ended June 30, 2011

Financial Statement Findings

2010-1 Purchasing and Disbursements

Condition – Of the 224 disbursements we tested we noted 214 that were not properly authorized, approved, or supported, as follows:

No requisition	164
Purchase order not approved by treasurer, city manager, and/or council	214
No supporting detail	43

Status – This condition has been resolved.

2010-2 Payroll

Condition – From our test of twenty-five (25) payroll transactions during the year we noted seventeen (17) which were not properly approved or supported, as follows:

Payroll summary sheet not approved by supervisor	11
No supporting overtime or sick pay request form	1
Overtime sheet not approved by supervisor	1
No timesheet	3
Leave request form not approved by supervisor	1

Status – This condition has been resolved.

