

**Financial Statements and Reports of  
Independent Certified Public Accountant  
City of Dewey, Oklahoma  
June 30, 2012**

**Turner & Associates, PLC  
Certified Public Accountants  
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(918) 256-6788**

**City of Dewey, Oklahoma  
City Officials  
June 30, 2012**

**Mayor and City Council**

Mayor	Ron Revard
Ward 1 Councilman	Wayne Sell
Ward 2 Councilman	Mike Banks
Ward 3 Councilman	Brian Lorensen
Ward 4 Councilwoman	Kay Bales

**City Manager**

Kevin Trease

**Treasurer**

Cassie Hayes

**Clerk**

Annette Breshears

**City of Dewey, Oklahoma**  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of 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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dewey, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013 on our consideration of the City of Dewey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Dewey, Oklahoma has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dewey, Oklahoma's financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

TURNER & ASSOCIATES, PLLC

Vinita, OK  
October 2, 2013



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

Honorable Mayor and City Council  
City of 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, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Dewey, Oklahoma's basic financial statements and have issued our report thereon dated October 2, 2013. The City of Dewey, Oklahoma did not present the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 2012-1 described in the accompanying schedule of findings and responses to be a material weakness.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Dewey, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

TURNER & Associates, PLLC

Vinita, OK  
October 2, 2013

**City of Dewey, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,190,694.07	\$ 752,224.77	\$ 1,942,918.84
Accounts Receivable, net	16,849.00	238,134.22	254,983.22
Taxes Receivable	103,330.70	18,717.60	122,048.30
Other Receivables	30,906.17	16,943.88	47,850.05
Total Current Assets	<u>1,341,779.94</u>	<u>1,026,020.47</u>	<u>2,367,800.41</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	-	236,279.50	236,279.50
Capital Assets:			
Property, Plant and Equipment, net	1,711,130.73	2,277,532.90	3,988,663.63
Unamortized note issue costs	-	1,700.00	1,700.00
Total Noncurrent Assets	<u>1,711,130.73</u>	<u>2,515,512.40</u>	<u>4,226,643.13</u>
<b>TOTAL ASSETS</b>	<u>3,052,910.67</u>	<u>3,541,532.87</u>	<u>6,594,443.54</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	4,651.15	29,937.71	34,588.86
Accrued Payroll Payable	8,586.01	7,450.48	16,036.49
Accrued Interest Payable	-	72.50	72.50
Other Payables	1,555.26	4,211.63	5,766.89
Deferred Revenue	2,972.26	-	2,972.26
Current Portion of Notes Payable	65,000.00	92,829.98	157,829.98
Current Portion of Capitalized Lease Obligation	48,274.50	19,674.74	67,949.24
Total Current Liabilities	<u>131,039.18</u>	<u>154,177.04</u>	<u>285,216.22</u>
Noncurrent Liabilities:			
Payable from Restricted Assets:			
Meter Deposits Payable	-	39,100.02	39,100.02
Notes Payable	210,000.00	28,600.00	238,600.00
Capital Lease Obligation	274,079.39	77,604.70	351,684.09
Total Noncurrent Liabilities	<u>484,079.39</u>	<u>145,304.72</u>	<u>629,384.11</u>
<b>TOTAL LIABILITIES</b>	<u>615,118.57</u>	<u>299,481.76</u>	<u>914,600.33</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,113,776.84	2,107,098.22	3,220,875.06
Restricted	-	-	-
Unrestricted	1,324,015.26	1,134,952.89	2,458,968.15
<b>TOTAL NET ASSETS</b>	<u>\$ 2,437,792.10</u>	<u>\$ 3,242,051.11</u>	<u>\$ 5,679,843.21</u>

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General Government	\$ 498,104.19	\$ 20,315.00	\$ 50,000.00	\$ -	\$ (427,789.19)
Public Safety	769,588.92	-	4,412.77	-	(765,176.15)
Street and Alley	48,422.80	-	-	-	(48,422.80)
Cemetery	4,042.43	6,630.90	-	-	2,588.47
Culture and Recreation	76,742.35	-	-	-	(76,742.35)
Economic Development	-	-	-	-	-
Interest on Long Term Debt	-	-	-	-	-
<b>Total Governmental Activities</b>	<u>1,396,900.69</u>	<u>26,945.90</u>	<u>54,412.77</u>	<u>-</u>	<u>(1,315,542.02)</u>
<b>Business-Type Activities:</b>					
Water	1,227,193.78	801,705.77	-	1,037.81	(424,450.20)
Wastewater	92,772.88	359,578.18	-	-	266,805.30
Sanitation	187,475.46	315,707.50	-	-	128,232.04
<b>Total Business-Type Activities</b>	<u>1,507,442.12</u>	<u>1,476,991.45</u>	<u>-</u>	<u>1,037.81</u>	<u>(29,412.86)</u>
<b>Total</b>	<u>\$ 2,904,342.81</u>	<u>\$ 1,503,937.35</u>	<u>\$ 54,412.77</u>	<u>\$ 1,037.81</u>	<u>\$ (1,344,954.88)</u>

(continued)

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Statement of Activities (continued)**  
**For the Year Ended June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Changes in Net Asset:</b>			
Net (Expense)/Revenue	\$ (1,315,542.02)	\$ (29,412.86)	\$ (1,344,954.88)
General Revenues:			
Taxes:			
Sales and Use Taxes	873,873.54	68,984.88	942,858.42
Licenses and Permits	16,445.50	-	16,445.50
Fines and Forfeitures	324,633.14	-	324,633.14
Investment Income	437.28	524.09	961.37
Transfer	15,000.00	(15,000.00)	-
Miscellaneous	70,377.06	75,747.43	146,124.49
Total General Revenues and Transfers	<u>1,300,766.52</u>	<u>130,256.40</u>	<u>1,431,022.92</u>
Change in Net Assets	(14,775.50)	100,843.54	86,068.04
Net Assets, Beginning of Year	<u>2,452,567.60</u>	<u>3,141,207.57</u>	<u>5,593,775.17</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 2,437,792.10</u></u>	<u><u>\$ 3,242,051.11</u></u>	<u><u>\$ 5,679,843.21</u></u>

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Balance Sheet – Governmental Funds**  
**June 30, 2012**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 506,723.24	\$ 449,276.00	\$ 234,694.83	\$ 1,190,694.07
Accounts Receivable, net	16,849.00	-	-	16,849.00
Taxes Receivable	80,466.79	18,437.46	4,426.45	103,330.70
Other Receivables	29,465.17	-	1,441.00	30,906.17
<b>Total Assets</b>	<b>\$ 633,504.20</b>	<b>\$ 467,713.46</b>	<b>\$ 240,562.28</b>	<b>\$ 1,341,779.94</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 2,823.30	\$ -	\$ 1,827.85	\$ 4,651.15
Accrued Payroll	8,586.01	-	-	8,586.01
Deferred Revenue	2,972.26	-	-	2,972.26
Other payables	1,555.26	-	-	1,555.26
<b>Total Liabilities</b>	15,936.83	-	1,827.85	17,764.68
<b>Fund Balance:</b>				
Unassigned	617,567.37	467,713.46	238,734.43	1,324,015.26
<b>Total Liabilities and Fund Balance</b>	<b>\$ 633,504.20</b>	<b>\$ 467,713.46</b>	<b>\$ 240,562.28</b>	<b>\$ 1,341,779.94</b>

Reconciliation to the Statement of Net Assets

Total Governmental Funds Balance \$ 1,324,015.26

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and therefore,  
are not reported as assets in governmental funds. The cost of the assets is \$3,319,974.68  
and the accumulated depreciation is \$1,608,843.95 for a net book v

1,711,130.73

Long-term liabilities, including capitalized lease obligations, are not due and payable in  
the current period and therefore are not reported as liabilities in the funds. Long-term  
liabilities at year-end consist of:

Capitalized Lease Obligations Payable

(597,353.89)

Net Assets of Governmental Activities

\$ 2,437,792.10

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2012**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 633,484.82	\$ 203,736.41	\$ 105,308.84	\$ 942,530.07
Licenses and permits	16,445.50	-	-	16,445.50
Reap Grant	50,000.00	-	4,412.77	54,412.77
Charges for services	20,315.00	-	6,630.90	26,945.90
Fines and forfeitures	324,633.14	-	-	324,633.14
Investment Earnings	76.64	277.78	82.86	437.28
Miscellaneous	35,890.93	-	34,486.13	70,377.06
Transfers	-	-	15,000.00	15,000.00
Total Revenues	<u>1,080,846.03</u>	<u>204,014.19</u>	<u>165,921.50</u>	<u>1,450,781.72</u>
<b>Expenditures:</b>				
<b>General Government</b>				
Finance/Administration	370,754.58	15,571.34	23,811.46	410,137.38
Cemetery	3,369.88	-	672.55	4,042.43
Fire	67,839.87	75,000.00	6,007.40	148,847.27
Municipal Court	10,596.30	-	-	10,596.30
Police	619,515.88	-	1,225.77	620,741.65
<b>Transportation</b>				
Street and Alley	13,593.81	-	34,828.99	48,422.80
<b>Parks and Recreation</b>				
Parks Dept.	5,800.00	-	-	5,800.00
Library	68,391.65	-	2,550.70	70,942.35
<b>Debt Service</b>				
Principal	-	-	65,000.00	65,000.00
Interest	-	-	12,370.51	12,370.51
Total Expenditures	<u>1,159,861.97</u>	<u>90,571.34</u>	<u>146,467.38</u>	<u>1,396,900.69</u>
Excess (Deficit) of Revenues over Expenditures	(79,015.94)	113,442.85	19,454.12	53,881.03
Fund Balance, Beginning of Year	696,583.31	354,270.61	219,280.31	1,270,134.23
Fund Balance, End of Year	<u>\$ 617,567.37</u>	<u>\$ 467,713.46</u>	<u>\$ 238,734.43</u>	<u>\$ 1,324,015.26</u>

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Statement of Net Assets – Proprietary Fund**  
**June 30, 2012**

		Dewey Public Works Authority
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	752,224.77
Accounts Receivable, net		238,134.22
Taxes Receivable		18,717.60
Other Receivables		16,943.88
<b>Total Current Assets</b>		1,026,020.47
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents		236,279.50
Capital Assets:		
Property, Plant, and Equipment, net		2,277,532.90
Unamortized note issue costs, net		1,700.00
<b>Total Noncurrent Assets</b>		2,515,512.40
<b>Total Assets</b>	<b>\$</b>	<b>3,541,532.87</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts Payable	\$	29,937.71
Accrued Payroll Payable		7,450.48
Accrued Interest Payable		72.50
Meter Deposits Due to Customers		39,100.02
Other payables		4,211.63
Notes Payable		218,709.42
<b>Total Liabilities</b>		299,481.76
<b>Fund Balance:</b>		
Unassigned		3,242,051.11
<b>Total Liabilities and Fund Balance</b>	<b>\$</b>	<b>3,541,532.87</b>

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Dewey Public Works Authority
Revenues:	
Charges for services:	
Water	\$ 778,779.24
Sewer	359,578.18
Sanitation	315,707.50
Penalties	20,026.53
Tap Fees	2,900.00
Miscellaneous	34,358.68
Taxes	68,984.88
Total Revenues	1,580,335.01
Expenditures:	
Operating Expenses	
Administration	337,205.23
Water treatment plant	889,988.55
Wastewater treatment plant	92,772.88
Sanitation	187,475.46
Transfer to Street Dept	15,000.00
Total Operating Expenses	1,522,442.12
Operating Income(Loss)	57,892.89
Non-Operating Revenues (Expenses)	
Interest Income	524.09
Miscellaneous	41,388.75
Operating grants and contributions	1,037.81
Total Non-Operating Revenue (Expenses)	42,950.65
Net Income(Loss)	100,843.54
Fund Balance, Beginning of Year	3,141,207.57
Fund Balance, End of Year	\$ 3,242,051.11

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Year Ended June 30, 2012**

	Public Works Authority <u>Enterprise Fund</u>
<b>Cash Flows from Operating Activities</b>	
Cash Inflows:	
Payments Received from Customers	\$ 1,478,676.11
Meter Deposits Received	44,558.61
Total Cash Provided	<u>1,523,234.72</u>
Cash Outflows:	
Payments for Salaries and Benefits	(591,099.31)
Payments for Goods and Services	(714,163.43)
Meter Deposits Refunded	(7,924.91)
Transfer to Street Fund	(15,000.00)
Total Cash Used	<u>(1,328,187.65)</u>
Net Cash Provided (Used) by Operating Activities	<u>195,047.07</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on Capital Debt	(32,978.33)
Interest Paid on Capital Debt	(1,937.50)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(34,915.83)</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of Capital Assets	(112,862.06)
Purchase of Investments	22,412.34
Interest Received	524.09
Net Cash Provided (Used) by Investing Activities	<u>(89,925.63)</u>
<b>Net Cash Inflow (Outflow) from All Activities</b>	70,205.61
Cash and Cash Equivalents, Beginning of Year	918,298.66
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 988,504.27</u>
Cash and Cash Equivalents	
Unrestricted	\$ 752,224.77
Restricted	236,279.50
	<u>\$ 988,504.27</u>

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Statement of Cash Flows – Proprietary Fund (continued)**  
**For the Year Ended June 30, 2012**

	Public Works Authority <u>Enterprise Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 57,892.89
Depreciation	260,094.21
(Increase) Decrease in:	
Accounts Receivable	(122,387.30)
Other Receivables	12,660.52
Increase (Decrease) in:	
Accounts Payable	(26,830.29)
Payroll Taxes Payable	3,417.11
Meter Deposits Payable	<u>10,199.93</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ 195,047.07</u></u>

See accompanying notes to the financial statements and accountant's compilation report.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies**

The following notes to the financial statements are an integral part of the City's financial statements.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards 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. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

**A. Reporting Entity**

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Dewey
Blended Component Units:	Dewey Public Works Authority

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 of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

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

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**Blended Component Units**

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Dewey Public Works Authority	Created to finance, develop and operate the utility services activities. The current City Council appoints the governing body (Trustees).	Enterprise Fund

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements and financial statements of component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, other taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes

**Proprietary Fund**

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Dewey Public Works Authority

Accounts for activities of the public trust in providing water services to the public.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)**

**Proprietary Fund**

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Enterprise Funds, or component units, are reported separately from the primary government and are not included in our report.

**Major and Non-Major Funds**

*Major:*           General Fund  
                   Capital Improvement Fund

*Non-Major:*   Special Revenue Fund:   Cemetery Care Fund  
                   Special Revenue Fund:   Street and Alley Fund  
                   Special Revenue Fund:   PSO Franchise/Economic Development Fund  
                   Special Revenue Fund:   Police Department Benefits Fund  
                   Special Revenue Fund:   Special Fire Fund  
                   Special Revenue Fund:   Special Library Fund  
                   Special Revenue Fund:   GO Bond Sinking Fund

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

**Measurement Focus**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities, as reported separately, are presented using the economic resources measurement focus as defined in item b. below.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)**

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities, as reported separately, are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds (the City has none) are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. All proprietary funds, or component units, are reported separately from the primary government and are not included in our report.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity**

**Cash and Investments**

For the presentation of the statement of net assets, cash includes all checking and savings accounts held by the City.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and franchise taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

**Capital Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

A capitalization threshold of \$1,000 is used to report capital assets. Donated capital assets are reported at estimated fair market value at the date of donation.

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 and Equipment	3-20 years
Utility System	10-50 years
Infrastructure	5-50 years

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**II. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity (continued)**

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial 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.

**Equity Classifications**

*Net Position/Fund Balance*

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e, fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**III. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity (continued)**

*Net Assets/Fund Balance (continued)*

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

*Restricted* fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

*Committed* fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The City's Board of Trustees is the highest level of decision making authority of the City.

*Assigned* fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

*Unassigned* fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

*Resource Use Policy*

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the City considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

**E. Revenues, Expenditures and Expenses**

**Sales Tax**

Sales tax revenue represents a 3.0 cent local tax on each dollar of taxable sales within the City. ½ 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 ½ cent is 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.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**I. Summary of Significant Accounting Policies (continued)**

**E. Revenues, Expenditures and Expenses (continued)**

**Sales Tax (continued)**

*Pledge of Future Revenues:*

*Sales Tax Pledge* – The City has pledged ½ 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 notes are payable through 2013.

*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 Resource Board Notes Payable. Proceeds from the bonds and notes provided financing for the utility system capital assets. The 1991 notes are payable through 2014 and the 1994 and 2004 notes are payable through 2013. The total principal and interest payable for the remainder of the life of these notes is \$124,912.

**Use Tax**

The City levies a use-tax on personal property purchased outside the City limits but stored, used or consumed within the City. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the City in July and August are included under the caption “Due from other governments.”

**Property Tax Levy**

The City presently levies a property tax as allowed by state law for the retirement of general obligation debt. The City has outstanding general obligation debt of \$275,000 for its Series 2005 bonds. These bonds mature in 2016. The debt service payments for these bonds this year were \$65,000. During the year ended June 30, 2012, the City collected property taxes of \$68,985.

**Deferred Revenue**

Deferred revenue for the City consists of monies received for AT&T franchise fees for the 2012-13 fiscal year.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified by character, such as Current (further classified by function), Debt Service, and Capital Outlay. In the fund financial statements, governmental funds report expenditures of financial resources.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**II. Stewardship, Compliance and Accountability**

By its nature as a local government unit, the City and its component units, which are reported separately, are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**A. Fund Accounting Requirements**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Utility Authority Fund	Trust Indenture

**B. Deposit and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in note III A., all deposits were fully insured or collateralized.

**C. Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	Utility Capital Assets Capital Improvements Economic Development
Utility Revenue	Debt Service and Utility Capital Assets
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes

For the year ended June 30, 2012, the City complied, in all material respects, with these revenue restrictions.

**City of Dewey, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**II. Stewardship, Compliance and Accountability (continued)**

**D. Debt Restrictions and Covenants**

**General Obligation Debt**

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2012, the City had \$275,000 in outstanding general obligation debt.

**Other Long-Term Debt**

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2012, the City had not become indebted.

**Notes Payable**

The various loan agreements relating to the notes payable issuances of Dewey Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2012.

<u>Requirement</u>	<u>Level of Compliance</u>
Reserve Account Requirement (OWRB Loan Agreements) Account balance should be equal to \$121,430 or 12 months of debt service payments.	Account balance at June 30, 2012 is \$197,179.

**E. Fund Equity Restrictions**

**Deficit Prohibition**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2012.

**III. Detailed Notes on Transaction Classes/Accounts**

**A. Cash and Investments**

**Authorized Investments**

Town policy for eligible investments is governed by State statutes which, in general, allow the Town to invest in obligations of the United States and insured or collateralized Certificate of Deposits. Investment income is recorded in the fund in which it is earned.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**III. Detailed Notes on Transaction Classes/Accounts (continued)**

**A. Cash and Investments (continued)**

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits are maintained in financial institutions. As of June 30, 2012 none of City's deposits was exposed to custodial credit risk.

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**B. Restricted Assets**

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Public Works Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2012 are as follows:

Meter Deposits	\$ 39,100.02
Reserve Accounts	197,179.48
Total	<u>\$ 236,279.50</u>

**C. Accounts Receivable**

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales and use tax, motor vehicle collections and gasoline tax, alcoholic beverage tax, and grants receivable. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2012 is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	<u>\$ 16,849.00</u>	<u>\$ 238,134.22</u>	<u>\$ 254,983.22</u>
Total	<u>\$ 16,849.00</u>	<u>\$ 238,134.22</u>	<u>\$ 254,983.22</u>

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**III. Detailed Notes on Transaction Classes/Accounts (continued)**

**D. Capital Assets**

	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	21,815.00	-	-	21,815.00
Total Non-depreciable assets	21,815.00	-	-	21,815.00
Depreciable assets:				
Buildings/Improvements	1,634,687.56	-	-	1,634,687.56
Vehicles, Equipment & Furniture	1,750,921.26	102,783.86	(190,233.00)	1,663,472.12
Total Depreciable assets	3,385,608.82	102,783.86	(190,233.00)	3,298,159.68
Total Assets	3,407,423.82	102,783.86	(190,233.00)	3,319,974.68
Accumulated Depreciation:				
Buildings/Improvements	(174,915.75)	(44,889.15)	-	(219,804.90)
Vehicles, Equipment & Furniture	(1,428,430.23)	(122,687.43)	162,078.61	(1,389,039.05)
Total Depreciation	(1,603,345.98)	(167,576.58)	162,078.61	(1,608,843.95)
Depreciable assets, net	1,782,262.84	(64,792.72)	(28,154.39)	1,689,315.73
Net Capital Assets	\$ 1,804,077.84	\$ (64,792.72)	\$ (28,154.39)	\$ 1,711,130.73
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 263,200.00	\$ -	\$ -	\$ 263,200.00
Construction in Progress	10,509.00	-	-	10,509.00
Total Non-depreciable assets	273,709.00	-	-	273,709.00
Depreciable assets:				
Utility System	3,354,153.29	-	-	3,354,153.29
Buildings/Improvements	103,825.33	-	-	103,825.33
Vehicles, Equipment & Furniture	608,858.15	112,862.06	-	721,720.21
Total Depreciable assets	4,066,836.77	112,862.06	-	4,179,698.83
Total Assets	4,340,545.77	112,862.06	-	4,453,407.83
Accumulated Depreciation:				
Utility System	(1,540,710.94)	(82,592.69)	-	(1,623,303.63)
Buildings/Improvements	(22,483.83)	(2,578.17)	-	(25,062.00)
Vehicles, Equipment & Furniture	(478,791.44)	(48,717.86)	-	(527,509.30)
Total Depreciation	(2,042,062.00)	(133,888.72)	-	(2,175,874.93)
Depreciable assets, net	2,024,774.77	(21,026.66)	-	2,003,823.90
Net Capital Assets	\$ 2,298,483.77	\$ (21,026.66)	\$ -	\$ 2,277,532.90

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**III. Detailed Notes on Transaction Classes/Accounts (continued)**

**E. Long-Term Debt**

*Governmental activities* compensated absences as of June 30, 2012 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.

Year Ended June 30,	Principal	Interest	Total
2013	\$ 308,366.00	\$ 9,452.92	\$ 317,818.92

\$19,648 lease obligation for two Hustler mowers beginning April 18, 2011, payable in semi-annual payments every May and November, with interest of 5.571%, and a final payment on November 18, 2014.

Year Ended June 30,	Principal	Interest	Total
2013	\$ 3,725.29	\$ 727.91	\$ 4,453.20
2014	3,935.70	517.47	4,453.17
2015	6,326.90	176.16	6,503.06
Totals	\$ 13,987.89	\$ 1,421.54	\$ 15,409.43

*General Obligation Bonds:*

General obligation bonds dated September 1, 2005, authorized amount of \$670,000, payable in annual installments of \$65,000, including principal with an interest rate ranging from 3.19% to 3.75%, with final payment of \$80,000 due September 1, 2015 secured by and payable from ad valorem.

Year Ended June 30,	Principal	Interest	Total
2013	\$ 65,000.00	\$ 2,275.00	\$ 67,275.00
2014	65,000.00	2,340.00	67,340.00
2015	65,000.00	2,405.00	67,405.00
2016	80,000.00	3,000.00	83,000.00
Totals	\$ 275,000.00	\$ 10,020.00	\$ 285,020.00

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**III. Detailed Notes on Transaction Classes/Accounts (continued)**

**E. Long-Term Debt (continued)**

*Business-type activities* long-term debt payable from net revenues generated by 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.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 16,300.00	\$ 378.00	\$ 16,678.00
2014	14,700.00	331.20	15,031.20
Totals	<u>\$ 31,000.00</u>	<u>\$ 709.20</u>	<u>\$ 31,709.20</u>

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.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 15,429.98	\$ 39.01	\$ 15,468.99

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, fixed interest rate at 3.20% with final payment due September 1, 2012.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 75,000.00	\$ 2,733.76	\$ 77,733.76

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**III. Detailed Notes on Transaction Classes/Accounts (continued)**

**E. Long-Term Debt (continued)**

The Public Works Authority executed a lease purchase agreement to purchase three trucks, original amount of \$70,336.70, dated July 25, 2011, fixed interest rate at 5.571% with final payment due July 25, 2016.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 12,915.35	\$ 3,395.85	\$ 16,311.20
2014	13,644.89	2,666.31	16,311.20
2015	14,415.63	1,895.57	16,311.20
2016	15,229.90	1,081.30	16,311.20
2017	7,934.56	221.04	8,155.60
Totals	<u>\$ 64,140.33</u>	<u>\$ 9,260.07</u>	<u>\$ 73,400.40</u>

The

Public Works Authority executed a lease purchase agreement to purchase a 2012 Ford F550 truck with Dump Bed, original amount of \$37,129, dated January 19, 2012, fixed interest rate at 4.850% with final payment due August 19, 2016.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,759.39	\$ 1,526.27	\$ 8,285.66
2014	7,091.19	1,194.47	8,285.66
2015	7,439.28	846.38	8,285.66
2016	7,804.47	481.19	8,285.66
2017	4,044.78	98.05	4,142.83
Totals	<u>\$ 33,139.11</u>	<u>\$ 4,146.36</u>	<u>\$ 37,285.47</u>

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**III. Detailed Notes on Transaction Classes/Accounts (continued)**

**E. Long-Term Debt (continued)**

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

	Balance June 30, 2011	Proceeds	Payments	Balance June 30, 2012	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 340,000.00	\$ -	\$ 65,000.00	\$ 275,000.00	\$ 65,000.00
Lease Obligations	383,096.00	-	60,742.11	322,353.89	312,091.29
	<u>\$ 723,096.00</u>	<u>\$ -</u>	<u>\$ 125,742.11</u>	<u>\$ 597,353.89</u>	<u>\$ 377,091.29</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 233,691.10	\$ -	\$ 112,261.12	\$ 121,429.98	\$ 106,729.98
Lease Obligations	-	107,465.70	10,186.26	97,279.44	19,674.74
	<u>\$ 233,691.10</u>	<u>\$ 107,465.70</u>	<u>\$ 122,447.38</u>	<u>\$ 218,709.42</u>	<u>\$ 126,404.72</u>

**IV. Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The City purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that City, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**IV. Other Information (continued)**

**B. 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 Contribution Plan (OMRF-DCP) – an agent multi-employer defined contribution plan
4. Oklahoma Municipal Retirement Defined Benefit Plan (OMRF-DBP) - an agent multi-employer defined benefit pension plan

*Firefighter's Pension System:*

*Plan Summary Information.* The City of Dewey, as the employer, participates in a statewide cost sharing multi-employer defined benefit 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 employee 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 \$1,260 for the OFPRS plan and was equal to the City's actual contribution for the fiscal year 2012.

*Police Pension System:*

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

The OPPRS issues a publicly available financial report that includes financial statements, which may be obtained by writing to OPPRS, 1001 N.W. 63<sup>rd</sup> 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 2012, the City's annual required contribution was \$42,325 for the OPPRS plan and was equal to the City's actual contribution. The state made on behalf payments of \$11,140 (or 9.1% of covered payroll) for the fiscal year.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**IV. Other Information (continued)**

**B. Pension Plan Participation (continued)**

*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, 2012 were \$4,530.

*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
2010	\$ 1,558	100%	2010	\$ 37,113	100%	2010	\$ 2,079	100%
2011	\$ 1,140	100%	2011	\$ 23,890	100%	2011	\$ 4,075	100%
2012	\$ 1,260	100%	2012	\$ 42,325	100%	2012	\$ 4,530	100%

*OMRF Defined Benefit Plan:*

The City provides a retirement plan, the Oklahoma Municipal Retirement Fund Employee Retirement System of Dewey, Oklahoma, an agent multi-employer – defined benefit plan, for all eligible employees except 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.

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**IV. Other Information (continued)**

**B. Pension Plan Participation (continued)**

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 on 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 benefits with accrued interest
g. Form of Benefit Payments	Normal form is a 60 month certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

Actuarial Assumptions

Date of Last Actuarial Valuation	1-Jul-12
a. Actuarial Cost Method	Entry age Normal
b. Rate of Return on Investments	7.50%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost of Living Increase	N/A
e. Inflation Rate	N/A
f. Mortality	UP 1994 tables
g. Asset Valuation Method	Actuarial method

**City of Dewey, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**IV. Other Information (continued)**

**B. Pension Plan Participation (continued)**

Schedule of Pension Plan Funding Progress – OMRF Defined Benefit Plan

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2003	1,151,884	Actuarial	939,977	EAN	(211,917)	122.5%	328,260	-64.6%
1/1/2044	1,156,562	Actuarial	951,953	EAN	(204,609)	121.5%	324,941	-63.0%
1/1/2005	1,118,824	Actuarial	945,419	EAN	(173,405)	118.3%	317,566	-54.6%
1/1/2006	1,134,332	Actuarial	964,451	EAN	(169,881)	117.6%	334,637	-50.8%
1/1/2007	1,167,004	Actuarial	1,035,027	EAN	(131,977)	112.8%	348,081	-37.9%
1/1/2008	1,207,403	Actuarial	1,143,215	EAN	(64,188)	105.6%	421,983	-15.2%
1/1/2009	1,082,405	Actuarial	1,136,022	EAN	53,617	95.3%	454,547	11.8%
1/1/2010	1,073,576	Actuarial	1,205,815	EAN	132,239	89.0%	486,642	27.2%
1/1/2011	1,105,118	Actuarial	1,257,448	EAN	152,330	87.9%	476,611	32.0%
1/1/2012	1,126,865	Actuarial	1,368,767	EAN	241,902	82.3%	474,866	50.9%

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, OK 73105.

**C. Contingent Liabilities**

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

**D. Subsequent Events**

Management has evaluated subsequent events through October 2, 2013, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Dewey, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balances - Budget and Actual -**  
**Regulatory Basis - General Fund**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
<b>Revenues:</b>					
Taxes	\$ 512,505.00	\$ 512,505.00	\$ 633,484.82	\$ -	\$ 120,979.82
Licenses and permits	18,100.00	18,100.00	16,445.50	-	(1,654.50)
REAP Grants	50,000.00	50,000.00	50,000.00	-	-
Charges for services	163,800.00	166,500.00	26,945.90	2,700.00	(139,554.10)
Fines and forfeitures	162,000.00	162,000.00	318,002.24	-	156,002.24
Investments	500.00	500.00	76.64	-	(423.36)
Miscellaneous	25,000.00	33,705.00	35,890.93	8,705.00	2,185.93
<b>Total Revenues Collected</b>	<b>931,905.00</b>	<b>943,310.00</b>	<b>1,080,846.03</b>	<b>11,405.00</b>	<b>137,536.03</b>
<b>Expenditures:</b>					
Administration	428,016.00	428,016.00	376,311.79	-	51,704.21
Police	636,100.00	645,600.00	601,255.08	9,500.00	44,344.92
Municipal Court	11,236.00	11,236.00	10,596.30	-	639.70
Fire Department	83,651.00	83,651.00	73,847.27	-	9,803.73
Street Department	17,500.00	17,500.00	13,593.81	-	3,906.19
Cemetery	3,950.00	3,950.00	3,369.88	-	580.12
Parks Department	10,800.00	12,705.00	9,945.49	1,905.00	2,759.51
Library	72,313.00	72,313.00	70,942.35	-	1,370.65
<b>Total Expenditures Paid</b>	<b>1,263,566.00</b>	<b>1,274,971.00</b>	<b>1,159,861.97</b>	<b>11,405.00</b>	<b>115,109.03</b>
<b>Excess (Deficit) of Revenues</b>					
Collected Over (Under)					
Expenditures Paid	(331,661.00)	(331,661.00)	(79,015.94)	-	252,645.06
<b>Cash Fund Balance</b>					
Beginning of Year	331,661.00	331,661.00	696,583.31	-	364,922.31
<b>Cash Fund Balance</b>					
End of Year	\$ -	\$ -	\$ 617,567.37	\$ -	\$ 617,567.37

*UNAUDITED*

**OTHER SUPPLEMENTARY INFORMATION**

**City of Dewey, Oklahoma**  
**Schedule of Expenditures of State and Federal Awards**  
**For the Year Ended June 30, 2012**

<b>Grantor/Pass Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Program or Award Amount</b>	<b>Revenue Collected</b>	<b>Total Expenditures</b>
<b>State of Oklahoma Programs:</b>				
Passed through the Oklahoma Department of Agriculture Rural Fire Defense Grant		\$ 4,412.77	\$ 4,412.77	\$ 4,412.77
Passed through Grand Gateway Economic Development Association Rural Economic Action Plan - CIP		<u>50,000.00</u>	<u>50,000.00</u>	<u>50,000.00</u>
Total Expenditures of State Awards		<u>\$ 54,412.77</u>	<u>\$ 54,412.77</u>	<u>\$ 54,412.77</u>
<b>Federal Programs:</b>				
Department of Homeland Security Passed through the Oklahoma Department of Emergency Management Hazard Mitigation Grant	97.039	<u>\$ 1,037.81</u>	<u>\$ 1,037.81</u>	<u>\$ 1,037.81</u>

**City of Dewey, Oklahoma**  
**Combining Balance Sheet – Non-Major Governmental Funds**  
**For the Year Ended June 30, 2012**

	Street and Alley Fund	Special Library Fund	Special Fire Fund	Cemetery Care Fund	Police Benefit Fund	PSO/Franchise Economic Devel. Fund	Debt Service Fund	Total Combined Non-Major Fund
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 33,094.07	\$ 7,555.56	\$ 68,098.96	\$ 39,078.67	\$ 5,994.45	\$ -	\$ 80,873.12	\$ 234,694.83
Taxes Receivable	3,278.45	-	-	-	-	-	1,148.00	4,426.45
Other Receivables	-	-	-	-	-	1,441.00	-	1,441.00
<b>Total Assets</b>	<u>\$ 36,372.52</u>	<u>\$ 7,555.56</u>	<u>\$ 68,098.96</u>	<u>\$ 39,078.67</u>	<u>\$ 5,994.45</u>	<u>\$ 1,441.00</u>	<u>\$ 82,021.12</u>	<u>\$ 240,562.28</u>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities:</b>								
Accounts Payable	\$ 1,827.85	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,827.85
<b>Fund Balance:</b>								
Unassigned	34,544.67	7,555.56	68,098.96	39,078.67	5,994.45	1,441.00	82,021.12	238,734.43
<b>Total Liabilities and Fund Balance</b>	<u>\$ 36,372.52</u>	<u>\$ 7,555.56</u>	<u>\$ 68,098.96</u>	<u>\$ 39,078.67</u>	<u>\$ 5,994.45</u>	<u>\$ 1,441.00</u>	<u>\$ 82,021.12</u>	<u>\$ 240,562.28</u>

**City of Dewey, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2012**

	Street and Alley Fund	Special Library Fund	Special Fire Fund	Cemetery Care Fund	Police Benefit Fund	PSO/Franchise Economic Devel. Fund	Debt Service Fund	Total Combined Non-Major Fund
<b>Revenues:</b>								
Taxes	\$ 29,748.34	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,560.50	\$ 105,308.84
Grants	-	-	4,412.77	-	-	-	-	4,412.77
Charges for services	-	-	-	6,630.90	-	-	-	6,630.90
Investment Earnings	20.72	-	-	23.15	-	-	38.99	82.86
Miscellaneous	(28.00)	625.00	9,577.67	-	500.00	23,811.46	-	34,486.13
Transfers	15,000.00	-	-	-	-	-	-	15,000.00
Total Revenues	<u>44,741.06</u>	<u>625.00</u>	<u>13,990.44</u>	<u>6,654.05</u>	<u>500.00</u>	<u>23,811.46</u>	<u>75,599.49</u>	<u>165,921.50</u>
<b>Expenditures:</b>								
General Government								
Finance/Administration	-	-	-	-	-	23,811.46	-	23,811.46
Cemetery	-	-	-	672.55	-	-	-	672.55
Fire	-	-	6,007.40	-	-	-	-	6,007.40
Police	-	-	-	-	1,225.77	-	-	1,225.77
Transportation								
Street and Alley	34,828.99	-	-	-	-	-	-	34,828.99
Parks and Recreation								
Library	-	2,550.70	-	-	-	-	-	2,550.70
Debt Service								
Principal	-	-	-	-	-	-	65,000.00	65,000.00
Interest	-	-	-	-	-	-	12,370.51	12,370.51
Total Expenditures	<u>34,828.99</u>	<u>2,550.70</u>	<u>6,007.40</u>	<u>672.55</u>	<u>1,225.77</u>	<u>23,811.46</u>	<u>77,370.51</u>	<u>146,467.38</u>
Excess (Deficit) of Revenues over Expenditures	9,912.07	(1,925.70)	7,983.04	5,981.50	(725.77)	-	(1,771.02)	19,454.12
Fund Balance, Beginning of Year	24,632.60	9,481.26	60,115.92	33,097.17	6,720.22	1,441.00	83,792.14	219,280.31
Fund Balance, End of Year	<u>\$ 34,544.67</u>	<u>\$ 7,555.56</u>	<u>\$ 68,098.96</u>	<u>\$ 39,078.67</u>	<u>\$ 5,994.45</u>	<u>\$ 1,441.00</u>	<u>\$ 82,021.12</u>	<u>\$ 238,734.43</u>

**City of Dewey, Oklahoma**  
**Combining Balance Sheet – General Fund Accounts**  
**For the Year Ended June 30, 2012**

	General Fund	Special Street Fund	Don Tyler Park Fund	Law Enforcement Tech Fund	CLEET Fund	CDBG Fund	Tech Support Fund	Perpetual Cemetery Fund	Employee Benefit Fund	Total Combined General Fund
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 366,869.20	\$ -	\$ 1.00	\$ 28,125.15	\$ 15,753.99	\$ -	\$ 6,891.50	\$ 88,225.00	\$ 857.40	\$ 506,723.24
Accounts Receivable, net	16,849.00	-	-	-	-	-	-	-	-	16,849.00
Taxes Receivable	80,466.79	-	-	-	-	-	-	-	-	80,466.79
Other Receivables	29,465.17	-	-	-	-	-	-	-	-	29,465.17
Prepaid Insurance	-	-	-	-	-	-	-	-	-	-
Property, Plant, and Equipment, net	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 493,650.16</u>	<u>\$ -</u>	<u>\$ 1.00</u>	<u>\$ 28,125.15</u>	<u>\$ 15,753.99</u>	<u>\$ -</u>	<u>\$ 6,891.50</u>	<u>\$ 88,225.00</u>	<u>\$ 857.40</u>	<u>\$ 633,504.20</u>
<b>LIABILITIES AND FUND BALANCE</b>										
<b>Liabilities:</b>										
Accounts Payable	\$ 2,823.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,823.30
Accrued Payroll	8,586.01	-	-	-	-	-	-	-	-	8,586.01
Deferred Revenue	2,972.26	-	-	-	-	-	-	-	-	2,972.26
Other payables	1,555.26	-	-	-	-	-	-	-	-	1,555.26
<b>Total Liabilities</b>	<u>15,936.83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,936.83</u>
<b>Fund Balance:</b>										
Unassigned	477,713.33	-	1.00	28,125.15	15,753.99	-	6,891.50	88,225.00	857.40	617,567.37
<b>Total Liabilities and Fund Balance</b>	<u>\$ 493,650.16</u>	<u>\$ -</u>	<u>\$ 1.00</u>	<u>\$ 28,125.15</u>	<u>\$ 15,753.99</u>	<u>\$ -</u>	<u>\$ 6,891.50</u>	<u>\$ 88,225.00</u>	<u>\$ 857.40</u>	<u>\$ 633,504.20</u>

**City of Dewey, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund Accounts**  
**For the Year Ended June 30, 2012**

	General Fund	Special Street Fund	Don Tyler Park Fund	Law Enforcement Tech Fund	CDBG Fund	Tech Support Fund	Perpetual Cemetery Fund	CLEET Fund	Employee Benefit Fund	Total Combined General Fund
<b>Revenues:</b>										
Taxes	\$ 633,484.82	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 633,484.82
Licenses and permits	16,445.50	-	-	-	-	-	-	-	-	16,445.50
Reap Grant	50,000.00	-	-	-	-	-	-	-	-	50,000.00
Charges for services	20,315.00	-	-	-	-	-	6,630.90	-	-	26,945.90
Fines and forfeitures	288,663.24	-	-	3,946.00	-	4,016.00	-	21,377.00	-	318,002.24
Investment Earnings	75.97	-	-	-	0.67	-	-	-	-	76.64
Miscellaneous	33,878.31	-	1,908.62	-	104.00	-	-	-	-	35,890.93
Total Revenues	<u>1,042,862.84</u>	<u>-</u>	<u>1,908.62</u>	<u>3,946.00</u>	<u>104.67</u>	<u>4,016.00</u>	<u>6,630.90</u>	<u>21,377.00</u>	<u>-</u>	<u>1,080,846.03</u>
<b>Expenditures:</b>										
<b>General Government</b>										
Finance/Administration	360,928.13	-	2,083.62	5,089.82	3.00	2,650.01	-	-	-	370,754.58
Cemetery	3,369.88	-	-	-	-	-	-	-	-	3,369.88
Fire	67,839.87	-	-	-	-	-	-	-	-	67,839.87
Municipal Court	10,596.30	-	-	-	-	-	-	-	-	10,596.30
Police	601,255.08	-	-	-	-	-	-	18,260.80	-	619,515.88
Transportation	-	-	-	-	-	-	-	-	-	-
Street and Alley	13,593.81	-	-	-	-	-	-	-	-	13,593.81
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Parks Dept.	5,800.00	-	-	-	-	-	-	-	-	5,800.00
Library	68,391.65	-	-	-	-	-	-	-	-	68,391.65
Total Expenditures	<u>1,131,774.72</u>	<u>-</u>	<u>2,083.62</u>	<u>5,089.82</u>	<u>3.00</u>	<u>2,650.01</u>	<u>-</u>	<u>18,260.80</u>	<u>-</u>	<u>1,159,861.97</u>
Excess (Deficit) of Revenues over Expenditures	(88,911.88)	-	(175.00)	(1,143.82)	101.67	1,365.99	6,630.90	3,116.20	-	(79,015.94)
Fund Balance, Beginning of Year	566,625.21	-	176.00	29,268.97	(101.67)	5,525.51	81,594.10	12,637.79	857.40	696,583.31
Fund Balance, End of Year	<u>\$ 477,713.33</u>	<u>\$ -</u>	<u>\$ 1.00</u>	<u>\$ 28,125.15</u>	<u>\$ -</u>	<u>\$ 6,891.50</u>	<u>\$ 88,225.00</u>	<u>\$ 15,753.99</u>	<u>\$ 857.40</u>	<u>\$ 617,567.37</u>

**City of Dewey, Oklahoma**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2012**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2012-1 Material Adjusting Journal Entries**

*Criteria:*

The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal control, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

*Condition:*

The government's trial balances for the year ended June 30, 2012, required a number of material adjusting entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: adjusting cash accounts, adjusting accounts receivable/accounts payable/payroll taxes payable, recording asset additions, and adjusting note payments.

*Cause:*

The government's accounting and financial reporting staff lacks the necessary knowledge, expertise, and education, relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances.

*Effect or Potential Effect:*

As a result of this condition, without reliance on external auditors, the government lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions regarding the trial balances.

**City of Dewey, Oklahoma**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2012**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2012-1 Material Adjusting Journal Entries (continued)**

*Recommendation:*

The government should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise, and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the government's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

*Client Response:*

Management will seek to obtain either qualified staff or outsource the control activities to a qualified accounting firm.