

THE TOWN OF DEWAR, OKLAHOMA

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

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

**TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2010**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Board of the
Town of Dewar, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dewar, Oklahoma (the "Town"), as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the Town prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, and each major fund of the Town of Dewar, Oklahoma, as of December 31, 2010, and the respective changes in financial position and cash flows – modified cash basis, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011 on our consideration of the Town of Dewar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The financial information presented as supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.


Edmond, Oklahoma
December 20, 2011

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2010

The management of the Town of Dewar is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended December 31, 2010. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- The Town's total net assets decreased by \$28,841, and the assets of the Town exceed its liabilities at December 31, 2010, by \$773,592 (net assets). Of this amount, \$38,633 (unrestricted net assets) is available to meet the Town's ongoing needs.
- At December 31, 2010, the Town's governmental funds reported combined ending fund balances of \$114,444.
- At the end of calendar year 2010, unreserved fund balance for the General Fund was \$6,704 or 3% of General Fund net revenues.

ABOUT THE TOWN

The Town of Dewar is a statutory town form of government with a population of 919 located in Okmulgee County in east central Oklahoma. The Town is governed by a five-member Board and operates under state law and Town ordinances through the three branches of democratic government:

- Legislative – the Town Board is a five-member governing body elected by the citizens at large
- Executive – the Town Mayor is the Chief Executive Officer and is elected by the citizenry
- Judicial – the Municipal Judge is a practicing attorney appointed by the Town Board

The Town provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, community development, and certain utility services including water, sewer, and sanitation.

The Town's Financial Reporting Entity

This annual report includes all activities for which the Town Board is fiscally responsible. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities.

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

- **The Town of Dewar (primary government)** – that operates the public safety, parks and recreation, streets and highways, economic and community development, and administrative activities.
- **The Dewar Public Works Authority** – that operates the water, sewer, and sanitation services of the Town through a public trust of which the Town is beneficiary. The Town Board serves as

trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the Town Board.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Dewar (the "Town") and the Dewar 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 Town from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the Town as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the Town's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the Town's most significant (major) funds -- not the Town as a whole. Some funds are required to be established by State law and by debt covenants. However, the Town Council may also establish certain 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 Town's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
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Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the Town, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The Town's proprietary fund is the Dewar 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 23-34 of this report.

Other Information

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

THE TOWN AS A WHOLE

For the year ended December 31, 2010, net assets for the governmental and business-type activities decreased \$28,841. The results indicate the Town, as a whole, did not improve its financial condition from the prior year.

The Town of Dewar's Net Assets

	Governmental Activities	Business-type Activities	Total
Beginning net assets	\$ 538,138	\$ 264,295	\$ 802,433
Increase/(Decrease)	(133)	(28,708)	(28,841)
Ending net assets	\$ 538,005	\$ 235,587	\$ 773,592

The following is a summary comparison of change in net assets from last year for the Town of Dewar.

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 115,354	\$ 92,551	\$ 112,363	\$ 126,473	\$ 227,717	\$ 219,024
Capital assets, net	520,330	544,423	582,820	614,681	1,103,150	1,159,104
Total assets	635,684	636,974	695,183	741,154	1,330,867	1,378,128
Liabilities:						
Long-term liabilities	96,769	97,096	459,243	475,757	556,012	572,853
Other liabilities	910	1,740	353	1,103	1,263	2,843
Total liabilities	97,679	98,836	459,596	476,860	557,275	575,696
Net assets:						
Invested in capital assets, net	423,561	447,327	151,116	166,296	574,677	613,623
Restricted	107,740	83,546	52,542	51,934	160,282	135,480
Unrestricted	6,704	7,265	31,929	46,064	38,633	53,329
Total net assets	\$ 538,005	\$ 538,138	\$ 235,587	\$ 264,294	\$ 773,592	\$ 802,432

The largest portion of the Town's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the investment in capital assets, net of related debt, amounted to \$574,677.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets, \$160,282, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$38,633, may be used to meet the government's ongoing needs.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for Services	\$ 57,170	\$ 68,116	\$ 317,478	\$ 325,650	\$ 374,648	\$ 393,766
Grants & Contributions	33,465	19,409	-	-	33,465	19,409
Capital Grants & Contributions	15,082	-	51,611	-	66,693	-
General Revenues:						
Sales and Use Taxes	111,975	107,732	-	-	111,975	107,732
Other Taxes	18,937	22,144	-	-	18,937	22,144
Other General Revenues	46,807	38,117	1,011	1,304	47,818	39,421
Total Revenues	283,436	255,518	370,100	326,954	653,536	582,472
Program Expenses:						
General Government	141,326	121,885	-	-	141,326	121,885
Public Safety	131,392	151,941	-	-	131,392	151,941
Highways and Streets	9,814	11,157	-	-	9,814	11,157
Water	-	-	188,417	229,775	188,417	229,775
Sewer	-	-	113,753	122,422	113,753	122,422
Sanitation	-	-	92,638	64,995	92,638	64,995
Interest on long-term debt	5,037	2,216	-	-	5,037	2,216
Total Expenses	287,569	287,199	394,808	417,192	682,377	704,391
Excess (Deficiency)	(4,133)	(31,681)	(24,708)	(90,238)	(28,841)	(121,919)
Net Transfers	4,000	14,505	(4,000)	(14,505)	-	-
Increase/(Decrease) Net Assets	\$ (133)	\$ (13,723)	\$ (28,708)	\$ (104,743)	\$ (28,841)	\$ 122,285

Governmental Activities

The Town's governmental activities' decrease in net assets of \$133 represents a 0.02% negative decrease. Net assets remained relatively consistent with the prior year.

Business-type Activities

The business-type activities' had a decrease in net assets of \$28,708 or an 11% decrease. The decrease in net assets in the prior year was 29%. This is a smaller decrease compared to the prior year due to the Dewar Public Works Authority receiving a \$51,611 grant in the current year.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2010 calendar year, the governmental funds reported an unreserved fund balance of \$114,444, or a 26 % increase from the prior year.

Other fund highlights include:

- For the year ended December 31, 2010, the General Fund's total fund balance decreased by \$561 or 8%.

General Fund Budgetary Highlights

For the year ended December 31, 2010, the General Fund reported actual budgetary basis revenues above final estimates by \$9,854 or a 4% positive variance. General Fund actual expenditures were above final appropriations by \$12,056 or a 5% negative variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2010, the Town had approximately \$1.16 million invested in capital assets (net of accumulated depreciation) including land, buildings, machinery and equipment, and park facilities. This represents a net decrease of \$55,954 from last year.

Below are details regarding the change in the Town's capital assets for the year ended December 31, 2010.¹

¹ For more detailed information on capital asset activity please refer to pages 27-29, Note 4. Capital Assets and Depreciation

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2010

The Town of Dewar's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 20,000	\$ 20,000	\$ 9,500	\$ 9,500	\$ 29,500	\$ 29,500
Buildings and Improvements	384,274	384,274	5,700	5,700	389,974	389,974
Machinery and Equipment	628,840	603,948	133,092	132,026	761,932	735,974
Improvements other than buildings	6,383	6,383	-	-	6,383	6,383
Infrastructure	44,469	44,469	-	-	44,469	44,469
Utility Systems	-	-	1,732,827	1,725,062	1,732,827	1,725,062
Construction-in-progress	-	-	43,500	3,500	43,500	3,500
Totals	1,083,966	1,059,074	1,924,619	1,875,788	3,008,585	2,934,862
Less Accumulated Depreciation	(563,636)	(514,651)	(1,341,799)	(1,261,107)	(1,905,435)	(1,775,758)
Totals, Net	\$ 520,330	\$ 544,423	\$ 582,820	\$ 614,681	\$ 1,103,150	\$ 1,159,104

This year's more significant capital asset additions include the following:

- The purchase of a John Deere tractor and loader.
- The construction in progress of the wastewater treatment project.

Debt Administration

At year-end, the City had \$556,012 in long-term debt outstanding, which represents a \$16,841 decrease from the prior year.

The Town of Dewar's Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Note payable	\$ 20,701	\$ 14,202	\$ 431,704	\$ 450,059	\$ 452,405	\$ 464,261
Capital lease payable	76,068	82,894	-	-	76,068	82,894
Deposits subject to refund	-	-	27,539	25,698	27,539	25,698
Totals	\$ 96,769	\$ 97,096	\$ 459,243	\$ 475,757	\$ 556,012	\$ 572,853

During the year ended December 31, 2010 the Town received note proceeds used to finance the repair of the foundation of the community center.²

² For more detailed information on long-term debt activity please refer to pages 29-31, Note 5. Long-Term Debt and Debt Service Requirements.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The 2011 budget is consistent to prior years.

Contacting the Town's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 7, Dewar, Oklahoma 74431 or telephone at 918-652-4042.

**TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2010**

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET ASSETS AND ACTIVITIES

TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2010

Statement of Net Assets (Modified Cash Basis)– December 31, 2010

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 90,778	\$ 94,737	\$ 185,515
Deposits with insurance pool	17,614	-	17,614
Investments	-	24,588	24,588
Internal balances	6,962	(6,962)	-
Capital assets:			
Land and construction in progress	20,000	53,000	73,000
Other capital assets, net of depreciation	500,330	529,820	1,030,150
Total Assets	<u>635,684</u>	<u>695,183</u>	<u>1,330,867</u>
LIABILITIES			
Payroll withholdings liabilities	259	122	381
Due to other governments	651	-	651
Other payable	-	231	231
Long-term liabilities:			
Due within one year	20,896	24,721	45,617
Due in more than one year	75,873	434,522	510,395
Total Liabilities	<u>97,679</u>	<u>459,596</u>	<u>557,275</u>
NET ASSETS			
Invested in capital assets, net of related debt	423,561	151,116	574,677
Restricted for debt service	-	52,542	52,542
Restricted for other purposes	107,740	-	107,740
Unrestricted	6,704	31,929	38,633
Total Net Assets	<u>\$ 538,005</u>	<u>\$ 235,587</u>	<u>\$ 773,592</u>

See accompanying notes to the basic financial statements.

**TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2010**

Statement of Activities (Modified Cash Basis)– Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		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	\$ 141,326	\$ 100	\$ 19,340	\$ 15,082	\$ (106,804)	\$ -	\$ (106,804)
Public safety	131,392	50,670	5,880	-	(74,842)	-	(74,842)
Streets and highways	9,814	-	8,245	-	(1,569)	-	(1,569)
Interest on long-term debt	5,037	-	-	-	(5,037)	-	(5,037)
Total governmental activities	287,569	50,770	33,465	15,082	(188,252)	-	(188,252)
Business-type activities:							
Water	188,417	179,090	-	51,611	-	42,284	42,284
Sewer	113,753	66,589	-	-	-	(47,164)	(47,164)
Sanitation	92,638	71,799	-	-	-	(20,839)	(20,839)
Total business-type activities	394,808	317,478	-	51,611	-	(25,719)	(25,719)
Total primary government	\$ 682,377	\$ 368,248	\$ 33,465	\$ 66,693	\$ (188,252)	\$ (25,719)	\$ (213,971)
General revenues:							
Taxes							
Sales and use taxes					111,975	-	111,975
Franchise and public service taxes					18,937	-	18,937
Intergovernmental revenue not restricted to specific programs					6,781	-	6,781
Investment income					539	1,011	1,550
Miscellaneous					45,887	-	45,887
Transfers - internal activity					4,000	(4,000)	-
Total general revenues and transfers					188,119	(2,989)	185,130
Change in net assets					(133)	(28,708)	(28,841)
Net assets - beginning					538,138	264,295	802,433
Net assets - ending					\$ 538,005	\$ 235,587	\$ 773,592

See accompanying notes to the basic financial statements.

**TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Funds Balance Sheet (Modified Cash Basis) – December 31, 2010

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 100	\$ 53,070	\$ 37,608	\$ 90,778
Deposits with insurance pool	17,614	-	-	17,614
Due from other funds	<u>7,887</u>	<u>4,935</u>	<u>13,052</u>	<u>25,874</u>
 Total Assets	 <u>\$ 25,601</u>	 <u>\$ 58,005</u>	 <u>\$ 50,660</u>	 <u>\$ 134,266</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ 651	\$ -	\$ -	\$ 651
Due to other funds	17,987	-	925	18,912
Payroll withholding liabilities	<u>259</u>	<u>-</u>	<u>-</u>	<u>259</u>
 Total Liabilities	 <u>18,897</u>	 <u>-</u>	 <u>925</u>	 <u>19,822</u>
Fund Balances:				
Unreserved	<u>6,704</u>	<u>58,005</u>	<u>49,735</u>	<u>114,444</u>
Total Fund Balances	<u>6,704</u>	<u>58,005</u>	<u>49,735</u>	<u>114,444</u>
 Total Liabilities and Fund Balances	 <u>\$ 25,601</u>	 <u>\$ 58,005</u>	 <u>\$ 50,660</u>	 <u>\$ 134,266</u>

See accompanying notes to the basic financial statements.

**TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2010**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended December 31, 2010**

	General Fund	Street & Alley Fund	Dedicated Sales Tax Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 103,375	\$ -	\$ 27,537	\$ 130,912
Intergovernmental	47,083	8,245	-	55,328
Charges for services	400	-	-	400
Fines and forfeitures	50,270	-	-	50,270
Licenses and permits	100	-	-	100
Investment income	539	-	-	539
Miscellaneous	45,887	-	-	45,887
Total Revenues	247,654	8,245	27,537	283,436
Expenditures:				
Current:				
General government	136,600	-	-	136,600
Public Safety:				
Police	60,845	-	-	60,845
Fire	28,988	-	-	28,988
Streets	6,629	-	-	6,629
Capital outlay	24,893	-	484	25,377
Debt service:				
Principal retirement	3,501	-	6,826	10,327
Interest	759	-	4,278	5,037
Total Expenditures	262,215	-	11,588	273,803
Other Financing Sources (Uses):				
Capital note proceeds	10,000	-	-	10,000
Operating transfers in	4,000	-	-	4,000
Net change in fund balances	(561)	8,245	15,949	23,633
Fund balances - beginning	7,265	49,760	33,786	90,811
Fund balances - ending	\$ 6,704	\$ 58,005	\$ 49,735	\$ 114,444

See accompanying notes to the basic financial statements.

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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Fund balances of governmental funds	\$ 114,444
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities of \$1,083,966, net of accumulated depreciation of \$563,636 are not financial resources and, therefore, are not reported in the funds.	520,330
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Capital lease payable	<u>(96,769)</u>
Net assets of governmental activities	<u>\$ 538,005</u>

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds	\$ 23,633
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	24,892
Depreciation expense	<u>(48,985)</u>
	<u>(24,093)</u>
Note 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:	
Capital note proceeds	(10,000)
Note payable principal payments	<u>10,327</u>
Change in net assets of governmental activities	<u>\$ (133)</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Fund Statement of Net Assets (Modified Cash Basis) – December 31, 2010

	Public Works Authority Enterprise Fund
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 14,656
Investments	24,588
Total current assets	39,244
Noncurrent assets:	
Restricted cash and cash equivalents	80,081
Land and construction-in-progress	53,000
Other capital assets, net of accumulated depreciation	529,820
Total noncurrent assets	662,901
Total Assets	702,145
LIABILITIES:	
Current Liabilities:	
Payroll withholding liabilities	122
Due to other funds	6,962
Other payable	231
Deposits subject to refund, current portion	5,508
Notes payable	19,213
Total current liabilities	32,036
Noncurrent Liabilities:	
Deposits subject to refund, net of current portion	22,031
Notes payable	412,491
Total noncurrent liabilities	434,522
Total Liabilities	466,558
NET ASSETS	
Invested in capital assets, net of related debt	151,116
Restricted for debt service	52,542
Unrestricted	31,929
Total net assets	\$ 235,587

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended December 31, 2010

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water	\$ 174,675
Sewer	64,945
Sanitation	70,030
Water and sewer taps	300
Penalties	5,310
Miscellaneous	2,218
	317,478
Operating Expenses	
Water	155,192
Sewer	45,663
Sanitation	92,638
Depreciation	80,693
	374,186
Operating Income (Loss)	(56,708)
Non-Operating Revenues (Expenses):	
Investment income	1,011
Interest expense	(20,622)
Grant revenue	51,611
	32,000
Net Income Before Transfers	(24,708)
Transfers out	(4,000)
Change in net assets	(28,708)
Total net assets - beginning	264,295
Total net assets - ending	\$ 235,587

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended December 31, 2010

	Public Works Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 317,478
Payments to vendors	(236,886)
Payments to employees	(57,357)
Receipts of customer utility deposits	6,839
Customer utility deposits refunded or applied	(4,998)
	25,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(4,000)
Net Cash Provided by (Used in) Noncapital financing activities	(4,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grant receipts	51,611
Purchases of capital assets	(48,832)
Principal paid on capital debt	(18,355)
Interest paid on capital debt	(20,622)
	(36,198)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(66)
Investment income	1,011
	945
Net Increase (Decrease) In Cash and Cash Equivalents	(14,177)
Balance - beginning of the year	108,914
Balance - end of the year	\$ 94,737
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 14,656
Restricted cash and cash equivalents	80,081
Total cash and cash equivalents	\$ 94,737
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (56,708)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	80,693
Change in assets and liabilities:	
Payroll withholding liabilities	(726)
Other payable	(24)
Deposits subject to refund	1,841
Net cash provided by operating activities	\$ 25,076

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Financial Reporting Entity

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

- **The Town of Dewar** – that operates the public safety, health and welfare, streets and highways, parks and recreation, economic and community development, and administrative activities.
- **The Dewar Public Works Authority** – that operates the water, sewer, and sanitation services of the Town through a public trust of which the Town is the beneficiary. The Town Board serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the Town Board.

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

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

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

- General government: License and permits, rents and royalties, fire subscriptions, and operating grants
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

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

Governmental Funds:

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

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements
- Dedicated Sales Tax Fund – accounts for one cent of sales tax restricted by the voters for fire equipment and street maintenance and improvements

The Town reports all of its governmental funds as major funds.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. 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 economic resources measurement focus at the government-wide level.

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities. The compensated absence obligation at December 31, 2010, is \$2,297.

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3. 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.

For the year ended December 31, 2010, the Town recognized \$1,550 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the Town's deposits are in demand and short-term time deposits.

Primary Government:

At December 31, 2010, the primary government held the following deposits and investments:

	Maturities	Carrying Value
Deposits:		
Demand deposits	n/a	\$ 185,515
Time deposits	2/15/2011	20,000
Time deposits	4/6/2011	4,588
		\$ 210,103
 Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 185,515
Investments		24,588
		\$ 210,103

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 either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of December 31, 2010, the Town was not exposed to custodial credit risk as defined above.

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

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers

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acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the Town's public trusts.

As of December 31, 2010, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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

Restricted cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for debt service, debt reserve, or utility deposit purposes. The restricted assets as of December 31, 2010 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>
Utility Deposits	\$ 27,539
Reserve Account RDA	<u>52,542</u>
Total Restricted Assets	<u><u>\$ 80,081</u></u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, improvements other than buildings, 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, 1998. Prior to July 1, 2001, 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, 2001 are recorded at cost.

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For the year ended December 31, 2010, capital assets balances changed as follows:

	Balance at January 1, 2010	Additions	Disposals	Balance at December 31, 2010
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Total capital assets not being depreciated	20,000	-	-	20,000
Other capital assets:				
Buildings	384,274	-	-	384,274
Machinery and equipment	603,948	24,892	-	628,840
Improvements other than buildings	6,383	-	-	6,383
Infrastructure	44,469	-	-	44,469
Total other capital assets at historical cost	1,039,074	24,892	-	1,063,966
Less accumulated depreciation for:				
Buildings	236,331	6,106	-	242,437
Machinery and Equipment	258,380	40,056	-	298,436
Improvements other than buildings	1,701	638	-	2,339
Infrastructure	18,239	2,185	-	20,424
Total accumulated depreciation	514,651	48,985	-	563,636
Other capital assets, net	524,423	(24,093)	-	500,330
Governmental activities capital assets, net	\$ 544,423	\$ (24,093)	\$ -	\$ 520,330
	Balance at January 1, 2010	Additions	Disposals	Balance at December 31, 2010
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	3,500	40,000	-	43,500
Total capital assets not being depreciated	13,000	40,000	-	53,000
Other capital assets:				
Buildings	5,700	-	-	5,700
Machinery and Equipment	132,023	1,069	-	133,092
Utility Systems	1,725,064	7,763	-	1,732,827
Total other capital assets at historical cost	1,862,787	8,832	-	1,871,619
Less accumulated depreciation for:				
Buildings	213	285	-	498
Machinery and Equipment	79,738	9,016	-	88,754
Utility Systems	1,181,155	71,392	-	1,252,547
Total accumulated depreciation	1,261,106	80,693	-	1,341,799
Other capital assets, net	601,681	(71,861)	-	529,820
Business-type activities capital assets, net	\$ 614,681	\$ (31,861)	\$ -	\$ 582,820

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Depreciation:

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 years
- Machinery, furniture and equipment 3-10 years
- Utility property and improvements 40 years
- Infrastructure 20-50 years

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:

<i>Governmental Activities:</i>		<i>Business-type Activities:</i>	
General government	\$ 4,726	Water	\$ 25,768
Public safety	41,074	Sewer	54,925
Streets	3,185		
Total depreciation	<u>\$ 48,985</u>	Total depreciation	<u>\$ 80,693</u>

Included in machinery and equipment are capital lease assets totaling \$109,600 with accumulated depreciation of \$10,030.

5. Long-Term Debt and Debt Service Requirements

For the year ended December 31, 2010, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance Due January 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due December 31, 2010</u>	<u>Amount Due Within One Year</u>
<i>Governmental-Type Activities:</i>					
Capital lease payable	\$ 82,894	\$ -	\$ 6,826	\$ 76,068	\$ 7,179
Note payable	14,202	10,000	3,501	20,701	13,717
Total Governmental-Type Activities	<u>\$ 97,096</u>	<u>\$ 10,000</u>	<u>\$ 10,327</u>	<u>\$ 96,769</u>	<u>\$ 20,896</u>
<i>Business-Type Activities:</i>					
Notes Payable	\$ 450,059	\$ -	\$ 18,355	\$ 431,704	\$ 19,213
Deposits Subject to Refund	25,698	6,839	4,998	27,539	5,508
Total Business-Type Activities	<u>\$ 475,757</u>	<u>\$ 6,839</u>	<u>\$ 23,353</u>	<u>\$ 459,243</u>	<u>\$ 24,721</u>

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Governmental activities long-term debt payable from taxes and other general revenues include the following:

Capital Lease Payable:

\$85,700 capital lease payable to Welch State Bank payable in monthly installments of \$925, including principal and interest at 5.38%, final payment due July 2019, payable from Dedicated Sales Tax Fund.

Current portion	\$7,179
Non-current portion	<u>68,889</u>
Total Capital Lease Payable	<u>\$76,068</u>

Note Payable:

\$15,000 note payable to American Exchange Bank payable in monthly installments of \$355, including principal and interest at 6%, final payment due September 2013, payable from General Fund. \$10,701

\$10,000 note payable to American Exchange Bank payable in one installment of \$10,292, including principal and interest of 6%, final payment due April 2011, payable from General Fund 10,000
\$20,701

Current portion	\$13,717
Non-current portion	<u>6,984</u>
Total Note Payable	<u>\$20,701</u>

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

Notes Payable:

Note payable to Rural Utilities Services, payable in monthly installments of \$1,315, including principal and interest at 5%, final payment due November 2019. \$82,226

Note payable to Rural Utilities Services, payable in monthly installments of \$376, including principal and interest at 5%, final payment due December 2032. 59,677

Note payable to Rural Utilities Services, original amount of \$335,000, (\$331,601 advanced-to-date), payable in monthly installments of \$1,521 after first year interest only payment of \$1,297, interest at 4.5%, final payment due April 2039. 289,801

Total Notes Payable \$ 431,704

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Current portion	\$19,213
Non-current portion	<u>412,491</u>
Total Notes Payable	<u>\$431,704</u>

Customer Deposits:

Refundable customer deposits reported as a liability within the Statement of Net Assets are comprised of utility customer deposits payable. \$ 27,539

Current portion	\$ 5,508
Non-current portion	<u>22,031</u>
Total Customer Deposits	<u>\$ 27,539</u>

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

Year Ended December 31,	Governmental Type Activities				Business Type Activities	
	Capital Lease Payable		Note Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 7,179	\$ 3,925	\$ 13,717	\$ 543	\$ 19,213	\$ 19,763
2012	7,565	3,540	3,946	314	20,117	18,859
2013	7,993	3,112	3,038	77	21,172	17,804
2014	8,434	2,671	-	-	22,229	16,747
2015	8,899	2,205	-	-	23,336	15,640
2016-2020	35,998	3,680	-	-	60,977	66,885
2021-2025	-	-	-	-	59,596	54,224
2026-2030	-	-	-	-	75,091	38,731
2031-2035	-	-	-	-	78,826	20,403
2036-2039	-	-	-	-	51,147	3,664
Total	<u>\$ 76,068</u>	<u>\$ 19,133</u>	<u>\$ 20,701</u>	<u>\$ 934</u>	<u>\$ 431,704</u>	<u>\$ 272,720</u>

6. Net Assets and Fund Balances

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.

Restricted for other purposes:

Street and Alley Maintenance	\$ 58,005
Fire Equipment or Street Maintenance	49,735
	<u>\$ 107,740</u>

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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 Town’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.

8. Sales Tax Revenue

Sales tax revenue represents a 4 cent local tax on each dollar of taxable sales within the Town, of which 1 cent is voter-restricted for fire equipment and street maintenance or improvements in accordance with Town Ordinance 136.

9. Property Tax Levy

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

10. Internal and Interfund Balances and Transfers

The Town’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.

Interfund balances at December 31, 2010, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Dedicated Sales Tax Fund	General Fund	\$ 925	Debt payments
DPWA	General Fund	6,962	Insurance proceeds
General Fund	Dedicated Sales Tax Fund	13,052	Sales tax not yet transferred
General Fund	Street and Alley Fund	3,421	Gas excise taxes
General Fund	Street and Alley Fund	1,514	To cover negative cash
Total Interfund Balances		<u>\$ 25,874</u>	

Reconciliation to Statement of Net Assets:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Activities	\$ 25,874	\$ (18,912)	\$ 6,962
Business-Type Activities	-	(6,962)	(6,962)
	<u>\$ 25,874</u>	<u>\$ (25,874)</u>	<u>\$ -</u>

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Internal transfers between funds and activities for the year ended December 31, 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
DPWA	General Fund	\$ 4,000	Reimbursement
Total		<u>\$ 4,000</u>	

Reconciliation to Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$4,000	-	\$4,000
Business-Type Activities	-	(4,000)	(4,000)
	<u>\$4,000</u>	<u>(\$4,000)</u>	<u>-</u>

11. Risk Management

The Town 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 Town 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 Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

12. Commitments and Contingencies

Litigation:

The Town 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 Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust Authorities. While the outcome of the above noted proceedings 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.

Federal and State Award Programs:

The Town of Dewar participates in various federal or state grant/loan programs from year to year. In 2010, the Town's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements.

13. Pension Plan Participation

The Town of Dewar participates in one pension or retirement plan:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan

Firefighter Pension System:

Plan Summary Information. The Town of Dewar, 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 Town 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 Town, OK 73105-3414.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The Town 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 OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2008	\$660	\$660
2009	\$660	\$660
2010	\$660	\$720

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ 7,265	\$ 7,265
Resources (Inflows):				
Taxes	127,000	127,000	103,375	(23,625)
Intergovernmental	6,100	6,100	47,083	40,983
Charges for Services	6,000	6,000	6,400	400
Fines and Forfeitures	55,000	55,000	50,270	(4,730)
Licenses and Permits	200	200	100	(100)
Interest	-	-	539	539
Miscellaneous	17,500	17,500	39,887	22,387
Other financing sources - transfers in	40,000	40,000	4,000	(36,000)
Capital lease proceeds	-	-	10,000	10,000
Total Revenue	<u>251,800</u>	<u>251,800</u>	<u>261,654</u>	<u>9,854</u>
Amounts available for appropriation	<u>251,800</u>	<u>251,800</u>	<u>268,919</u>	<u>17,119</u>
Charges to Appropriations (Outflows):				
General Government	117,874	117,874	151,681	(33,807)
Police	110,685	110,685	70,821	39,864
Fire	21,600	21,600	33,084	(11,484)
Streets	-	-	6,629	(6,629)
Total Charges to Appropriations	<u>250,159</u>	<u>250,159</u>	<u>262,215</u>	<u>(12,056)</u>
Ending Budgetary Fund Balance	<u>\$ 1,641</u>	<u>\$ 1,641</u>	<u>\$ 6,704</u>	<u>\$ 5,063</u>

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2010
(Continued)

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 48,094	\$ 48,094	\$ 49,760	\$ 1,666
Resources (Inflows):				
Intergovernmental	6,700	6,700	8,245	1,545
Total Revenue	<u>6,700</u>	<u>6,700</u>	<u>8,245</u>	<u>1,545</u>
Amounts available for appropriation	<u>54,794</u>	<u>54,794</u>	<u>58,005</u>	<u>3,211</u>
Charges to Appropriations (Outflows):				
Streets	6,700	6,700	-	6,700
Total Charges to Appropriations	<u>6,700</u>	<u>6,700</u>	<u>-</u>	<u>6,700</u>
Ending Budgetary Fund Balance	<u>\$ 48,094</u>	<u>\$ 48,094</u>	<u>\$ 58,005</u>	<u>\$ 9,911</u>

	DEDICATED SALES TAX FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 59,706	\$ 59,706	\$ 33,786	\$ (25,920)
Resources (Inflows):				
Taxes	32,000	32,000	27,537	(4,463)
Total Resources	<u>32,000</u>	<u>32,000</u>	<u>27,537</u>	<u>(4,463)</u>
Amounts available for appropriation	<u>91,706</u>	<u>91,706</u>	<u>61,323</u>	<u>(30,383)</u>
Charges to Appropriations:				
Fire	11,104	11,104	11,588	(484)
Total Charges to Appropriations	<u>11,104</u>	<u>11,104</u>	<u>11,588</u>	<u>(484)</u>
Ending Budgetary Fund Balance	<u>\$ 80,602</u>	<u>\$ 80,602</u>	<u>\$ 49,735</u>	<u>\$ (30,867)</u>

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Town Council approval.
3. In the General Fund and the Dedicated Sales Tax Fund, the Town had negative variances in the following category levels and for the following amount:

General Fund – General Government	\$33,807
General Fund – Fire	\$11,484
General Fund – Streets	\$6,629
Dedicated Sales Tax Fund – Fire	\$484

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SUPPLEMENTARY INFORMATION

**TOWN OF DEWAR, OKLAHOMA
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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended
December 31, 2010**

State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>DEPARTMENT OF COMMERCE:</u>				
Passed through Eastern Oklahoma Department of Commerce: CDBG-CIP 06	14.228	12521 CDBG-CIP 06	\$ 8,000	\$ 4,000
<u>DEPARTMENT OF CIVIL EMERGENCY MANAGEMENT:</u>				
Passed through State of Oklahoma Dept of Emergency Management FEMA-1678-DR-OK	97.036	FEMA-1678-DR-OK	1,482	1,482
TOTAL FEDERAL AWARDS			\$ 9,482	\$ 5,482
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Passed through Eastern Oklahoma Development District Rural Fire Grant	N/A	N/A	\$ 4,398	\$ 4,398
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u>				
2009 REAP	N/A	N/A	28,000	28,000
2010 REAP	N/A	N/A	25,000	4,034
<u>OKLAHOMA WATER RESOURCES BOARD:</u>				
OWRB REAP Grant No. FAP-09-0023-R	N/A	N/A	99,999	50,000
TOTAL STATE AWARDS			\$ 157,397	\$ 86,432

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Expenditures of Federal and State Awards is prepared on the modified cash basis.

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

The Honorable Mayor and Members of the Town Board of the
Town of Dewar, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dewar, Oklahoma (the "Town"), as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 30, 2011. Our report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Town'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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as Finding 10-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 10-1.

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

This report is intended solely for the information and use of the Mayor, the Town Board of Trustees, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Edmond, Oklahoma
December 30, 2011

**TOWN OF DEWAR, OKLAHOMA
 SCHEDULE OF FINDINGS AND RESPONSES
 Year Ended December 31, 2010**

Finding 10-1

Criteria: Oklahoma State law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee which exceeds the available appropriations for each object category within a department or fund.

Condition: Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General Fund	General Government	\$33,807
General Fund	Fire	11,484
General Fund	Streets	6,629
Dedicated Sales Tax Fund	Fire	484

Cause: Year-end adjustments are recorded in the preparation of the annual financial statements that result in charges to appropriations that may exceed the appropriations for a department.

Effect or Potential Effect: Expenditures may exceed appropriations at the legal level of control.

Recommendation: We recommend that the Town adopt formal budget amendments, especially at or near year-end by department.

Town's Response: The Town monitors budgetary compliance as claims are processed against appropriations each month. However, at year-end certain adjustments are recorded in the preparation of the annual financial statements that result in charges to appropriations that may exceed the appropriations for a department. In future years, the Town will more closely monitor budget compliance.

