

THE TOWN OF DEWAR, OKLAHOMA

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

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Board
Town of Dewar, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dewar, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dewar, Oklahoma, as of December 31, 2013, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplemental federal and state awards information, the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The federal and state awards information, as listed in the table of contents, is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, federal and state awards information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 2.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, on our consideration of the Town'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 should be considered in assessing the results of our audit.


November 11, 2014

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (SUPPLEMENTARY INFORMATION)

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013

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, 2013. 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 position decreased by \$7,565 and the assets of the Town exceed its liabilities at December 31, 2013, by \$111,861 (net position).
- At December 31, 2013, the Town's governmental funds reported combined ending fund balances of \$93,821.
- At the end of calendar year 2013, the unassigned fund balance (deficit) of the General Fund was \$(17,508) or 7% of General Fund revenues.
- The City has altered its modified cash basis of accounting to remove the modifications previously made related to capital asset and long-term debt activity. This new modified cash basis of accounting more closely aligns with the way the City prepares its annual budgets, and is a basis recommended by the Government Finance Officers Association (GFOA) for governments that are not required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). For comparative purposes, all amounts in this MD&A that are reported for FY 2012's financial activity have been restated for the new modified cash basis presentation so that significant variances between the years presented can be elaborated upon.

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.

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013

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 (blended component unit)** – 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 current financial resources measurement focus using the modified cash basis of accounting. They present governmental activities and business-type 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.

Reporting the Town as a Whole

The Statement of Net Position 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 Position 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 Position 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.

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
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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 has two kinds of funds – *governmental and proprietary*.

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. 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.

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. 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 22-29 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, 2013, the net position for the governmental and business-type activities decreased \$7,565. The results indicate the Town, as a whole, did not improve its financial condition from the prior year.

The Town of Dewar's Net Position

	Governmental Activities	Business-type Activities	Total
Beginning net position, restated	\$ 100,440	\$ 18,986	\$ 119,426
Decrease	(6,619)	(946)	(7,565)
Ending net position	\$ 93,821	\$ 18,040	\$ 111,861

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013

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

	Governmental Activities		Business-type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Assets:						
Current and other assets	\$ 109,242	\$ 111,190	\$ 44,002	\$ 44,932	\$ 153,244	\$ 156,122
Total assets	109,242	111,190	44,002	44,932	153,244	156,122
Liabilities:						
Long-term liabilities	-	-	25,675	25,679	25,675	25,679
Other liabilities	15,421	10,750	287	266	15,708	11,016
Total liabilities	15,421	10,750	25,962	25,945	41,383	36,695
Net position:						
Restricted	111,329	103,891	39,050	38,855	150,379	142,746
Unrestricted (deficit)	(17,508)	(3,451)	(21,010)	(19,868)	(38,518)	(23,319)
Total net position	\$ 93,821	\$ 100,440	\$ 18,040	\$ 18,987	\$ 111,861	\$ 119,427

A portion of the Town's net position, \$150,379, represents resources that are subject to external restrictions on how they may be used.

The Town of Dewar's Revenues, Expenses and Changes in Net Position (Modified Cash Basis) Year Ended December 31, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Revenues:						
Program revenues:						
Charges for Services	\$ 74,153	\$ 56,693	\$ 329,181	\$ 328,483	\$ 403,334	\$ 385,176
Grants & Contributions	25,832	12,439	-	-	25,832	12,439
Capital Grants & Contributions	33,045	37,328	12,020	180,434	45,065	217,762
General Revenues:						
Sales and Use Taxes	115,644	106,945	-	-	115,644	106,945
Other Taxes	16,761	17,269	-	-	16,761	17,269
Other General Revenues	33,610	54,505	208	360	33,818	54,865
Total Revenues	299,045	285,179	341,409	509,277	640,454	794,456
Program Expenses:						
General Government	121,163	137,998	-	-	121,163	137,998
Public Safety	173,585	124,602	-	-	173,585	124,602
Highways and Streets	10,916	9,421	-	-	10,916	9,421
Water	-	-	204,741	198,559	204,741	198,559
Sewer	-	-	70,815	267,999	70,815	267,999
Sanitation	-	-	66,799	68,085	66,799	68,085
Interest on long-term debt	-	-	-	-	-	-
Total Expenses	305,664	272,021	342,355	534,643	648,019	806,664
Excess (Deficiency)	(6,619)	13,158	(946)	(25,366)	(7,565)	(12,208)
Net Transfers	-	22,069	-	(22,069)	-	-
Increase/(Decrease) Net Position	\$ (6,619)	\$ 35,227	\$ (946)	\$ (47,435)	\$ (7,565)	\$ (12,208)

TOWN OF DEWAR, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013

Governmental Activities

The Town's governmental activities' had a decrease in net position of \$6,619, or 6%. Net position remained relatively consistent with the prior year.

Business-type Activities

The business-type activities' had a decrease in net position of \$946 or a 4% decrease. This decrease is due to the Dewar Public Works Authority not receiving a large grant in the current year as they did in the prior year. In the prior year, the Town received a grant in the amount of \$180,434. The increase in net position in the prior year was 39%.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2013 calendar year, the governmental funds reported an unassigned fund balance (deficit) of \$(17,508), which represents an increase of 407% in the size of the unassigned fund balance (deficit) from the prior year. This increase in the size of the deficit was due to an increase in police expenditures as a result of the purchase of a police car.

Other fund highlights include:

- For the year ended December 31, 2013, the General Fund's total fund balance decreased by \$14,057 or 103%.

General Fund Budgetary Highlights

For the year ended December 31, 2013, the General Fund reported actual budgetary basis revenues above final estimates by \$58,934 or a 30% positive variance. General Fund actual expenditures were above final appropriations by \$103,410 or a 62% negative variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The 2014 budget reflects increases in both revenues and expenditures compared to the 2013 budget. No pay increases to full-time employees were budgeted for 2014. The 2014 budget reflects an increase in a monthly debt payment for a new police car and also a one-time debt service payment in the water department.

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
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Position (Modified Cash Basis)– December 31, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 76,890	\$ 71,577	\$ 148,467
Deposits with insurance pool	4,777	-	4,777
Internal balances	27,575	(27,575)	-
Total Assets	<u>109,242</u>	<u>44,002</u>	<u>153,244</u>
LIABILITIES			
Cash overdraft	14,208	-	14,208
Payroll withholdings liabilities	1,008	-	1,008
Due to other governments	205	-	205
Other payables	-	287	287
Deposits subject to refund	-	25,675	25,675
Total Liabilities	<u>15,421</u>	<u>25,962</u>	<u>41,383</u>
NET POSITION			
Restricted for debt service	-	39,050	39,050
Restricted for other purposes	111,329	-	111,329
Unrestricted (deficit)	(17,508)	(21,010)	(38,518)
Total Net Position	<u>\$ 93,821</u>	<u>\$ 18,040</u>	<u>\$ 111,861</u>

See accompanying notes to the basic financial statements.

TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Activities (Modified Cash Basis) – Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 121,163	\$ 374	\$ 1,700	\$ -	\$ (119,089)	\$ -	\$ (119,089)
Public safety	173,585	73,779	12,334	33,045	(54,427)	-	(54,427)
Streets and highways	10,916	-	11,798	-	882	-	882
Total governmental activities	<u>305,664</u>	<u>74,153</u>	<u>25,832</u>	<u>33,045</u>	<u>(172,634)</u>	<u>-</u>	<u>(172,634)</u>
Business-type activities:							
Water	204,741	199,420	-	12,020	-	6,699	6,699
Sewer	70,815	62,305	-	-	-	(8,510)	(8,510)
Sanitation	66,799	67,456	-	-	-	657	657
Total business-type activities	<u>342,355</u>	<u>329,181</u>	<u>-</u>	<u>12,020</u>	<u>-</u>	<u>(1,154)</u>	<u>(1,154)</u>
Total primary government	<u>\$ 648,019</u>	<u>\$ 403,334</u>	<u>\$ 25,832</u>	<u>\$ 45,065</u>	<u>\$ (172,634)</u>	<u>\$ (1,154)</u>	<u>\$ (173,788)</u>
General revenues:							
Taxes:							
Sales and use taxes					115,644	-	115,644
Franchise and public service taxes					16,761	-	16,761
Intergovernmental revenue not restricted to specific programs					6,259	-	6,259
Investment income					8	208	216
Miscellaneous					27,343	-	27,343
Total general revenues and transfers					<u>166,015</u>	<u>208</u>	<u>166,223</u>
Change in net position					(6,619)	(946)	(7,565)
Net position - beginning, restated					100,440	18,986	119,426
Net position - ending					<u>\$ 93,821</u>	<u>\$ 18,040</u>	<u>\$ 111,861</u>

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, 2013

	<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	\$ 4,479	\$ 44,012	\$ 28,399	\$ 76,890
Deposits with insurance pool	4,777	-	-	4,777
Due from other funds	27,575	-	21,905	49,480
	<u>\$ 36,831</u>	<u>\$ 44,012</u>	<u>\$ 50,304</u>	<u>\$ 131,147</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	\$ 14,208	\$ -	\$ -	\$ 14,208
Due to other governments	205	-	-	205
Due to other funds	21,905	-	-	21,905
Payroll withholding liabilities	1,008	-	-	1,008
	<u>37,326</u>	<u>-</u>	<u>-</u>	<u>37,326</u>
Fund Balances:				
Restricted	\$ 17,013	\$ 44,012	\$ 50,304	\$ 111,329
Unassigned (deficit)	(17,508)	-	-	(17,508)
Total Fund Balances	<u>(495)</u>	<u>44,012</u>	<u>50,304</u>	<u>93,821</u>
Total Liabilities and Fund Balances	<u>\$ 36,831</u>	<u>\$ 44,012</u>	<u>\$ 50,304</u>	<u>\$ 131,147</u>

See accompanying notes to the basic financial statements.

TOWN OF DEWAR, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended December 31, 2013

	General Fund	Street & Alley Fund	Dedicated Sales Tax Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 104,147	\$ -	\$ 28,258	\$ 132,405
Intergovernmental	14,568	7,963	7,860	30,391
Charges for services	2,500	-	-	2,500
Fines and forfeitures	71,279	-	-	71,279
Licenses and permits	374	-	-	374
Investment income	8	-	-	8
Miscellaneous	29,013	-	30	29,043
Total Revenues	221,889	7,963	36,148	266,000
Expenditures:				
Current:				
General government	121,163	-	-	121,163
Public Safety:				
Police	86,426	-	-	86,426
Fire	17,792	-	7,168	24,960
Streets	2,979	5,527	2,410	10,916
Capital outlay	26,713	-	10,464	37,177
Debt service:				
Principal retirement	12,911	-	8,002	20,913
Interest	1,007	-	3,102	4,109
Total Expenditures	268,991	5,527	31,146	305,664
Other Financing Sources (Uses):				
Note proceeds	33,045	-	-	33,045
Net change in fund balances	(14,057)	2,436	5,002	(6,619)
Fund balances - beginning	13,562	41,576	45,302	100,440
Fund balances - ending	\$ (495)	\$ 44,012	\$ 50,304	\$ 93,821

See accompanying notes to the basic financial statements.

TOWN OF DEWAR, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

TOWN OF DEWAR, OKLAHOMA
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Proprietary Fund Statement of Net Position (Modified Cash Basis) – December 31, 2013

	Dewar Public Works Authority
ASSETS	
Cash and cash equivalents	\$ 6,852
Restricted cash and cash equivalents	64,725
Total Assets	<u>71,577</u>
LIABILITIES	
Current Liabilities:	
Due to other funds	27,575
Other payable	287
Deposits subject to refund	25,675
Total Liabilities	<u>53,537</u>
NET POSITION	
Restricted for debt service	39,050
Unrestricted (deficit)	<u>(21,010)</u>
Total net position	<u>\$ 18,040</u>

See accompanying notes to the basic financial statements.

TOWN OF DEWAR, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended December 31, 2013

	Dewar Public Works Authority
Operating Revenues:	
Charges for services:	
Water	\$ 192,412
Sewer	60,115
Sanitation	65,086
Penalties	4,661
Miscellaneous	6,907
Total Operating Revenues	329,181
Operating Expenses	
Water	178,660
Sewer	52,563
Sanitation	66,799
Total Operating Expenses	298,022
Operating Income	31,159
Non-Operating Revenues (Expenses):	
Investment income	208
Loan proceeds	12,020
Debt service:	
Principal retirement	(26,230)
Interest expense	(18,103)
Total Non-Operating Revenues (Expenses)	(32,105)
Change in net position	(946)
Total net position - beginning, restated	18,986
Total net position - ending	\$ 18,040

See accompanying notes to the basic financial statements.

TOWN OF DEWAR, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended December 31, 2013

	Dewar Public Works Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 329,181
Payments to vendors	(229,721)
Payments to employees	(68,280)
Receipts of customer utility deposits	5,864
Customer utility deposits refunded or applied	(5,868)
Interfund receipts/payments	7,506
	38,682
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Loan proceeds	12,020
Principal paid on capital debt	(26,230)
Interest paid on capital debt	(18,103)
	(32,313)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	208
	208
Net Cash Provided by Investing Activities	208
Net Increase in Cash and Cash Equivalents	6,577
Balance - beginning of the year	65,000
Balance - end of the year	\$ 71,577
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 6,852
Restricted cash and cash equivalents	64,725
	71,577
Total cash and cash equivalents	\$ 71,577
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 31,159
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Other payable	21
Interfund receipts/payments	7,506
Deposits subject to refund	(4)
	38,682
Net cash provided by operating activities	\$ 38,682

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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Summary of Significant Accounting Policies:

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, as amended by Statement 61, *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. 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 Authority generally retains 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 of the Authority to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when the Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position 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 certain modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- payroll liabilities
- other cash-based receivables/payables
- utility deposit liabilities

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.

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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

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 – a special revenue fund that accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements
- Dedicated Sales Tax Fund – a special revenue fund that 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. 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.

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, 2013, is \$784 for the Town and \$1,676 for the Dewar Public Works Authority.

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, 2013, the Town recognized \$216 of investment income. Due to the minimal rates of return on allowable investments in the current environment, all of the Town's deposits are in demand and short-term time deposits.

Primary Government:

At December 31, 2013, the primary government held the following deposits and investments:

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	Maturities	Carrying Value
Deposits:		
Demand deposits	n/a	\$ 134,159
Petty cash	n/a	100
		\$ 134,259
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 148,467
Cash overdraft		(14,208)
		\$ 134,259

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, 2013, 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 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, 2013, the Town did not hold any securities with credit ratings.

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 position are comprised of amounts restricted for debt service, debt reserve, or utility deposit purposes. The restricted assets as of December 31, 2013 are as follows:

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<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>
Utility Deposits	\$ 25,675
Reserve Account RDA	<u>39,050</u>
Total Restricted Assets	<u><u>\$ 64,725</u></u>

4. Net Position and Fund Balances

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position 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:

Grant purposes-street	\$ 17,013
Street and Alley Maintenance	44,012
Fire and Street Equipment and Maintenance	<u>50,304</u>
	<u><u>\$ 111,329</u></u>

- b. *Unrestricted net position* - All other net position elements that do not meet the definition of “restricted”.

It is the Town’s policy to first use restricted net position elements prior to the use of unrestricted net position elements when an expense is incurred for purposes for which both restricted and unrestricted net position elements are available.

Prior Period Adjustment

Beginning net position was restated due to a change in the application of the modified cash basis as follows:

	<u>Government-Wide</u>		<u>Fund</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>DPWA</u>
Beginning net position, as previously reported	\$ 547,007	\$ 498,233	\$ 498,233
Removal of capital assets due to change in basis of accounting	(516,302)	(871,460)	(871,460)
Removal of long-term debt due to change in basis of accounting	69,735	392,213	392,213
Beginning net position, restated	<u><u>\$ 100,440</u></u>	<u><u>\$ 18,986</u></u>	<u><u>\$ 18,986</u></u>

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5. 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.

6. 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.

7. 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, 2013, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Dedicated Sales Tax Fund	General Fund	\$ 21,905	Sales tax not transferred
General Fund	DPWA	27,575	Insurance proceeds
Total Interfund Balances		<u>\$ 49,480</u>	
 Reconciliation to Statement of Net Position:			
	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Activities	\$ 49,480	\$ (21,905)	\$ 27,575
Business-Type Activities	-	(27,575)	(27,575)
	<u>\$ 49,480</u>	<u>\$ (49,480)</u>	<u>\$ -</u>

The Town had no internal transfers between funds and activities for the year ended December 31, 2013.

8. 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.

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9. Commitments and Contingencies

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.	<u>\$53,374</u>
Current portion	\$8,434
Non-current portion	<u>44,940</u>
Total Capital Lease Payable	<u>\$53,374</u>

Note Payable:

\$33,045 note payable to American Exchange Bank payable in monthly installments of \$604, including principal and interest at 3.60%, final payment due March 2018, payable from General Fund.	<u>\$28,493</u>
Current portion	\$6,323
Non-current portion	<u>22,170</u>
Total Note Payable	<u>\$28,493</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 American Exchange Bank, payable in one installment of \$7,020, including principal and interest at 6.0493%, final payment due February 2014.	\$7,020
Note payable to Rural Utilities Services, payable in monthly installments of \$1,315, including principal and interest at 5%, final payment due November 2019.	\$43,146
Note payable to Rural Utilities Services, payable in monthly installments of \$376, including principal and interest at 5%, final payment due December 2032.	54,742
Note payable to Rural Utilities Services, original amount of \$331,601, 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.	<u>273,096</u>
Total Notes Payable	<u>\$ 378,004</u>

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Current portion	\$29,249
Non-current portion	<u>348,755</u>
Total Notes Payable	<u>\$378,004</u>

Year Ended December 31,	Governmental Type Activities				Business Type Activities	
	Capital Lease Payable		Note Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 8,434	\$ 2,671	\$ 6,323	\$ 924	\$ 29,249	\$ 16,747
2015	8,899	2,205	6,555	692	23,336	15,640
2016	9,385	1,720	6,795	452	22,254	14,552
2017	9,908	1,196	7,044	203	9,022	13,742
2018	10,455	712	1,776	36	9,448	13,316
2019-2023	6,293	62	-	-	54,333	59,487
2024-2028	-	-	-	-	68,433	45,388
2029-2033	-	-	-	-	80,504	27,750
2034-2038	-	-	-	-	81,425	9,878
Total	<u>\$ 53,374</u>	<u>\$ 8,566</u>	<u>\$ 28,493</u>	<u>\$ 2,307</u>	<u>\$ 378,004</u>	<u>\$ 216,500</u>

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 2013, the Town's involvement in federal and state award programs was not 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.

10. 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

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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 City, 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>
2011	\$720	\$720
2012	\$600	\$600
2013	\$600	\$600

11. Expenditures Exceeding Appropriation

The following is a listing of expenditures that exceeded appropriations at the legal level of control for the year ended December 31, 2013:

General Fund – General Government	\$32,545
General Fund – Police	64,581
General Fund – Fire	3,305
General Fund – Streets	2,979
Street and Alley Fund – Street	2,527
Dedicated Sales Tax Fund – Fire	10,632

12. Fund Balance Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts). The Town's General Fund had a fund balance deficit for the year ended December 31, 2013 in the amount of \$495.

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SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance (Deficit):	\$ 13,562	\$ 13,562	\$ 13,562	\$ -
Resources (Inflows):				
Taxes	98,000	98,000	104,147	6,147
Intergovernmental	9,800	9,800	14,568	4,768
Charges for Services	400	400	2,500	2,100
Fines and Forfeitures	40,000	40,000	71,279	31,279
Licenses and Permits	300	300	374	74
Interest	-	-	8	8
Miscellaneous	47,500	47,500	29,013	(18,487)
Other financing sources - proceeds from debt	-	-	33,045	33,045
Total Revenue	<u>196,000</u>	<u>196,000</u>	<u>254,934</u>	<u>58,934</u>
Amounts available for appropriation	<u>209,562</u>	<u>209,562</u>	<u>268,496</u>	<u>58,934</u>
Charges to Appropriations (Outflows):				
General Government	88,618	88,618	121,163	(32,545)
Police	60,763	60,763	125,344	(64,581)
Fire	16,200	16,200	19,505	(3,305)
Streets	-	-	2,979	(2,979)
Total Charges to Appropriations	<u>165,581</u>	<u>165,581</u>	<u>268,991</u>	<u>(103,410)</u>
Ending Budgetary Fund Balance	<u>\$ 43,981</u>	<u>\$ 43,981</u>	<u>\$ (495)</u>	<u>\$ (44,476)</u>

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2013
(Continued)

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 41,576	\$ 41,576	\$ 41,576	\$ -
Resources (Inflows):				
Intergovernmental	7,000	7,000	7,963	963
Total Revenue	<u>7,000</u>	<u>7,000</u>	<u>7,963</u>	<u>963</u>
Amounts available for appropriation	<u>48,576</u>	<u>48,576</u>	<u>49,539</u>	<u>963</u>
Charges to Appropriations (Outflows):				
Streets	3,000	3,000	5,527	(2,527)
Total Charges to Appropriations	<u>3,000</u>	<u>3,000</u>	<u>5,527</u>	<u>(2,527)</u>
Ending Budgetary Fund Balance	<u>\$ 45,576</u>	<u>\$ 45,576</u>	<u>\$ 44,012</u>	<u>\$ (1,564)</u>

	DEDICATED SALES TAX FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 45,302	\$ 45,302	\$ 45,302	\$ -
Resources (Inflows):				
Taxes	26,000	26,000	28,258	2,258
Intergovernmental	-	-	7,860	7,860
Miscellaneous	-	-	30	30
Total Resources	<u>26,000</u>	<u>26,000</u>	<u>36,148</u>	<u>10,148</u>
Amounts available for appropriation	<u>71,302</u>	<u>71,302</u>	<u>81,450</u>	<u>10,148</u>
Charges to Appropriations:				
Fire	18,104	18,104	28,736	(10,632)
Street	2,500	2,500	2,410	90
Total Charges to Appropriations	<u>20,604</u>	<u>20,604</u>	<u>31,146</u>	<u>(10,542)</u>
Ending Budgetary Fund Balance	<u>\$ 50,698</u>	<u>\$ 50,698</u>	<u>\$ 50,304</u>	<u>\$ (394)</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, the Street and Alley Fund, and the Dedicated Sales Tax Fund, expenditures exceeded appropriations at the legal level of control as follows:

General Fund – General Government	\$32,545
General Fund - Police	64,581
General Fund – Fire	3,305
General Fund – Streets	2,979
Street and Alley Fund – Street	2,527
Dedicated Sales Tax Fund – Fire	10,632

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Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended December 31, 2013

State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Pass Thru Grant #	Award Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office: OHSO Incentive Award	20.614	N/A	\$ 3,835	\$ 3,835
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through State of Oklahoma Dept of Emergency Management FEMA-PA-1988-PW-00524 B28(27)	97.036	FEMA-PA-1988	14,276	-
FEMA-PA-1988-PW-00516 B27(26)	97.036	FEMA-PA-1988	2,738	-
TOTAL FEDERAL AWARDS			\$ 20,849	\$ 3,835
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Passed through Eastern Oklahoma Development District Rural Fire Grant-2013	N/A	N/A	4,474	4,474
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u>				
2012 REAP	N/A	N/A	25,000	-
80/20 GRANT	N/A	N/A	7,860	7,860
TOTAL STATE AWARDS			\$ 37,334	\$ 12,334

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.

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INTERNAL CONTROL AND COMPLIANCE

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

To the Honorable Mayor and Town Board
Town of Dewar, Oklahoma

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Dewar, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 11, 2014. Our report included an emphasis-of-a-matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as Finding 13-01.

Town of Dewar, Oklahoma's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.
November 11, 2014

TOWN OF DEWAR, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS
Year Ended December 31, 2013

Finding 13-01 – Budgeted Appropriations
(repeat from prior year)

Criteria: Oklahoma State law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that 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	\$ 32,545
General Fund	Police	64,581
General Fund	Fire	3,305
General Fund	Streets	2,979
Street and Alley Fund	Streets	2,527
Dedicated Sales Tax Fund	Fire	10,632

Cause: Monitoring during the year and particularly at year-end with related proposals to the Town Board did not occur.

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

Recommendation: We recommend that the Town monitor budget variances throughout the year and adopt formal budget amendments, especially at or near year-end as necessary and appropriate..

Town's Response: The Town's current financial accounting system makes it difficult to monitor budget vs. actual transactions on a timely basis; however, the Town will make a better effort to do these budgetary comparisons in a more timely manner in the future.