

**Financial Statements and Reports of  
Independent Certified Public Accountant  
Town of Delaware, Oklahoma  
June 30, 2013**

**TURNER & ASSOCIATES, PLC  
Certified Public Accountants  
P.O. Box 378  
Vinita, OK 74301  
918.256.6788**

**Town of Delaware, Oklahoma  
Town Officials  
June 30, 2013**

**Board of Trustees**

Mayor

Lynn McGrew

Vice-Mayor

Cocieta Collins

Member

Shannon Duncan

**Treasurer**

Kathy Smith

**Clerk**

Kathy Smith

**Town of Delaware, Oklahoma  
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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Delaware, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Delaware, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 accounting principles generally accepted in the United States of America; this includes 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. 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 opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Delaware, as of June 30, 2013, in accordance with accounting principles generally accepted in the United States of America

***Other Matters***

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*TURNER & Associates, PLLC*

Vinita, Oklahoma  
June 19, 2014



**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 Town Council  
Town of Delaware, Oklahoma

We have audited 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, the financial statements of the business-type activities of the Town of Delaware, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Town of Delaware's financial statements, and have issued our report thereon dated June 19, 2014. The Town of Delaware did not present the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Delaware'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 of Delaware's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Delaware's internal control over financial reporting.

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and responses that we consider to be material weaknesses in 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. We consider the deficiencies 2013-1, 2013-2, 2013-3 and 2013-6, described in the accompanying schedule of findings and responses to be material weaknesses.

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 of Delaware'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 several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-4, 2013-5, and 2013-7.

## **Town of Delaware Response to Findings**

The Town of Delaware's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Delaware'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 Town'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 Town's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

TURNER & ASSOCIATES, PLLC

Vinita, Oklahoma  
June 19, 2014

**Town of Delaware, Oklahoma**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 88,971.16	\$ 7,798.77	\$ 96,769.93
Accounts Receivable	-	5,694.06	5,694.06
Due from Other Governments	4,347.39	-	4,347.39
Prepaid Insurance	1,319.28	2,794.05	4,113.33
<b>Total Current Assets</b>	<b>94,637.83</b>	<b>16,286.88</b>	<b>110,924.71</b>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	-	27,944.77	27,944.77
Capital Assets:			
Property, Plant and Equipment, net	207,510.65	1,279,301.96	1,486,812.61
<b>Total Noncurrent Assets</b>	<b>207,510.65</b>	<b>1,307,246.73</b>	<b>1,514,757.38</b>
<b>TOTAL ASSETS</b>	<b>302,148.48</b>	<b>1,323,533.61</b>	<b>1,625,682.09</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	3,795.83	6,113.08	9,908.91
Payroll Taxes Payable	1,282.06	37,212.07	38,494.13
Accrued Interest Payable	-	649.50	649.50
Current Portion of Notes Payable	-	15,407.51	15,407.51
<b>Total Current Liabilities</b>	<b>5,077.89</b>	<b>59,382.16</b>	<b>64,460.05</b>
Noncurrent Liabilities:			
Payable from Restricted Assets:			
Meter Deposits Payable	-	13,648.38	13,648.38
Notes Payable	-	312,722.42	312,722.42
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>326,370.80</b>	<b>326,370.80</b>
<b>TOTAL LIABILITIES</b>	<b>5,077.89</b>	<b>385,752.96</b>	<b>390,830.85</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	207,510.65	951,172.03	1,158,682.68
Restricted	-	27,944.77	27,944.77
Unrestricted	89,559.94	(41,336.15)	48,223.79
<b>TOTAL NET POSITION</b>	<b>\$ 297,070.59</b>	<b>\$ 937,780.65</b>	<b>\$ 1,234,851.24</b>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General Government:					
Personal Services	\$ 14,240.00	\$ -	\$ -	\$ -	\$ (14,240.00)
Maintenance and Operation	42,454.15	-	-	-	(42,454.15)
Total General Government	<u>56,694.15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,694.15)</u>
Public Safety and Judiciary:					
Fire	(19,925.82)	21,227.02	-	-	1,301.20
Total Public Safety and Judiciary	<u>(19,925.82)</u>	<u>21,227.02</u>	<u>-</u>	<u>-</u>	<u>1,301.20</u>
Transportation:					
Street and Alley	(982.58)	-	-	-	982.58
Parks and Recreation:					
Community Center	3,189.78	-	-	2,000.00	(1,189.78)
Parks	2,270.89	-	-	-	(2,270.89)
Fireworks	3,587.36	-	-	-	(3,587.36)
Total Culture, Parks, Recreation	<u>9,048.03</u>	<u>-</u>	<u>-</u>	<u>2,000.00</u>	<u>(7,048.03)</u>
<b>Total Governmental Activities</b>	<u>44,833.78</u>	<u>21,227.02</u>	<u>-</u>	<u>2,000.00</u>	<u>(61,458.40)</u>
<b>Business-Type Activities</b>					
Utilities	216,248.79	160,837.09	-	25,140.18	(30,271.52)
<b>Total Business-Type Activities</b>	<u>216,248.79</u>	<u>160,837.09</u>	<u>-</u>	<u>25,140.18</u>	<u>(30,271.52)</u>
<b>Total Primary Government</b>	<u>\$ 261,082.57</u>	<u>\$ 182,064.11</u>	<u>\$ -</u>	<u>\$ 27,140.18</u>	<u>\$ (91,729.92)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Statement of Activities (continued)**  
**For the Year Ended June 30, 2013**

	Governmental Activities		
	Governmental Activities	Business- Type Activities	Total
<b>Changes in Net Asset:</b>			
Net (Expense)/Revenue	\$ (61,458.40)	\$ (30,271.52)	\$ (91,729.92)
General Revenues:			
Taxes:			
Sales and Use Taxes	32,038.82		32,038.82
Franchise and Public Service Taxes	6,317.59	-	6,317.59
Motor Vehicle Collections	2,974.68	-	2,974.68
Alcoholic Beverage Tax	5,233.07	-	5,233.07
Gasoline Tax	779.17	-	779.17
Tobacco Tax	349.08	-	349.08
Investment Income	106.90	49.48	156.38
Rental or Lease of Property	295.00	-	295.00
Donations	1,540.00	-	1,540.00
Miscellaneous	1,809.14	2,078.66	3,887.80
Transfers-Internal Activity	(11,000.00)	11,000.00	-
Total General Revenues and Transfers	<u>40,443.45</u>	<u>13,128.14</u>	<u>53,571.59</u>
Change in Net Position	(21,014.95)	(17,143.38)	(38,158.33)
Net Position, Beginning of Year	318,085.54	954,924.03	1,273,009.57
<b>Net Position, End of Year</b>	<u>\$ 297,070.59</u>	<u>\$ 937,780.65</u>	<u>\$ 1,234,851.24</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Balance Sheet – Governmental Funds**  
**June 30, 2013**

	Total Governmental Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 88,971.16
Due from Other Governments	4,347.39
Prepaid Insurance	1,319.28
<b>TOTAL ASSETS</b>	<b>\$ 94,637.83</b>
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts Payable	\$ 3,795.83
Payroll Taxes Payable	1,282.06
<b>Total Liabilities</b>	5,077.89
<b>Fund Balances:</b>	
Cash Fund Balance, Unassigned	89,559.94
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 94,637.83</b>
 <u>Reconciliation to the Statement of Net Position</u>	
Total Governmental Funds Balance	\$ 89,559.94
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
 Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$374,876.95 and the accumulated depreciation is \$167,366.30 for a net book value of \$207,510.65	
	207,510.65
Net Position of Governmental Activities	<b>\$ 297,070.59</b>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>General Fund</u>
Revenues:	
Taxes	\$ 45,104.65
Charges for Services	21,227.02
Donations	1,540.00
Grants	2,000.00
Investment Income	106.90
Miscellaneous	1,809.14
Sale/Lease of Property	295.00
Total Revenues	<u>72,082.71</u>
Expenditures:	
General Government	
Salaries and Taxes	14,240.00
Maintenance and Operation	41,147.01
Public Safety and Judiciary	
Animal Control	54.30
Fire	4,170.91
Transportation	
Street and Alley	305.47
Parks and Recreation	
Community Center	3,189.78
Parks	5,858.25
Total Expenditures	<u>68,965.72</u>
Net Change in Fund Balance	3,116.99
Fund Balance, Beginning of Year	<u>86,442.95</u>
Fund Balance, End of Year	<u><u>\$ 89,559.94</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2013**

Net Change in Fund Balances - Governmental Funds	\$	3,116.99
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Depreciation expense	(27,017.22)	
Asset addition	<u>2,885.28</u>	<u>(24,131.94)</u>

Change in Net Position of Governmental Activities	\$	<u>(21,014.95)</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Statement of Net Position – Proprietary Fund**  
**June 30, 2013**

	Public Works Authority <u>Enterprise Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 7,798.77
Accounts Receivable	5,694.06
Prepaid Insurance	2,794.05
Total Current Assets	<u>16,286.88</u>
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	27,944.77
Capital Assets:	
Land and Construction in Progress	62,461.01
Property, Plant and Equipment, net of Accumulated Depreciation	1,216,840.95
Total NonCurrent Assets	<u>1,307,246.73</u>
<b>TOTAL ASSETS</b>	<u>1,323,533.61</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	6,113.08
Payroll Taxes Payable	37,212.07
Accrued Interest	649.50
Current Portion of Notes Payable	15,407.51
Total Current Liabilities	<u>59,382.16</u>
Noncurrent Liabilities	
Payable from Restricted Assets:	
Meter Deposits Payable	13,648.38
Notes Payable	312,722.42
Total Noncurrent Liabilities	<u>326,370.80</u>
<b>TOTAL LIABILITIES</b>	<u>385,752.96</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	888,711.02
Restricted	27,944.77
Unrestricted	21,124.86
<b>TOTAL NET POSITION</b>	<u>\$ 937,780.65</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds**  
**For the Year Ended June 30, 2013**

	Public Works Authority <u>Enterprise Fund</u>
Operating Revenues	
Utility Revenue	\$ 160,837.09
Operating Expenses	
Salaries	52,020.00
Accounting/Auditing	5,509.00
Trash Contract	27,739.68
Chemicals and Supplies	5,004.34
Depreciation	54,217.93
Utilities	6,361.26
Payroll Taxes	18,301.77
Repairs and Maintenance	8,469.81
Insurance	4,993.73
Dues and Subscriptions	30.00
Office Supplies	3,719.81
Testing	5,108.00
Truck Expense	3,759.30
Mileage	2,119.30
Miscellaneous	1,902.93
Administrative Expenses	2,423.20
Total Operating Expenses	<u>201,680.06</u>
Operating Income (Loss)	<u>(40,842.97)</u>
Non-Operating Revenues (Expenses)	
Interest Income	49.48
Interest Expense	(14,568.73)
Miscellaneous Income	2,078.66
Capital Grants	25,140.18
Transfers from General Fund	11,000.00
Total Non-Operating Revenues (Expenses)	<u>23,699.59</u>
Change in Net Position	(17,143.38)
Net Position, Beginning of Year	954,924.03
Net Position, End of Year	<u>\$ 937,780.65</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Year Ended June 30, 2013**

	Public Works Authority <u>Enterprise Fund</u>
<b>Cash Flows from Operating Activities</b>	
Cash Inflows:	
Payments Received from Customers	\$ 163,388.76
Meter Deposits Received	533.38
Total Cash Provided	<u>163,922.14</u>
Cash Outflows:	
Payments for Salaries and Benefits	46,985.06
Payments for Goods and Services	64,691.34
Meter Deposits Refunded	7,532.10
Total Cash Used	<u>119,208.50</u>
Net Cash Provided (Used) by Operating Activities	<u>44,713.64</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Capital Assets	(38,238.19)
Grant Proceeds	25,140.18
Principal Paid on Capital Debt	(18,532.90)
Interest Paid on Capital Debt	(14,623.10)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(46,254.01)</u>
 <b>Cash Flows from Investing Activities</b>	
Interest	<u>49.48</u>
 <b>Net Cash Inflow (Outflow) from All Activities</b>	 (1,490.89)
 Cash and Cash Equivalents, Beginning of Year	 <u>37,234.43</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 35,743.54</u></b>
 Cash and Cash Equivalents	
Unrestricted	\$ 7,798.77
Restricted	27,944.77
	<u>\$ 35,743.54</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Year Ended June 30, 2013**

	<u>Public Works Authority Enterprise Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (40,842.97)
Depreciation	54,217.93
(Increase) Decrease in:	
Accounts Receivable	473.01
Prepaid Insurance	(248.27)
Increase (Decrease) in:	
Accounts Payable	8,310.61
Payroll Taxes Payable	23,336.71
Meter Deposits Payable	<u>(533.38)</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ 44,713.64</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Town of Delaware, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies**

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

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Position and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

For the fiscal year ended June 30, 2004, the Town implemented the new financial reporting requirements of GASB Statements No. 33 and 34. As a result, an entirely new financial presentation format was implemented. This implementation has affected comparability with reports issued in prior years.

**A. Reporting Entity**

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

Primary Government:      Town of Delaware

Blended Component Unit: Delaware Public Works Authority

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

*Blended Component Units*

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

*Discretely Presented Component Units*

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

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

**A. Reporting Entity (continued)**

**Blended Component Units**

Component units that are blended into the reporting activity types of the Town's reports are presented below:

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Delaware Public Works Authority	Created to finance, develop and operate the utility services activities. The current Town Council serves as the governing body (Trustees). Any issuance of debt would require a two-thirds approval of the Town Council.	Enterprise Fund

**B. Basis of Presentation**

*Government-Wide Financial Statements*

The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

**B. Basis of Presentation (continued)**

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

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

**Proprietary Fund**

*Enterprise Fund*

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

Delaware Public Works Authority	Accounts for activities of the public trust in providing utility services to the public.
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**Major and Non-Major Funds**

*Major:*           General Fund  
                      Proprietary Fund: Delaware Public Works Authority

*Non-Major:*   None

**C. Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

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

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

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

**Measurement Focus (continued)**

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

**Basis of Accounting**

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

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**D. Assets, Liabilities and Equity**

**Cash and Investments**

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

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

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, and franchise taxes. Business-type activities report water charges as its major receivable. Other receivables in the proprietary fund include loan proceeds not yet advanced by a lender.

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

**Fixed Assets**

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

*Government-Wide Statements*

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

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

Management determines on an item-by-item basis whether to capitalize or expense.

The range of estimated useful lives by type of asset is as follows:

Buildings	60 years
Machinery and Equipment	10-20 years
Utility System	40-60 years

**Town of Delaware, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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

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

**Fixed Assets (continued)**

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the promissory notes with RECD require that funds be held in a reserve account. Under the terms and provisions of the promissory notes, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the notes are outstanding. Also included in restricted assets are funds on deposit representing utility customer meter deposits, which are refundable to the customer.

**Long-Term Debt**

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

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

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

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

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

**Equity Classifications**

*Government-Wide Statements*

Equity is classified as Net Position and displayed in three components:

- a. Net Investment in Capital Assets – 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 improvement of those assets.
- b. 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 or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position – All other Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

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

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

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

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

***Assigned*** fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes.

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

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

**Equity Classifications**

Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

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

**E. Revenues, Expenditures and Expenses**

**Sales Tax**

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the Town in July and August have been accrued and are included under the caption "Due from other governments."

**Use Tax**

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

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

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

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

**Expenditures/Expenses**

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

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), Debt Service, Capital Outlay

Proprietary Funds – By operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**F. GASB Pronouncements**

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB 61 clarifies the matter in which that determination should be made and the types of relationships that generally should be considered in making the determination.

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

**F. GASB Pronouncements (continued)**

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the “substantially the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Town adopted GASB 61 on July 1, 2012, which did not have a significant impact on the Town’s financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. The Town adopted GASB 63 effective July 1, 2012. The adoption of the statement required the Town to adopt the term “net position” as required. In addition, as required by GASB 63, the Town determined as of June 30, 2013, there were no items of deferred inflows or outflows of resources, as presently defined, to be reported.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2012.

**II. Stewardship, Compliance and Accountability**

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

**A. Fund Accounting Requirements**

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

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

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

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

**C. Revenue Restrictions**

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Water Revenue	Debt Service and Utility Operations

For the year ended June 30, 2013, the Town complied, in all material respects, with these revenue restrictions.

**D. Debt Restrictions and Covenants**

**General Obligation Debt**

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2013, the Town had no outstanding general obligation debt.

**Other Long-Term Debt**

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2013, the Town incurred no such indebtedness.

**Notes Payable**

The various loan agreements relating to the notes payable issuances of Delaware Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. The following presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2013.

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

**D. Debt Restrictions and Covenants (continued)**

Requirement

Reserve Account Requirement - (RECD Loan Agreement): The account balance should be equal to \$26,886.00. Previously the Public Works Authority was given permission to spend monies accumulated in the reserve account. Due to new loan agreements, beginning October 24, 2009, a total monthly payment of \$276.30 should be deposited until the balance reaches \$26,886.00, which is the equivalent of 12 months of debt service payments.

The Public Works Authority must fund a depreciation reserve for short-lived assets by depositing a sum of \$556.25 monthly, in addition to that required for the debt service reserve. Payments began on October 24, 2009 and will accrue until the balance is equal to the total replacement cost of \$68,750.00 which was determined by the project engineer.

Level of Compliance

The debt service account balance at June 30, 2013 was \$14,296.39, resulting in a deficiency of \$12,589.61. During the fiscal year ended June 30, 2013, no deposits were made into the reserve account and interest of \$20.67 was earned.

The Public Works Authority has not set up the depreciation reserve account at this time, resulting in a deficiency of \$25,031.25.

**E. Fund Equity Restrictions**

**Deficit Prohibition**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2013.

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

**A. Cash and Investments**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of Town's deposits were exposed to custodial credit risk.

**B. Restricted Assets**

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

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

**B. Restricted Assets (continued)**

The restricted assets as of June 30, 2013 are as follows:

Meter Deposits	\$	13,648.38
Reserve Accounts		14,296.39
	\$	27,944.77

**C. Accounts Receivable**

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

Accounts receivable as of June 30, 2013 is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 4,347.39	\$ 5,694.06	\$ 10,041.45
Allowance for Doubtful Accounts	-	-	-
Total	\$ 4,347.39	\$ 5,694.06	\$ 10,041.45

**Town of Delaware, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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

**D. Capital Assets**

Capital asset activity for the year was as follows:

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 5,850.00	\$ -	\$ -	\$ 5,850.00
	<u>5,850.00</u>	<u>-</u>	<u>-</u>	<u>5,850.00</u>
Depreciable assets:				
Buildings/Improvements	102,600.00	-	-	102,600.00
Machinery and Equipment	103,541.67	2,885.28	-	106,426.95
Vehicles	160,000.00	-	-	160,000.00
	<u>366,141.67</u>	<u>2,885.28</u>	<u>-</u>	<u>369,026.95</u>
Total	<u>371,991.67</u>	<u>2,885.28</u>	<u>-</u>	<u>374,876.95</u>
Accumulated Depreciation:				
Buildings/Improvements	(34,409.97)	(1,710.00)	-	(36,119.97)
Machinery and Equipment	(55,064.10)	(7,114.36)	-	(62,178.46)
Vehicles	(50,875.01)	(18,192.86)	-	(69,067.87)
	<u>(140,349.08)</u>	<u>(27,017.22)</u>	<u>-</u>	<u>(167,366.30)</u>
Depreciable assets, net	<u>225,792.59</u>	<u>(24,131.94)</u>	<u>-</u>	<u>201,660.65</u>
Net Capital Assets	<u>\$ 231,642.59</u>	<u>\$ (24,131.94)</u>	<u>\$ -</u>	<u>\$ 207,510.65</u>
Business-Type Activities:				
Non-depreciable assets:				
Construction in Progress	\$ 9,852.82	\$ 38,238.19	\$ -	\$ 48,091.01
Land	14,370.00	-	-	14,370.00
	<u>24,222.82</u>	<u>38,238.19</u>	<u>-</u>	<u>62,461.01</u>
Depreciable assets:				
Equipment	\$ 74,297.95	\$ -	\$ -	\$ 74,297.95
Sewer System	174,753.18	-	-	174,753.18
Water System	1,562,011.28	-	-	1,562,011.28
Total	<u>1,811,062.41</u>	<u>-</u>	<u>-</u>	<u>1,811,062.41</u>
Accumulated Depreciation:				
Equipment	(24,832.98)	(3,149.73)	-	(27,982.71)
Sewer System	(31,902.95)	(2,912.56)	-	(34,815.51)
Water System	(483,267.60)	(48,155.64)	-	(531,423.24)
	<u>(540,003.53)</u>	<u>(54,217.93)</u>	<u>-</u>	<u>(594,221.46)</u>
Depreciable assets, net	<u>1,271,058.88</u>	<u>(54,217.93)</u>	<u>-</u>	<u>1,216,840.95</u>
Net Capital Assets	<u>\$ 1,295,281.70</u>	<u>\$ (15,979.74)</u>	<u>\$ -</u>	<u>\$ 1,279,301.96</u>

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

**D. Capital Assets (continued)**

Depreciation expense was charged to governmental activities as follows:

General Government	\$	1,578.14
Public Safety and Judiciary		
Fire		24,151.03
Transportation		
Street and Alley		1,288.05
Total Depreciation Expense	<u>\$</u>	<u>27,017.22</u>

**E. Long-Term Debt**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities**

As of June 30, 2013, there were no governmental long-term debt obligations.

**Business-Type Activities**

As of June 30, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

**A note payable (#91-01)** due in 40 years to the Rural Economic Community Development Authority in the principal amount of \$338,000.00 was issued on December 2, 1980. The note bears interest at 5% with interest only due for the first two years and then monthly installments of \$1,660.00 starting January 2, 1983.

The note matures as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 11,028.08	\$ 8,891.92	\$ 19,920.00
2015	11,592.30	8,327.70	19,920.00
2016	12,185.37	7,734.63	19,920.00
2017	12,808.80	7,111.20	19,920.00
2018	13,464.12	6,455.88	19,920.00
2019-2020	56,223.11	13,048.41	69,271.52
Totals	<u>\$ 117,301.78</u>	<u>\$ 51,569.74</u>	<u>\$ 168,871.52</u>

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**III. Detailed Notes Concerning the Funds (continued)**

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

**Business-Type Activities (continued)**

A note payable (#91-02) due in 40 years to the Rural Economic Community Development Authority in the principal amount of \$54,300.00 was issued on December 2, 1980. The note bears interest at 5% with interest only due for the first two years and then monthly installments of \$267.00 starting January 2, 1983.

The note matures as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,790.64	\$ 1,413.36	\$ 3,204.00
2015	1,882.25	1,321.75	3,204.00
2016	1,978.57	1,225.43	3,204.00
2017	2,079.78	1,124.22	3,204.00
2018	2,186.17	1,017.83	3,204.00
2019-2020	8,731.83	2,042.61	10,774.44
Totals	<u>\$ 18,649.24</u>	<u>\$ 8,145.20</u>	<u>\$ 26,794.44</u>

A note payable (#91-05) due in 40 years to the Rural Economic Community Development Authority in the principal amount of \$104,000.00 was approved January 30, 2007 however proceeds were not disbursed until September 24, 2009. The note bears interest at 4.125% with monthly installments of \$444.00 starting October 24, 2009.

The note matures as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,234.49	\$ 4,093.51	\$ 5,328.00
2015	1,286.41	4,041.59	5,328.00
2016	1,346.47	3,981.53	5,328.00
2017	1,396.82	3,931.18	5,328.00
2018	1,455.54	3,872.46	5,328.00
2019-2023	8,248.65	18,391.35	26,640.00
2024-2028	10,134.52	16,505.48	26,640.00
2029-2033	12,451.54	14,188.46	26,640.00
2034-2038	15,298.30	11,341.70	26,640.00
2039-2043	18,795.89	7,844.11	26,640.00
2044-2048	26,033.08	606.92	26,640.00
Totals	<u>\$ 97,681.71</u>	<u>\$ 88,798.29</u>	<u>\$ 186,480.00</u>

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**III. Detailed Notes Concerning the Funds (continued)**

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

**Business-Type Activities (continued)**

A note payable (#91-07) due in 40 years to the Rural Economic Community Development Authority in the principal amount of \$101,000.00 was approved January 30, 2007 however proceeds were not disbursed until September 24, 2009. The note bears interest at 3.50% with monthly installments of \$392.00 starting October 24, 2009.

The note matures as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,354.30	\$ 3,349.70	\$ 4,704.00
2015	1,402.47	3,301.53	4,704.00
2016	1,452.34	3,251.66	4,704.00
2017	1,503.99	3,200.01	4,704.00
2018	1,557.48	3,146.52	4,704.00
2019-2023	8,658.80	14,861.20	23,520.00
2024-2028	10,312.13	13,207.87	23,520.00
2029-2033	12,281.16	11,238.84	23,520.00
2034-2038	14,626.18	8,893.82	23,520.00
2039-2043	17,418.96	6,101.04	23,520.00
2044-2048	23,929.39	-	23,929.39
Totals	<u>\$ 94,497.20</u>	<u>\$ 70,552.19</u>	<u>\$ 165,049.39</u>

**Town of Delaware, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**III. Detailed Notes Concerning the Funds (continued)**

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

**Business-Type Activities (continued)**

Debt service requirements for all business-type activities are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 15,407.51	\$ 17,748.49	\$ 33,156.00
2015	16,163.43	16,992.57	33,156.00
2016	16,962.75	16,193.25	33,156.00
2017	17,789.39	15,366.61	33,156.00
2018	18,663.31	14,492.69	33,156.00
2019-2023	81,862.39	33,252.55	115,114.94
2024-2028	20,446.65	29,713.35	50,160.00
2029-2033	24,732.70	25,427.30	50,160.00
2034-2038	29,924.48	20,235.52	50,160.00
2039-2043	36,214.85	13,945.15	50,160.00
2044-2048	49,962.47	606.92	50,569.39
Totals	<u>\$ 328,129.93</u>	<u>\$ 203,974.40</u>	<u>\$ 532,104.33</u>

**F. Changes in Long-Term Debt**

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Proceeds	Payments	Balance June 30, 2013	Due Within One Year
Business-Type Activities:					
Notes Payable	346,662.03	-	18,532.10	328,129.93	15,407.51
Total Business-Type	<u>\$ 346,662.03</u>	<u>\$ -</u>	<u>\$ 18,532.10</u>	<u>\$ 328,129.93</u>	<u>\$ 15,407.51</u>

**Town of Delaware, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**IV. Other Information**

**A. Risk Management**

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

**B. Proprietary Fund Rates and Charges**

Water Rates and Charges	
Minimum monthly charge on first 1,000 gallons	\$ 33.00
Price per thousand gallons for next 6,000 gallons	4.30
Price per thousand gallons on gallons over 6,000	6.50
Deposits - Residential and Commercial	150.00
Tap Fee	175.00
Late Fee (Per Month)	10.00
Reconnect Fee	25.00
Returned Check Fee	25.00
Sewer Rates and Charges	
Minimum monthly charge on first 1,000 gallons	8.25
Price per thousand gallons on gallons over 1,000	25% of Water Charge
Garbage Rates and Charges	
Base Charge	\$ 16.75
2nd Poly Cart	6.00

**C. Subsequent Events**

Management has evaluated subsequent events through June 19, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**OTHER SUPPLEMENTARY INFORMATION**

**Town of Delaware, Oklahoma**  
**Schedule of Expenditures of State and Federal Awards**  
**For the Year Ended June 30, 2013**

<u>Name of Agency or Grant</u>	<u>Expenditures</u>
CENA/Grand Gateway	\$ 2,000.00
Grand Gateway - REAP Grant	<u>23,222.53</u>
Total State & Federal Awards	<u>\$ 25,222.53</u>

**Town of Delaware, Oklahoma**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2013**

**2013-1 Material Adjusting Journal Entries**

*Criteria:*

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

*Condition:*

The government's trial balances for the year ended June 30, 2012, required a number of material adjusting entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: adjusting cash accounts, adjusting accounts receivable/accounts payable/payroll taxes payable, recording asset additions, and adjusting note payments. This finding was also noted in 2009.

*Cause:*

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

*Effect or Potential Effect:*

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

**Town of Delaware, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

**2013-1 Material Adjusting Journal Entries (continued)**

*Recommendation:*

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

*Client Response:*

No Response

**Town of Delaware, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

**2013-2 Bank Reconciliations**

*Criteria:*

SAS 112 states that a significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement that is more than inconsequential will not be prevented or detected by the Town's internal control.

*Condition:*

Several transactions and adjustments were made to cash accounts that still lacked bank reconciliations, such as the Reserve Account and Grant Account.

*Cause:*

Bank reconciliations should be performed on a monthly basis to ensure there are no errors and to reduce the possibility of misstatements in the Town's financial statements.

*Effect or Potential Effect:*

The audit was delayed and led to a finding of significant deficiency in the Public Works Authority and the Town's internal control.

*Recommendation:*

The Town should perform monthly bank reconciliations on all bank accounts to ensure all transactions have been recorded properly and if any discrepancies exist, they can be addressed at that time.

*Client Response:*

No response.

**Town of Delaware, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

**2013-3 Unrecorded Transactions**

*Criteria:*

SAS 112 states that a significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement that is more than inconsequential will not be prevented or detected by the Town's internal control.

*Condition:*

Unrecorded transactions or incorrect posting of transactions in cash accounts related to income and expenses.

*Cause:*

The PWA did not record transactions in the grant account.

*Effect or Potential Effect:*

The Enterprise Fund's Grant accounts were both understated.

*Recommendation:*

The Town should perform monthly bank reconciliations on all bank accounts to ensure all transactions have been recorded properly and if any discrepancies exist, they can be addressed at that time.

*Client Response:*

No response.

**Town of Delaware, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

**2013-4 Identifiable Activities**

*Criteria:*

GASBS No. 37, Para. 10, which is effective for audits of financial statements for periods ending on or after June 15, 1999, require activities within the enterprise fund to be presented with different identifiable activities. An identifiable activity has a specific revenue stream and related expenses that are accounted for separately. Different relates to the distinction between types of services or programs provided by activities. In other words, water would have its own revenue stream and related expenses, and the same would be true for the other departments such as sewer and trash.

*Condition:*

All utility expense activities are lumped together and a breakdown of departmental expenses is difficult if not impossible.

*Cause:*

A lack of separation of expenses into the various departments within the Public Works Authority.

*Effect or Potential Effect:*

Comparisons for the various activities within the utility department are not possible.

*Recommendation:*

To comply with GASBS No. 37, Para. 10, the auditors recommend tracking expenses for the various departments within the Public Works Authority. This may require setting up a new chart of accounts and hiring assistance from an outside source to help with compliance.

*Client Response:*

No response.

**Town of Delaware, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

**2013-5 Compliance with the Rural Development Reserve Requirement**

*Criteria:*

The loan agreement provides that the Delaware Public Works Authority is to deposit 1/10 of the monthly payment into a Debt Service Reserve account until the account equals one hundred and twenty times the 1/10 amount (or the equivalent of 12 months of debt service payments, which is \$26,886.00). Having previously been approved to spend money accumulated in the reserve account, the agreement now stipulates the payments into the reserve account are to resume no later than April of 2000.

Additional loan agreements requires that the Delaware Public Works Authority is to deposit \$556.25 monthly into a Depreciation Reserve for short-lived assets, in addition to that required for the debt service reserve. The payments were to begin accruing October 24, 2009 and will continue until the total replacement cost of \$68,750 is met.

*Condition:*

The Debt Service Reserve account remains under funded by \$12,589.61. The Depreciation Reserve account remains under funded by \$25,031.25.

*Cause:*

Monthly deposits were not made into the reserve accounts.

*Effect or Potential Effect:*

A lack of compliance with the terms of the loan agreement could lead to difficulty obtaining future financing.

*Recommendation:*

To comply with the reserve requirement per the loan agreement, it is recommended to make monthly deposits into the reserve accounts until the reserves are fully funded.

*Client Response:*

No Response.

**Town of Delaware, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

**2013-6 Segregation of Duties**

*Criteria:*

Incompatible accounting duties should be performed by different individuals when possible.

*Condition:*

The Town Treasurer performs all accounting duties including making deposits, recording deposits and making any adjustments.

*Cause:*

The Town relies on one person to perform all accounting duties including depositing and recording of customer payments.

*Effect or Potential Effect:*

The potential effect is the loss of assets due to not being able to detect losses from fraud or error.

*Recommendation:*

Separation of duties is one of the most effective controls to prevent or detect misappropriations of assets. When possible, incompatible duties should be performed by different individuals. For example, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people in the Town to the extent possible.

*Client Response:*

No Response.

**Town of Delaware, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

**2013-7 Budgetary Comparison**

*Criteria:*

Oklahoma State statutes 68 O.S.§3001-11 and 62 O.S.§461 require all municipalities that have not opted, by resolution, to come under the provisions of the Municipal Budget Act to prepare a financial statement for close of prior year (1<sup>st</sup> Monday in August) and prepare estimate of needs forms (by September 1). In addition Generally Accepted Accounting Principles require the budget to actual comparison to be presented as Required Supplementary Information.

*Condition:*

Budgetary Comparison schedule was not prepared, submitted or presented as required.

*Cause:*

Information to prepare the estimate of needs and financial statement was not received in time to prepare the estimate of needs.

*Effect or Potential Effect:*

A lack of compliance with Oklahoma State statutes and Generally Accepted Accounting Principles for required supplementary information.

*Recommendation:*

To comply with the requirements of the Oklahoma State statutes and Generally Accepted Accounting Principles the information necessary to prepare the estimate of needs and financial statement should be provided as soon after the close of the year as possible.

*Client Response:*

No Response.