

Town of

Dewar, Oklahoma



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

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

THE TOWN OF DEWAR, OKLAHOMA

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

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TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Town of Dewar, Oklahoma (the "Town"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City'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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2012, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the 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.

Disclaimer of Opinion on Supplementary 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 management's discussion and analysis, budgetary comparison information, and federal and state awards 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. Such information 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.

Arlidge & Associates, P.C.

Edmond, OK
August 2, 2013

TOWN OF DEWAR, OKLAHOMA
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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, 2012

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, 2012. 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 increased by \$174,434 and the assets of the Town exceed its liabilities at December 31, 2012, by \$1,045,240 (net position).
- At December 31, 2012, the Town's governmental funds reported combined ending fund balances of \$100,440.
- At the end of calendar year 2012, the unassigned fund balance (deficit) of the General Fund was \$(3,451) or -1.5% of General Fund net revenues.

ABOUT THE TOWN

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

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

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

The Town's Financial Reporting Entity

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Dewar (the "Town") and the Dewar Public Works Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the Town from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

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.

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-35 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, 2012, the net position for the governmental and business-type activities increased \$174,434. The results indicate the Town, as a whole, improved its financial condition from the prior year.

The Town of Dewar's Net Position

	Governmental Activities	Business-type Activities	Total
Beginning net position	\$ 511,478	\$ 359,328	\$ 870,806
Increase	35,529	138,905	174,434
Ending net position	\$ 547,007	\$ 498,233	\$ 1,045,240

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

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	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 111,190	\$ 104,934	\$ 44,932	\$ 73,425	\$ 156,122	\$ 178,359
Capital assets, net	516,302	536,702	871,460	724,096	1,387,762	1,260,798
Total assets	627,492	641,636	916,392	797,521	1,543,884	1,439,157
Liabilities:						
Long-term liabilities	69,735	80,893	417,893	437,949	487,628	518,842
Other liabilities	10,750	49,265	266	244	11,016	49,509
Total liabilities	80,485	130,158	418,159	438,193	498,644	568,351
Net position:						
Net investment in capital assets	446,567	446,265	479,246	311,658	925,813	757,923
Restricted	103,891	92,285	38,855	53,019	142,746	145,304
Unrestricted (deficit)	(3,451)	(27,072)	(19,868)	(5,349)	(23,319)	(32,421)
Total net position	\$ 547,007	\$ 511,478	\$ 498,233	\$ 359,328	\$ 1,045,240	\$ 870,806

The largest portion of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to \$925,813.

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

A portion of the Town's net position, \$142,746, represents resources that are subject to external restrictions on how they may be used.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for Services	\$ 56,693	\$ 61,445	\$ 328,483	\$ 320,581	\$ 385,176	\$ 382,026
Grants & Contributions	12,439	11,722	-	-	12,439	11,722
Capital Grants & Contributions	37,328	33,071	180,434	188,655	217,762	221,726
General Revenues:						
Sales and Use Taxes	106,945	107,349	-	-	106,945	107,349
Other Taxes	17,269	18,678	-	-	17,269	18,678
Other General Revenues	54,505	79,552	360	758	54,865	80,310
Total Revenues	285,179	311,817	509,277	509,994	794,456	821,811
Program Expenses:						
General Government	127,725	191,349	-	-	127,725	191,349
Public Safety	126,751	147,529	-	-	126,751	147,529
Highways and Streets	12,606	10,507	-	-	12,606	10,507
Water	-	-	199,540	199,045	199,540	199,045
Sewer	-	-	80,678	102,438	80,678	102,438
Sanitation	-	-	68,085	68,493	68,085	68,493
Interest on long-term debt	4,637	5,236	-	-	4,637	5,236
Total Expenses	271,719	354,621	348,303	369,976	620,022	724,597
Excess (Deficiency)	13,460	(42,804)	160,974	140,018	174,434	97,214
Net Transfers	22,069	16,277	(22,069)	(16,277)	-	-
Increase/(Decrease) Net Position	\$ 35,529	\$ (26,527)	\$ 138,905	\$ 123,741	\$ 174,434	\$ 97,214

Governmental Activities

The Town's governmental activities' increase in net position of \$35,529 represents a 7% positive increase. Net position remained relatively consistent with the prior year.

Business-type Activities

The business-type activities' had an increase in net position of \$138,905 or a 39% increase. This increase is due to the Dewar Public Works Authority receiving a \$180,434 grant in the current year. The increase in net position in the prior year was 53%.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed its 2012 calendar year, the governmental funds reported an unassigned fund balance (deficit) of \$(3,451), which represents a decrease of 87% in the size of the unassigned fund balance (deficit) from the prior year. This decrease in the size of the deficit was due to a significant decrease in expenses from the prior year.

Other fund highlights include:

- For the year ended December 31, 2012, the General Fund's total fund balance increased by \$36,972 or 158%.

General Fund Budgetary Highlights

For the year ended December 31, 2012, the General Fund reported actual budgetary basis revenues above final estimates by \$61,229 or a 31% positive variance. General Fund actual expenditures were above final appropriations by \$54,676 or a 33% negative variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2012, the Town had approximately \$1.39 million invested in capital assets (net of accumulated depreciation) including land, buildings, machinery and equipment, and park facilities. This represents a net increase of \$126,964 from last year.

Below are details regarding the change in the Town's capital assets for the year ended December 31, 2012.¹

¹ For more detailed information on capital asset activity please refer to pages 28-30, Note 4. Capital Assets and Depreciation

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The Town of Dewar's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 38,263	\$ 38,263	\$ 9,500	\$ 9,500	\$ 47,763	\$ 47,763
Buildings and Improvements	406,758	397,234	5,700	5,700	412,458	402,934
Machinery and Equipment	669,790	646,705	166,878	152,535	836,668	799,240
Improvements other than buildings	6,383	6,383	-	-	6,383	6,383
Infrastructure	44,469	44,469	-	-	44,469	44,469
Utility Systems	-	-	2,140,908	1,732,827	2,140,908	1,732,827
Construction-in-progress	-	-	7,875	231,602	7,875	231,602
Totals	1,165,663	1,133,054	2,330,861	2,132,164	3,496,524	3,265,218
Less Accumulated Depreciation	(649,361)	(596,352)	(1,459,401)	(1,408,068)	(2,108,762)	(2,004,420)
Totals, Net	\$ 516,302	\$ 536,702	\$ 871,460	\$ 724,096	\$ 1,387,762	\$ 1,260,798

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

- The completion of the wastewater treatment project.
- The purchase of a 2012 Polaris Ranger for the fire department.

Debt Administration

At year-end, the City had \$487,628 in long-term debt outstanding, which represents a \$40,758 decrease from the prior year.

The Town of Dewar's Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Note payable	\$ 8,359	\$ 21,566	\$ 392,214	\$ 412,438	\$ 400,573	\$ 434,004
Capital lease payable	61,376	68,871	-	-	61,376	68,871
Deposits subject to refund	-	-	25,679	25,511	25,679	25,511
Totals	\$ 69,735	\$ 90,437	\$ 417,893	\$ 437,949	\$ 487,628	\$ 528,386

During the year ended December 31, 2012 the Town received no new note proceeds.²

² For more detailed information on long-term debt activity please refer to pages 30-32, Note 5. Long-Term Debt and Debt Service Requirements.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The 2013 budget is consistent to prior years.

Contacting the Town's Financial Management

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

**TOWN OF DEWAR, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

TOWN OF DEWAR, OKLAHOMA
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Statement of Net Position (Modified Cash Basis)– December 31, 2012

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 85,681	\$ 65,000	\$ 150,681
Deposits with insurance pool	5,441	-	5,441
Internal balances	20,068	(20,068)	-
Capital assets:			
Land and construction in progress	38,263	17,375	55,638
Other capital assets, net of depreciation	478,039	854,085	1,332,124
Total Assets	627,492	916,392	1,543,884
LIABILITIES			
Payroll withholdings liabilities	10,137	-	10,137
Due to other governments	613	-	613
Other payables	-	266	266
Long-term liabilities:			
Due within one year	11,879	26,308	38,187
Due in more than one year	57,856	391,585	449,441
Total Liabilities	80,485	418,159	498,644
NET POSITION			
Net investment in capital assets	446,567	479,246	925,813
Restricted for debt service	-	38,855	38,855
Restricted for other purposes	103,891	-	103,891
Unrestricted (deficit)	(3,451)	(19,868)	(23,319)
Total Net Position	\$ 547,007	\$ 498,233	\$ 1,045,240

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis)– Year Ended December 31, 2012

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	\$ 127,725	\$ 242	\$ -	\$ -	\$ (127,483)	\$ -	\$ (127,483)
Public safety	126,751	56,451	4,484	16,000	(49,816)	-	(49,816)
Streets and highways	12,606	-	7,955	21,328	16,677	-	16,677
Interest on long-term debt	4,637	-	-	-	(4,637)	-	(4,637)
Total governmental activities	271,719	56,693	12,439	37,328	(165,259)	-	(165,259)
Business-type activities:							
Water	199,540	195,896	-	-	-	(3,644)	(3,644)
Sewer	80,678	63,445	-	180,434	-	163,201	163,201
Sanitation	68,085	69,142	-	-	-	1,057	1,057
Total business-type activities	348,303	328,483	-	180,434	-	160,614	160,614
Total primary government	\$ 620,022	\$ 385,176	\$ 12,439	\$ 217,762	\$ (165,259)	\$ 160,614	\$ (4,645)
General revenues:							
Taxes:							
Sales and use taxes					106,945	-	106,945
Franchise and public service taxes					17,269	-	17,269
Intergovernmental revenue not restricted to specific programs					7,524	-	7,524
Investment income					76	360	436
Miscellaneous					46,905	-	46,905
Transfers - internal activity					22,069	(22,069)	-
Total general revenues and transfers					200,788	(21,709)	179,079
Change in net assets					35,529	138,905	174,434
Net position - beginning					511,478	359,328	870,806
Net position - ending					\$ 547,007	\$ 498,233	\$ 1,045,240

See accompanying notes to the basic financial statements.

**TOWN OF DEWAR, OKLAHOMA
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BASIC FINANCIAL STATEMENTS -- GOVERNMENTAL FUNDS

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ANNUAL FINANCIAL REPORT
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Governmental Funds Balance Sheet (Modified Cash Basis) – December 31, 2012

	<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	\$ 20,703	\$ 41,576	\$ 23,402	\$ 85,681
Deposits with insurance pool	5,441	-	-	5,441
Due from other funds	20,068	-	21,900	41,968
	<u>20,068</u>	<u>-</u>	<u>21,900</u>	<u>41,968</u>
Total Assets	<u>\$ 46,212</u>	<u>\$ 41,576</u>	<u>\$ 45,302</u>	<u>\$ 133,090</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ 613	\$ -	\$ -	\$ 613
Due to other funds	21,900	-	-	21,900
Payroll withholding liabilities	10,137	-	-	10,137
	<u>10,137</u>	<u>-</u>	<u>-</u>	<u>10,137</u>
Total Liabilities	<u>32,650</u>	<u>-</u>	<u>-</u>	<u>32,650</u>
Fund Balances:				
Restricted	\$ 17,013	\$ 41,576	\$ 45,302	\$ 103,891
Unassigned (deficit)	(3,451)	-	-	(3,451)
Total Fund Balances	<u>13,562</u>	<u>41,576</u>	<u>45,302</u>	<u>100,440</u>
Total Liabilities and Fund Balances	<u>\$ 46,212</u>	<u>\$ 41,576</u>	<u>\$ 45,302</u>	<u>\$ 133,090</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, 2012**

	General Fund	Street & Alley Fund	Dedicated Sales Tax Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 98,150	\$ -	\$ 26,064	\$ 124,214
Intergovernmental	33,336	7,955	14,000	55,291
Charges for services	2,350	-	-	2,350
Fines and forfeitures	54,101	-	-	54,101
Licenses and permits	242	-	-	242
Investment income	76	-	-	76
Miscellaneous	46,905	-	2,000	48,905
Total Revenues	235,160	7,955	42,064	285,179
Expenditures:				
Current:				
General government	118,509	-	-	118,509
Public Safety:				
Police	53,485	-	-	53,485
Fire	18,995	-	2,681	21,676
Streets	9	9,412	-	9,421
Capital outlay	15,024	-	28,567	43,591
Debt service:				
Principal retirement	13,207	-	7,495	20,702
Interest	1,028	-	3,609	4,637
Total Expenditures	220,257	9,412	42,352	272,021
Other Financing Sources (Uses):				
Operating transfers in	22,069	-	-	22,069
Net change in fund balances	36,972	(1,457)	(288)	35,227
Fund balances (deficit) - beginning	(23,410)	43,033	45,590	65,213
Fund balances - ending	\$ 13,562	\$ 41,576	\$ 45,302	\$ 100,440

See accompanying notes to the basic financial statements.

**TOWN OF DEWAR, OKLAHOMA
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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Fund balances of governmental funds	\$ 100,440
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities of \$1,165,663, net of accumulated depreciation of \$649,361 are not financial resources and, therefore, are not reported in the funds.	516,302
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Capital lease payable	(61,376)
Notes payable	(8,359)
	(69,735)
Net position of governmental activities	<u>\$ 547,007</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds	\$ 35,227
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	32,609
Depreciation expense	(53,009)
	(20,400)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Note payable principal payments	20,702
	20,702
Change in net position of governmental activities	<u>\$ 35,529</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Fund Statement of Net Position (Modified Cash Basis) – December 31, 2012

	Public Works Authority Enterprise Fund
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 466
Restricted cash and cash equivalents	5,136
Total current assets	5,602
Noncurrent assets:	
Restricted cash and cash equivalents	59,398
Land and construction-in-progress	17,375
Other capital assets, net of accumulated depreciation	854,085
Total noncurrent assets	930,858
Total Assets	936,460
LIABILITIES:	
Current Liabilities:	
Due to other funds	20,068
Other payable	266
Deposits subject to refund, current portion	5,136
Notes payable	21,172
Total current liabilities	46,642
Noncurrent Liabilities:	
Deposits subject to refund, net of current portion	20,543
Notes payable	371,042
Total noncurrent liabilities	391,585
Total Liabilities	438,227
NET POSITION	
Net investment in capital assets	479,246
Restricted for debt service	38,855
Unrestricted	(19,868)
Total net position	\$ 498,233

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended December 31, 2012

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water	\$ 188,858
Sewer	61,166
Sanitation	66,658
Penalties	5,650
Miscellaneous	6,151
Total Operating Revenues	328,483
Operating Expenses	
Water	167,088
Sewer	38,268
Sanitation	68,085
Depreciation	55,794
Total Operating Expenses	329,235
Operating Income (Loss)	(752)
Non-Operating Revenues (Expenses):	
Investment income	360
Interest expense	(18,752)
Loss on sale of capital assets	(316)
Total Non-Operating Revenues (Expenses)	(18,708)
Net Income Before Capital Contributions and Transfers	(19,460)
Contributed capital	180,434
Transfers out	(22,069)
Change in net position	138,905
Total net position - beginning	359,328
Total net position - ending	\$ 498,233

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended December 31, 2012

	Public Works Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 328,483
Payments to vendors	(184,124)
Payments to employees	(89,295)
Receipts of customer utility deposits	5,125
Customer utility deposits refunded or applied	(4,957)
Interfund receipts/payments	(47)
Net Cash Provided by Operating Activities	55,185
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(22,069)
Net Cash Provided by (Used in) Noncapital financing activities	(22,069)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grant receipts	180,434
Proceeds from sale of capital assets	4,000
Purchases of capital assets	(207,474)
Principal paid on capital debt	(20,224)
Interest paid on capital debt	(18,752)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(62,016)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	4,837
Investment income	360
Net Cash Provided by Investing Activities	4,997
Net Increase (Decrease) in Cash and Cash Equivalents	(23,903)
Balance - beginning of the year	88,903
Balance - end of the year	\$ 65,000
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 466
Current restricted cash and cash equivalents	5,136
Noncurrent restricted cash and cash equivalents	59,398
Total cash and cash equivalents	\$ 65,000
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (752)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	55,794
Change in assets and liabilities:	
Other payable	22
Interfund receipts/payments	(47)
Deposits subject to refund	168
Net cash provided by operating activities	\$ 55,185

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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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. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the Town has leased certain existing assets at the creation of the Authorities 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

Implementation of New Accounting Standards:

The Town has implemented the effect of the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement 60 - Service Concession Arrangements (no material effect)

Statement 61 - The Financial Reporting Entity (no material effect)

Statement 62 - Codification of pre-1989 FASB standards and AICPA pronouncements (no material effect)

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Statement 65 - Items Previously reported as Assets and Liabilities (adopted early, with no material effect)

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

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adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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

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

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

- General government: License and permits, rents and royalties, fire subscriptions, and capital 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 and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

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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, 2012, is \$589 for the Town and \$1,520 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, 2012, the Town recognized \$436 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the Town's deposits are in demand and short-term time deposits.

Primary Government:

At December 31, 2012, the primary government held the following deposits and investments:

	Maturities	Carrying Value
Deposits:		
Demand deposits	n/a	\$ 150,581
Petty cash	n/a	100
		\$ 150,681
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 150,681
Investments		-
		\$ 150,681

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, 2012, 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

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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, 2012, 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, 2012 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Noncurrent Cash and Cash Equivalents</u>	<u>Total</u>
Utility Deposits	\$ 5,136	\$ 20,543	\$ 25,679
Reserve Account RDA	-	38,855	38,855
Total Restricted Assets	<u>\$ 5,136</u>	<u>\$ 59,398</u>	<u>\$ 64,534</u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, improvements other than buildings, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1998. Prior to July 1, 2001, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2001 are recorded at cost.

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For the year ended December 31, 2012, capital assets balances changed as follows:

	Balance at January 1, 2012	Additions	Disposals	Balance at December 31, 2012
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 38,263	\$ -	\$ -	\$ 38,263
Total capital assets not being depreciated	38,263	-	-	38,263
Other capital assets:				
Buildings	397,234	9,524	-	406,758
Machinery and equipment	646,705	23,085	-	669,790
Improvements other than buildings	6,383	-	-	6,383
Infrastructure	44,469	-	-	44,469
Total other capital assets at historical cost	1,094,791	32,609	-	1,127,400
Less accumulated depreciation for:				
Buildings	248,867	8,355	-	257,222
Machinery and Equipment	321,899	41,831	-	363,730
Improvements other than buildings	2,977	638	-	3,615
Infrastructure	22,609	2,185	-	24,794
Total accumulated depreciation	596,352	53,009	-	649,361
Other capital assets, net	498,439	(20,400)	-	478,039
Governmental activities capital assets, net	\$ 536,702	\$ (20,400)	\$ -	\$ 516,302
	Balance at January 1, 2012	Additions	Disposals	Balance at December 31, 2012
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 9,500	\$ -	\$ -	\$ 9,500
Construction in progress	231,602	179,672	403,399	7,875
Total capital assets not being depreciated	241,102	179,672	403,399	17,375
Other capital assets:				
Buildings	5,700	-	-	5,700
Machinery and Equipment	152,535	23,120	8,777	166,878
Utility Systems	1,732,827	408,081	-	2,140,908
Total other capital assets at historical cost	1,891,062	431,201	8,777	2,313,486
Less accumulated depreciation for:				
Buildings	783	285	-	1,068
Machinery and Equipment	99,847	15,685	4,461	111,071
Utility Systems	1,307,438	39,824	-	1,347,262
Total accumulated depreciation	1,408,068	55,794	4,461	1,459,401
Other capital assets, net	482,994	375,407	4,316	854,085
Business-type activities capital assets, net	\$ 724,096	\$ 555,079	\$ 407,715	\$ 871,460

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Depreciation:

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

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

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

<i>Governmental Activities:</i>		<i>Business-type Activities:</i>	
General government	\$ 9,216	Water	\$ 26,387
Public safety	40,608	Sewer	29,407
Streets	3,185		
Total depreciation	<u>\$ 53,009</u>	Total depreciation	<u>\$ 55,794</u>

Included in machinery and equipment are capital lease assets totaling \$95,200 with accumulated depreciation of \$15,470.

5. Long-Term Debt and Debt Service Requirements

For the year ended December 31, 2012, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance Due January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due December 31, 2012</u>	<u>Amount Due Within One Year</u>
Governmental-Type Activities:					
Capital lease payable	\$ 68,871	\$ -	\$ 7,495	\$ 61,376	\$ 7,993
Note payable	12,022	-	3,663	8,359	3,886
Total Governmental-Type Activities	<u>\$ 80,893</u>	<u>\$ -</u>	<u>\$ 11,158</u>	<u>\$ 69,735</u>	<u>\$ 11,879</u>
Business-Type Activities:					
Notes Payable	\$ 412,438	\$ -	\$ 20,224	\$ 392,214	\$ 21,172
Deposits Subject to Refund	25,511	5,125	4,957	25,679	5,136
Total Business-Type Activities	<u>\$ 437,949</u>	<u>\$ 5,125</u>	<u>\$ 25,181</u>	<u>\$ 417,893</u>	<u>\$ 26,308</u>

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

Capital Lease Payable:

\$85,700 capital lease payable to Welch State Bank payable in monthly installments of \$925, including principal and interest at 5.38%, final payment due July 2019, payable from Dedicated Sales Tax Fund.	<u>\$61,376</u>
Current portion	\$7,993
Non-current portion	<u>53,383</u>
Total Capital Lease Payable	<u>\$61,376</u>

Note Payable:

\$15,210 note payable to American Exchange Bank payable in monthly installments of \$356, including principal and interest at 5.7482%, final payment due January 2015, payable from General Fund.	<u>\$8,359</u>
Current portion	\$3,886
Non-current portion	<u>4,473</u>
Total Note Payable	<u>\$8,359</u>

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

Notes Payable:

Note payable to Rural Utilities Services, payable in monthly installments of \$1,315, including principal and interest at 5%, final payment due November 2019.	\$56,828
Note payable to Rural Utilities Services, payable in monthly installments of \$376, including principal and interest at 5%, final payment due December 2032.	56,470
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>278,916</u>
Total Notes Payable	<u>\$ 392,214</u>
Current portion	\$21,172
Non-current portion	<u>371,042</u>
Total Notes Payable	<u>\$392,214</u>

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Customer Deposits:

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable.	\$ <u>25,679</u>
Current portion	\$ 5,136
Non-current portion	<u>20,543</u>
Total Customer Deposits	\$ <u>25,679</u>

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

Year Ended December 31,	Governmental Type Activities				Business Type Activities	
	Capital Lease Payable		Note Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	7,993	3,112	3,886	379	21,172	17,804
2014	8,434	2,671	4,116	150	22,229	16,747
2015	8,899	2,205	357	4	23,336	15,640
2016	9,385	1,720	-	-	22,254	14,552
2017	9,908	1,196	-	-	9,022	13,742
2018-2022	16,757	712	-	-	51,881	61,939
2023-2027	-	-	-	-	65,365	48,456
2028-2032	-	-	-	-	81,264	31,502
2033-2037	-	-	-	-	77,932	13,328
2038	-	-	-	-	17,759	549
Total	\$ 61,376	\$ 11,616	\$ 8,359	\$ 533	\$ 392,214	\$ 234,259

Short-term Note Payable

<u>Type of Debt</u>	<u>Balance Due January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due December 31, 2012</u>	<u>Amount Due Within One Year</u>
Governmental-Type Activities:					
Note payable	\$ 9,544	\$ -	\$ 9,544	\$ -	\$ -
Total Governmental-Type Activities	\$ 9,544	\$ -	\$ 9,544	\$ -	\$ -

6. Net Position and Fund Balances

Net position is 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 improvements 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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

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Restricted for other purposes:	
Grant purposes-street	\$ 17,013
Street and Alley Maintenance	41,576
Fire and Street Equipment and Maintenance	45,302
	\$ 103,891

c. *Unrestricted net position* - All other net position elements that do not meet the definition of "restricted" or "net investment in capital assets."

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.

7. 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.

8. 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.

9. 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, 2012, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Dedicated Sales Tax Fund	General Fund	\$ 21,900	Sales tax not transferred
General Fund	DPWA	20,068	Insurance proceeds
Total Interfund Balances		\$ 41,968	

Reconciliation to Statement of Net Position:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Activities	\$ 41,968	\$ (21,900)	\$ 20,068
Business-Type Activities	-	(20,068)	(20,068)
	\$ 41,968	\$ (41,968)	\$ -

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Internal transfers between funds and activities for the year ended December 31, 2012, were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
DPWA	General Fund	\$ 4,677	CD cashed in for operations
DPWA	General Fund	8,755	PWA expense paid by GF-Reimbursement
DPWA	General Fund	8,637	Business-type grant activity
Total		<u>\$ 22,069</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 22,069	-	\$22,069
Proprietary Funds	-	(22,069)	(22,069)
	<u>\$22,069</u>	<u>(22,069)</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net Transfers	<u>\$ 22,069</u>
	<u>\$ 22,069</u>

10. 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.

11. Commitments and Contingencies

Litigation:

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

Federal and State Award Programs:

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The Town of Dewar participates in various federal or state grant/loan programs from year to year. In 2012, 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.

12. Pension Plan Participation

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

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

Firefighter Pension System:

Plan Summary Information. The Town of Dewar, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma 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>
2010	\$720	\$720
2011	\$720	\$720
2012	\$600	\$600

13. Expenditures Exceeding Appropriation

The following is a listing of expenditures that exceeded legal appropriations for the year ended December 31, 2012:

General Fund – General Government	\$49,380
General Fund – Fire	8,295
General Fund – Streets	9
Street and Alley Fund – Street	6,412
Dedicated Sales Tax Fund – Fire	24,248

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SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance (Deficit):	\$ (23,411)	\$ (23,411)	\$ (23,410)	\$ 1
Resources (Inflows):				
Taxes	99,500	99,500	98,150	(1,350)
Intergovernmental	8,300	8,300	33,336	25,036
Charges for Services	400	400	2,350	1,950
Fines and Forfeitures	40,000	40,000	54,101	14,101
Licenses and Permits	300	300	242	(58)
Interest	-	-	76	76
Miscellaneous	47,500	47,500	46,905	(595)
Other financing sources - transfers in	-	-	22,069	22,069
Total Revenue	<u>196,000</u>	<u>196,000</u>	<u>257,229</u>	<u>61,229</u>
Amounts available for appropriation	<u>172,589</u>	<u>172,589</u>	<u>233,819</u>	<u>61,230</u>
Charges to Appropriations (Outflows):				
General Government	88,618	88,618	137,998	(49,380)
Police	60,763	60,763	57,755	3,008
Fire	16,200	16,200	24,495	(8,295)
Streets	-	-	9	(9)
Total Charges to Appropriations	<u>165,581</u>	<u>165,581</u>	<u>220,257</u>	<u>(54,676)</u>
Ending Budgetary Fund Balance	<u>\$ 7,008</u>	<u>\$ 7,008</u>	<u>\$ 13,562</u>	<u>\$ 6,554</u>

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended December 31, 2012
(Continued)

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 43,033	\$ 43,033	\$ 43,033	\$ -
Resources (Inflows):				
Intergovernmental	7,000	7,000	7,955	955
Total Revenue	<u>7,000</u>	<u>7,000</u>	<u>7,955</u>	<u>955</u>
Amounts available for appropriation	<u>50,033</u>	<u>50,033</u>	<u>50,988</u>	<u>955</u>
Charges to Appropriations (Outflows):				
Streets	3,000	3,000	9,412	(6,412)
Total Charges to Appropriations	<u>3,000</u>	<u>3,000</u>	<u>9,412</u>	<u>(6,412)</u>
Ending Budgetary Fund Balance	<u>\$ 47,033</u>	<u>\$ 47,033</u>	<u>\$ 41,576</u>	<u>\$ (5,457)</u>

	DEDICATED SALES TAX FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 45,590	\$ 45,590	\$ 45,590	\$ -
Resources (Inflows):				
Taxes	26,000	26,000	26,064	64
Intergovernmental	-	-	14,000	14,000
Miscellaneous	-	-	2,000	2,000
Total Resources	<u>26,000</u>	<u>26,000</u>	<u>42,064</u>	<u>16,064</u>
Amounts available for appropriation	<u>71,590</u>	<u>71,590</u>	<u>87,654</u>	<u>16,064</u>
Charges to Appropriations:				
Fire	18,104	18,104	42,352	(24,248)
Street	2,500	2,500	-	2,500
Total Charges to Appropriations	<u>20,604</u>	<u>20,604</u>	<u>42,352</u>	<u>(21,748)</u>
Ending Budgetary Fund Balance	<u>\$ 50,986</u>	<u>\$ 50,986</u>	<u>\$ 45,302</u>	<u>\$ (5,684)</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, the Town had negative variances in the following category levels and for the following amount:

General Fund – General Government	\$49,380
General Fund – Fire	8,295
General Fund – Streets	9
Street and Alley Fund – Street	6,412
Dedicated Sales Tax Fund – Fire	24,248

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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended
December 31, 2012**

<u>State Grantor/Pass through agency Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Thru Grant #</u>	<u>Award Amount</u>	<u>Contract Expenditures</u>
FEDERAL AWARDS:				
<u>DEPARTMENT OF COMMERCE:</u>				
Passed through Eastern Oklahoma Department of Commerce: CDBG 11	14.228	14718 CDBG 11 Phase II	\$ 273,065	\$ 171,824
<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			\$ 290,079	\$ 171,824
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Passed through Eastern Oklahoma Development District Rural Fire Grant-2011	N/A	N/A	\$ 4,413	\$ 3,662
Rural Fire Grant-2012	N/A	N/A	4,484	4,484
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u>				
2010 REAP	N/A	N/A	25,000	8,610
2012 REAP	N/A	N/A	14,000	14,000
<u>DEPARTMENT OF CIVIL EMERGENCY MANAGEMENT:</u>				
FEMA-PA-1988-PW-00198-524 #2488	N/A	N/A	4,314	4,314
TOTAL STATE AWARDS			\$ 52,211	\$ 35,070

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

**TOWN OF DEWAR, OKLAHOMA
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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

The Honorable Mayor and Members of the Town Board of the
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, and each major fund of the Town of Dewar, Oklahoma (the "Town"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 2, 2013. Our report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Finding 2012-1.

Town of Dewar's Response to Finding

The Town of Dewar's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town of Dewar'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.

Edmond, OK
August 2, 2013

**TOWN OF DEWAR, OKLAHOMA
 SCHEDULE OF FINDINGS AND RESPONSES
 Year Ended December 31, 2012**

Finding 2012-1 – Budget Overruns (a repeat finding 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	\$49,380
General Fund	Fire	8,295
Street and Alley Fund	Streets	6,412
Dedicated Sales Tax Fund	Fire	24,248

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 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.

