

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**TOWN OF CARNEY**  
**Carney, Oklahoma**

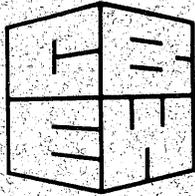
**CONTENTS**

	<b>Page No.</b>
<b>Independent Auditor's Report</b>	1-2
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities and Changes in Net Assets	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Statement of Fiduciary Net Assets - Fiduciary Funds	12
<b>Notes to the Basic Financial Statements</b>	13-24
<b>Required Supplemental Information:</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	25-26
Notes to Required Supplemental Information	27

**TOWN OF CARNEY  
Carney, Oklahoma**

**CONTENTS**

	<b>Page No.</b>
<b>Supplemental Information:</b>	
Combining Balance Sheet – Non-Major Governmental Funds	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	29
Schedule of Expenditures of Federal Awards	30
<b>Report Required by <i>Government Auditing Standards</i>:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
<b>Schedule of Findings and Responses</b>	<b>33-36</b>



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## INDEPENDENT AUDITOR'S REPORT

June 29, 2012

The Honorable Town Council  
Town of Carney  
Carney, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carney, Oklahoma, (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1 to the financial statements, the Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which these departures would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

In our opinion, except for the effects, if any, on the financial statements of incomplete capital asset record keeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Carney, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the Town of Carney, Oklahoma, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Town of Carney  
June 29, 2012

Budgetary comparison information on pages 25 through 26 and the notes on page 27 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Carney's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the combining and individual non-major governmental fund statements listed in the table of contents are presented for additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

**TOWN OF CARNEY**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 68,859	\$ 30,776	\$ 99,635
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	14,980	14,980
Taxes	30,568	-	30,568
<b>Capital assets:</b>			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	414,159	303,142	717,301
<b>Total assets</b>	<b>\$ 513,586</b>	<b>\$ 348,898</b>	<b>\$ 862,484</b>
<b>Liabilities:</b>			
Accounts payable	\$ 1,618	\$ 6,326	\$ 7,944
Payroll taxes payable	12,254	-	12,254
Interest payable	-	14	14
Notes payable (Note 2)	-	33,199	33,199
<b>Total liabilities</b>	<b>13,872</b>	<b>39,539</b>	<b>53,411</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	414,159	269,943	684,102
Restricted	15,044	-	15,044
Unrestricted	70,511	39,416	109,927
<b>Total net assets</b>	<b>\$ 499,714</b>	<b>\$ 309,359</b>	<b>\$ 809,073</b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2011

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:					
City clerk	\$ 17,272	\$ -	\$ -	\$ -	\$ (17,272)
General government	22,470	-	-	-	(22,470)
Total general government	<u>39,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,742)</u>
Public safety and judiciary:					
Fire and ambulance	6,877	-	4,398	-	(2,479)
Municipal court	7,209	27,509	-	-	20,300
Police	61,541	-	-	-	(61,541)
Total public safety and judiciary	<u>75,627</u>	<u>27,509</u>	<u>4,398</u>	<u>-</u>	<u>(43,720)</u>
Transportation:					
Streets	5,056	-	-	-	(5,056)
Total transportation	<u>5,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,056)</u>
Unallocated depreciation	58,774	-	-	-	(58,774)
<b>Total governmental activities</b>	<u>179,199</u>	<u>27,509</u>	<u>4,398</u>	<u>-</u>	<u>(147,292)</u>
<b>Business-type activities</b>					
Water & sewer service	91,042	143,611	-	-	52,569
General & administrative	5,563	-	-	-	(5,563)
Sanitation service	46,397	-	-	-	(46,397)
Financing costs	2,075	-	-	-	(2,075)
Unallocated depreciation*	18,631	-	-	-	(18,631)
<b>Total business-type activities</b>	<u>163,708</u>	<u>143,611</u>	<u>-</u>	<u>-</u>	<u>(20,097)</u>
<b>Total</b>	<u>\$ 342,907</u>	<u>\$ 171,120</u>	<u>\$ 4,398</u>	<u>\$ -</u>	<u>\$ (167,389)</u>

\* - This amount does not include the depreciation that is included in the direct expenses of various programs.

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(147,292)	(20,097)	(167,389)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	70,876	-	70,876
Franchise taxes	20,703	-	20,703
Cigarette taxes	946	-	946
Intergovernmental	11,362	-	11,362
Gas excise taxes	725	-	725
Investment earnings	326	231	557
Miscellaneous	6,965	-	6,965
Transfers	-	-	-
<b>Total general revenues and transfers</b>	<u>111,903</u>	<u>231</u>	<u>112,134</u>
<b>Change in net assets</b>	(35,389)	(19,866)	(55,255)
<b>Fund balance - beginning of year</b>	<u>535,103</u>	<u>329,225</u>	<u>864,328</u>
<b>Net assets - end of year</b>	<u>\$ 499,714</u>	<u>\$ 309,359</u>	<u>\$ 809,073</u>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents	\$ 57,491	\$ 11,368	\$ 68,859
Accrued governmental transfers	29,544	1,024	30,568
Due from others	-	2,652	2,652
<b>Total assets</b>	<b>\$ 87,035</b>	<b>\$ 15,044</b>	<b>\$ 102,079</b>
<b>Liabilities:</b>			
Accounts payable	\$ 1,618	\$ -	\$ 1,618
Due to others	2,652	-	2,652
Payroll taxes payable	12,254	-	12,254
<b>Total liabilities</b>	<b>16,524</b>	<b>-</b>	<b>16,524</b>
<b>Fund balance:</b>			
<b>Restricted for:</b>			
Other purposes	-	15,044	15,044
<b>Unassigned</b>	<b>70,511</b>	<b>-</b>	<b>70,511</b>
<b>Total fund balance</b>	<b>70,511</b>	<b>15,044</b>	<b>85,555</b>
<b>Total liabilities and fund balance</b>	<b>\$ 87,035</b>	<b>\$ 15,044</b>	<b>\$ 102,079</b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT**  
**OF NET ASSETS**  
**June 30, 2011**

**Total Fund Balances - Total Governmental Funds** \$ 85,555

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Equipment & vehicles	\$	176,167	
Building & improvements		<u>237,992</u>	
			<u>414,159</u>

**Net assets of governmental activities** \$ 499,714

**TOWN OF CARNEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Cigarette taxes	\$ 946	\$ -	\$ 946
Interest	317	9	326
Franchise taxes	20,703	-	20,703
Gas excise taxes	-	725	725
Intergovernmental programs	6,721	9,039	15,760
Fines and forfeits	27,509	-	27,509
Sales and use taxes	70,876	-	70,876
Donations and other	6,425	540	6,965
<b>Total revenues</b>	<b>133,497</b>	<b>10,313</b>	<b>143,810</b>
<b>Expenditures:</b>			
Current:			
General government	39,742	-	39,742
Public safety	63,638	11,989	75,627
Highways and roads	-	5,056	5,056
Capital outlay	3,200	2,232	5,432
<b>Total expenditures</b>	<b>106,580</b>	<b>19,277</b>	<b>125,857</b>
<b>Excess of revenues over (under) expenditures</b>	26,917	(8,964)	17,953
<b>Other financing uses:</b>			
Operating transfers in (out)	(213)	213	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	26,704	(8,751)	17,953
<b>Fund balance - beginning of year</b>	<b>43,807</b>	<b>23,795</b>	<b>67,602</b>
<b>Fund balance - end of year</b>	<b>\$ 70,511</b>	<b>\$ 15,044</b>	<b>\$ 85,555</b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Year Ended June 30, 2011**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	17,953
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>	5,432	
<p>Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.</p>	<u>(58,774)</u>	
<b>Change in Net Assets of Governmental Activities</b>	\$	<u><u>(35,389)</u></u>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011**

**Business-type Activities - Enterprise Funds**

	<u>Carney Public Utility Authority</u>
<b>Assets:</b>	
Cash and investments:	
Cash & cash equivalents (Note 1)	\$ 30,776
Accounts receivables (net of allowance for uncollectibles)	14,980
Due from others	-
<b>Capital assets:</b>	
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	<u>303,142</u>
	<u>\$ 348,898</u>
<b>Total assets</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 6,326
Due to others	-
Interest payable	14
Notes payable (Note 2)	<u>33,199</u>
<b>Total liabilities</b>	<u>39,539</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	269,943
Restricted	-
Unrestricted	<u>39,416</u>
<b>Total net assets</b>	<u>\$ 309,359</u>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2011**

**Business-type Activities - Enterprise Funds**

	<u>Carney Public Utility Authority</u>
<b>Revenues:</b>	
Utilities revenue	\$ 143,611
Miscellaneous revenue	-
<b>Total revenues</b>	<u>143,611</u>
<b>Operating expenses:</b>	
General and administrative	5,563
Water & sewer service	91,042
Sanitation service	46,397
Depreciation expense	18,631
<b>Total operating expenses</b>	<u>161,633</u>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<u>(18,022)</u>
<b>Non-operating revenues (expenses):</b>	
Interest revenue	231
Interest expense	(2,075)
<b>Total</b>	<u>(1,844)</u>
<b>Income (loss) before operating transfers</b>	<u>(19,866)</u>
<b>Transfers in (out)</b>	<u>-</u>
<b>Change in net assets</b>	(19,866)
<b>Net assets at beginning of year</b>	<u>329,225</u>
<b>Net assets at end of year</b>	<u>\$ 309,359</u>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011**

**Business-type Activities - Enterprise Funds**

	<b>Carney Public Utility Authority</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers & service users	\$ 128,631
Cash payments for goods & services & employees	(142,741)
Other operating revenues	-
<b>Net cash provided by operating activities</b>	<u>(14,110)</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating transfers out to other funds	-
Operating transfers in from other funds	-
Change in due to/from accounts	-
<b>Net cash provided (used) for noncapital financing activities</b>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition & construction of capital assets	-
Principal paid on debt	(16,453)
Interest paid on debt	(2,405)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(18,858)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	232
<b>Net cash provided by investing activities</b>	<u>232</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(32,736)
<b>Cash and cash equivalents - beginning of year</b>	<u>63,512</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 30,776</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ (18,022)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	18,631
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,980)
Increase (decrease) in accounts payable	261
Increase (decrease) in accrued expenses	-
<b>Total adjustments</b>	<u>3,912</u>
<b>Net cash provided by operating activities</b>	<u>\$ (14,110)</u>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2011**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 24,900
Due from others	<u>-</u>
<b>Total assets</b>	<u>\$ 24,900</u>
<b>Liabilities:</b>	
Utility deposits	\$ <u>24,900</u>
<b>Total liabilities</b>	<u>\$ 24,900</u>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Carney, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

**A. Reporting Entity**

The Town of Carney, Oklahoma is organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a four-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (water, sewer, and sanitation), judicial, culture, parks and recreation, public improvements and planning and zoning for the Town of Carney, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units and trusts, entities for which the Town is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government. The Town's financial statements do not include any discretely presented component units that would be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

Blended Component Units/Trusts:

The Carney Public Utilities Authority (the Authority) was created June 29, 1965 pursuant to a Trust Indenture for the benefit of the Town of Carney, Oklahoma. The Authority was established to serve all the citizens of the Town and is governed by a board comprised of the Town's elected council members. The rates for user charges and bond issuance authorizations are approved by the Town council and the legal liability for the general obligation portion of the Authority's debt remains with the Town. The water, sanitary sewer, and solid waste disposal systems owned by the Town have been leased to the Authority until such date that all indebtedness of the Authority is retired or provided for. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of trustees identical with the Town Council. The Authority is exempt from State and Federal Income taxes and is reported as an enterprise fund.

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

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales and use taxes, cigarette taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the Town's major governmental funds:

General Fund – is the general operating fund of the Town. It accounts and reports for all financial resources not required to be reported in another fund. The General Fund includes the Municipal Court Fund monies which accounts for fees collected on traffic fines.

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds – accounts for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the Town's Special Revenue Funds: Street and Alley Fund, FEMA Grant Fund, and Fire Department Fund.

**Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has applied only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The Town's major enterprise fund is:

Carney Public Utilities Authority – This fund accounts for the operations of providing public works (water, sewer and sanitation) to the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fiduciary Funds** – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Town's only fiduciary fund is an agency fund that is composed of customer meter deposit funds.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at fair value.

**2. Restricted Assets**

The restricted assets are the result of financial requirements of the notes payable. These assets are maintained by the Town and their use is limited by applicable promissory note covenants. These accounts and reserve funds are to be maintained so long as any notes are outstanding. Customer utility deposits held by the Town are classified as restricted assets

**3. Fair Value of Financial Instruments**

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**4. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**5. Inventories**

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

**6. Receivables and Payables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. Major receivable balance for the governmental activities include sales and use taxes, franchise taxes, alcoholic beverage tax, motor vehicle taxes and police fines. Business-type activities report utilities as their major receivables.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**6. Receivables and Payables (Continued)**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**7. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. The Town does not maintain a capitalization threshold policy for the governmental and proprietary funds

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

The Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available to determine these amounts.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 years
Improvements other than buildings	20 years
Equipment and vehicles	5 - 10 years
Water/Sewer system improvements	40 years

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**8. Compensated Absences**

Employees are entitled to nine days per year of sick leave and two days per year of personal leave if they have worked at least 20 hours per week the previous year. Vacation pay is accrued at the rate of one week per year after one year of employment, two weeks per year after two years of employment, and three weeks per year after three years of employment. Vacation pay does not accrue, thus is lost upon separation. However, the employee has the option of taking pay in lieu of vacation leave, at the rate of 2 weeks' pay if 3 weeks of vacation is accrued and 1 weeks' pay if 2 weeks' vacation is accrued. This option is not available for 1 week of accrued vacation. Sick pay accrued and is paid upon termination.

**9. Long-term Obligations**

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

**10. Net Assets/Fund Balance**

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

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon 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).

TOWN OF CARNEY  
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Assets/Fund Balance (Continued)

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

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

**Committed** fund balance represents amount that are useable 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 the limitation by taking action similar to that which imposed the commitment. The Town Ordinance 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. 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.

11. Resource Use Policy

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

**TOWN OF CARNEY**  
Carney, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2011, the Town held deposits of approximately \$124,535 at financial institutions. The Town's cash deposits are entirely covered by Federal Depository Insurance (FDIC).

*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 policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash deposits held at June 30, 2011 are as follows:

Type	(Months)	Rating	Value	Cost
Cash Deposits	N/A	N/A	\$ 124,535	\$ 124,535
Total Deposits			<u>\$ 124,535</u>	<u>\$ 124,535</u>

Reconciliation to Statement of Net Assets	
Governmental activities	\$ 68,858
Business-Type activities	\$ 30,777
Agency funds	\$ 24,900
	<u>\$ 124,535</u>

**TOWN OF CARNEY**  
Carney, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets**

Primary Government capital asset activity for the year ended is as follows:

	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
<b>Governmental activities:</b>				
Non-depreciable assets:				
Land	-	-	-	-
Construction work in process	-	-	-	-
Total capital assets, not depreciated	-	-	-	-
Depreciable assets:				
Buildings and improvements	278,824	3,200	-	282,024
Equipment & vehicles	310,478	2,232	-	312,710
Total depreciable assets	589,302	5,432	-	594,734
Less accumulated depreciation:				
Buildings and improvements	(29,931)	(14,101)	-	(44,032)
Equipment & vehicles	(91,870)	(44,673)	-	(136,543)
Total accumulated depreciation	(121,801)	(58,774)	-	(180,575)
Net business-type activities capital assets	\$ 467,501	\$ (53,342)	\$ -	\$ 414,159
 <b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	-	-	-	-
Construction work in process	-	-	-	-
Total capital assets, not depreciated	-	-	-	-
Depreciable assets:				
Buildings and improvements	738,856	-	-	738,856
Vehicles	2,000	-	-	2,000
Equipment	3,530	-	-	3,530
Total depreciable assets	744,386	-	-	744,386
Less accumulated depreciation:				
Buildings and improvements	(417,842)	(18,471)	-	(436,313)
Vehicles	(2,000)	-	-	(2,000)
Equipment	(2,771)	(160)	-	(2,931)
Total accumulated depreciation	(422,613)	(18,631)	-	(441,244)
Net business-type activities capital assets	\$ 321,773	\$ (18,631)	\$ -	\$ 303,142

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

**TOWN OF CARNEY**  
Carney, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Inter-fund Receivables and Payables**

The following schedule reflects the Town's inter-fund due from and due to other governmental funds, which have been eliminated in the statement of net assets presentation in accordance with GASB 34:

	Due From	Due To
Street & Alley	-	2,652
General Fund	2,652	-
Total all funds	\$ 2,652	\$ 2,652

**D. Long-term Debt**

The Town's long-term debt and amounts to be repaid from business-type activities are described below.

On April 30, 1971, the Authority issued a note payable to Rural Development, USDA, in the amount of \$103,000 for water system improvements. Interest is 5% on the note and the note is to be paid in 480 monthly installments. This note is paid through a trustee. The Bank of New York serves as the trustee. The authority makes monthly deposits of \$504.17 into separate account at the Carney State Bank. The Bank of New York then drafts that account on December 15<sup>th</sup> of each year, transferring the funds to The Bank of New York's sinking fund account for payment to Rural Development on January 1<sup>st</sup>. In addition, The Bank of New York holds a Contingency fund and a Reserve Fund for the note. The note was paid off in 2011 and the balance of the contingency and reserve funds were \$0 as of June 30, 2011.

On April 27, 1979, the Authority issued a note payable to Rural Development, in the amount of \$88,300 for water system improvements. Interest is 5% on the note. The note is to be paid in 480 monthly installments, with monthly payments being \$434.

The Town is not obligated in any manner for the debt of its component units or trusts. The water system, including all of the proceeds, revenue, water charges, assessments and income of all kinds and nature together with contract rights, accounts receivable and general intangibles have been pledged as collateral to secure these notes. The note agreements call for monthly payments to be made toward debt retirement. The following is a summary of long-term debt transactions of the proprietary fund:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011	Current Portion
Note Payable:					
Rural Development	13,000	-	13,000	-	-
Rural Development	36,652	-	3,453	33,199	3,630
Total	\$ 49,652	\$ -	\$ 16,453	\$ 33,199	\$ 3,630

**TOWN OF CARNEY**  
Carney, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**D. Long-term Debt (Continued)**

The annual debt service requirements to maturity for business-type activities, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 3,630	\$ 1,578	\$ 5,208
2013	3,816	1,392	5,208
2014	4,012	1,197	5,208
2015	4,217	991	5,208
2016	4,432	776	5,208
2017-2021	13,092	928	14,020
Totals	<u>\$ 33,199</u>	<u>\$ 6,861</u>	<u>\$ 40,060</u>

**3. 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; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**C. Employee Retirement System and Plans**

Oklahoma Fire Pension and Retirement Fund

The Town is required to make annual contributions of \$60 per active volunteer fireman to the Oklahoma Fire Pension and Retirement System (OFPRS). This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issue a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and an appropriation by the State of Oklahoma.

The required contribution from the City for this plan was \$1,140 for 2011. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

**TOWN OF CARNEY  
Carney, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**D. Other Post-Employment Benefits**

Town does not provide post-retirement benefit options for health care, prescription drug, dental and vision benefits to retired employees and their dependents. The only benefits that are provided are in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. As of June 30, 2011, no recent retiring employees are receiving benefits under COBRA.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 29, 2012 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.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2011**

TOWN OF CARNEY  
 REQUIRED SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2011  
 (Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 317	\$ 317
Cigarette taxes	1,121	1,121	946	(175)
Franchise taxes	25,713	25,713	20,703	(5,010)
Intergovernmental programs	6,779	6,779	6,721	(58)
Fines and forfeits	41,788	41,788	27,509	(14,279)
Sales and use taxes	84,285	84,285	70,876	(13,409)
Donations and other	438	438	6,425	5,987
<b>Total revenues</b>	<u>160,124</u>	<u>160,124</u>	<u>133,497</u>	<u>(26,627)</u>
<b>Expenditures:</b>				
Current:				
General government	44,666	44,666	39,742	4,924
Public safety	85,334	85,334	63,638	21,696
Capital outlay	-	-	3,200	(3,200)
<b>Total expenditures</b>	<u>130,000</u>	<u>130,000</u>	<u>106,580</u>	<u>23,420</u>
<b>Excess of revenue over (under) expenditures</b>	30,124	30,124	26,917	(3,207)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	(213)	(213)
<b>Net changes in fund balance</b>	30,124	30,124	26,704	(3,420)
<b>Fund balance at beginning of year</b>	<u>43,807</u>	<u>43,807</u>	<u>43,807</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 73,931</u>	<u>\$ 73,931</u>	<u>\$ 70,511</u>	<u>\$ (3,420)</u>

**TOWN OF CARNEY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**  
**(Unaudited)**

**SPECIAL REVENUE FUNDS**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Gas excise taxes	\$ 1,425	\$ 1,425	\$ 725	\$ (700)
Interest	34	34	9	(25)
Intergovernment programs	15,194	15,194	9,039	(6,155)
Donations and other	1,540	1,540	540	(1,000)
<b>Total revenues</b>	<u>18,193</u>	<u>18,193</u>	<u>10,313</u>	<u>(7,880)</u>
<b>Expenditures:</b>				
Current:				
Public safety	9,600	9,600	11,989	(2,389)
Highways and roads	15,547	15,547	5,056	10,491
Capital outlay	-	-	2,232	(2,232)
<b>Total expenditures</b>	<u>25,147</u>	<u>25,147</u>	<u>19,277</u>	<u>5,870</u>
<b>Excess of revenue over (under) expenditures</b>	(6,954)	(6,954)	(8,964)	(2,010)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	213	213
<b>Net changes in fund balance</b>	(6,954)	(6,954)	(8,751)	(1,797)
<b>Fund balance at beginning of year</b>	<u>23,795</u>	<u>23,795</u>	<u>23,795</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 16,841</u>	<u>\$ 16,841</u>	<u>\$ 15,044</u>	<u>\$ (1,797)</u>

**TOWN OF CARNEY  
Carney, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Treasurer (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**SUPPLEMENTAL INFORMATION**  
**June 30, 2011**

TOWN OF CARNEY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2011

	Special Revenue			Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	FEMA Grant	
<b>Assets:</b>				
Cash and equivalents	\$ 6,418	\$ 491	\$ 4,459	\$ 11,368
Taxes receivable	1,024	-	-	1,024
Due from others	2,652	-	-	2,652
<b>Total assets</b>	<u>\$ 10,094</u>	<u>\$ 491</u>	<u>\$ 4,459</u>	<u>\$ 15,044</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to others	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Restricted	10,094	491	4,459	15,044
Unassigned	-	-	-	-
<b>Total fund balances</b>	<u>10,094</u>	<u>491</u>	<u>4,459</u>	<u>15,044</u>
<b>Total liabilities and fund balances</b>	<u>\$ 10,094</u>	<u>\$ 491</u>	<u>\$ 4,459</u>	<u>\$ 15,044</u>

**TOWN OF CARNEY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	Special Revenue			Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	FEMA Grant	
<b>Revenues:</b>				
Taxes	\$ 725	\$ -	\$ -	\$ 725
Intergovernmental programs	4,641	4,398	-	9,039
Donations	-	540	-	540
Interest	-	9	-	9
Miscellaneous income	-	-	-	-
<b>Total revenues</b>	<u>\$ 5,366</u>	<u>\$ 4,947</u>	<u>\$ -</u>	<u>\$ 10,313</u>
<b>Expenditures:</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	6,877	5,112	11,989
Highways and roads	5,056	-	-	5,056
Cultural & recreation	-	-	-	-
Capital outlay	-	2,232	-	2,232
<b>Total expenditures</b>	<u>5,056</u>	<u>9,109</u>	<u>5,112</u>	<u>19,277</u>
<b>Excess of revenues over (under) expenditures</b>	310	(4,162)	(5,112)	(8,964)
<b>Other financing uses:</b>				
Operating transfers in (out)	-	213	-	213
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	310	(3,949)	(5,112)	(8,751)
<b>Fund balance - beginning of year</b>	<u>9,784</u>	<u>4,440</u>	<u>9,571</u>	<u>23,795</u>
<b>Fund balance - end of year</b>	<u>\$ 10,094</u>	<u>\$ 491</u>	<u>\$ 4,459</u>	<u>\$ 15,044</u>

**TOWN OF CARNEY**  
**Carney, Oklahoma**

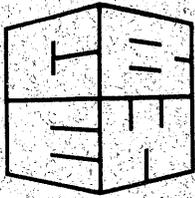
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ending June 30, 2011**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Program or Award Amount</b>	<b>Revenue Collected</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Homeland Security:</u></b>				
<b><u>Passed through the Oklahoma Department of Emergency Management</u></b>				
FEMA Pilot Program - PW#178 ID# 081-12100-00	97.047	165,450	-	5,112
<b>Total of Expenditures of Federal Awards</b>		<b>\$ 165,450</b>	<b>\$ -</b>	<b>\$ 5,112</b>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**June 30, 2011**



**CBEW**  
**Professional**  
**Group, LLP**

Certified Public Accountants

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**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**

June 29, 2012

The Honorable Town Council  
Town of Carney  
Carney, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carney, Oklahoma, (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 29, 2012. The report on governmental and business-type activities was qualified because of the lack of fixed asset records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider individually to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies and when considered in aggregate we believe constitute a material weakness. The findings reference numbers are 11-1 through 11-6. 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.

Town of Carney  
June 29, 2012

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 11-7 and 11-8.

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

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.



CBEW Professional Group, LLP  
Certified Public Accountants

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

11-1. Internal Control – Financial Statements

Criteria: The Town's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Town's annual financial statements in accordance with GAAP. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). Professional standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition: As is the case with many smaller and medium-sized entities, the Town has relied on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly the Town's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its external auditors, who cannot by definition be considered a part of the Town's internal controls. However, as required by professional standards the Town has provided safeguards by designating a management level individual with suitable skill, knowledge and/or experience to oversee the services performed by our engagement, make all management decisions (e.g., determining or approving account classifications, adjusting journal entries, etc.) evaluate and monitor the performance and adequacy of the services, and take responsibility for the books, records and related financial statements.

Cause: Management has elected to use outside assistance from the external auditors to assist in meeting its responsibilities relative to preparing its annual financial statements. Although the Town's management may lack certain expertise relative to preparing GAAP financial statements, professional standards do not require that the management or the individual possess the expertise to perform or re-perform all such services. The auditor has explained all proposed audit adjustments and their effect on the financial statements and the related note disclosures to management who has affirmed their understanding and agreement as required by professional standards.

Effect or Potential Effect: Although management has reviewed the financial statements drafted by the auditor and accepted full responsibility for them, the auditor could be placed in a questionable position regarding auditor independence as a result of potentially performing part of management's functions if management or its representative is unable to understand the nature of the services, evaluate its adequacy and accept responsibility for its results.

Recommendation: We recommend that the Town consider designing and implementing further internal controls over financial reporting by obtaining additional expertise to process and summarize accounting data and prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. 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.

Responsible Official's Response: The Town concurs with the recommendation, and will strive to process and summarize accounting data and further understand the presentation and disclosure requirements of the financial statements.

11-2. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently the same individual is responsible for issuing purchase orders, writing checks, making deposits, posting transactions and reconciles the monthly bank statements.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and depositing activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The Town concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Town will strive to make changes in procedures that will improve the overall lack of segregation of duties.

11-3 Internal Control – Overall Accounting System

Condition: The Town does not have financial reporting software in place.

Criteria: Internal controls should be in place that provides reasonable assurance that an accounting software system is maintained to provide the balance sheet for each fund and to present accurately the financial position of the Town at any given time.

Effect: Because of the inadequate accounting software system, the Town will not be able to provide accurate financial statements.

Recommendation: We have recommended that the Town strive to implement a new accounting system to record the financial position of the Town and record balance sheet items to agree to the audited numbers.

Response: Management concurs with the recommendation; they will start implementing an effective accounting system to produce accurate financial statements for the Town.

11-4 Internal Control – Purchase Order Approval

Condition: The Town's minutes do not detail which purchase orders are approved at monthly meeting nor were purchase orders signed by an authorized council member.

Criteria: Internal controls should be in place that provides reasonable assurance that purchases are properly approved by management and the Town's governing council. By listing the individual purchase order numbers in the minutes it is assumed that a specific list of purchases was approved. By requiring an authorized council member to sign the purchase orders it is assumed that a member of the governing council reviewed and approved that purchase.

Effect: Because of the inadequate approval process it cannot be guaranteed that all purchases were reviewed by the governing council and that proper approval was attained.

Recommendation: We have recommended that management include a detail of the purchase orders approved by council in the minutes and that an authorized member of the council review and sign each purchase order.

Response: Management will implement the recommended changes.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

11-5 Internal Control – Information Technology Safekeeping and Access

Condition: The Town did not have adequate back up of information or access controls in place to prevent the deletion of billing information and records.

Criteria: Internal controls should be in place that will ensure only management will have access to town computers and if proprietary information is deleted by accident or intentionally the data would be recoverable through a data backup system.

Effect: Because of the lack of controls over information technology, billing and accounts receivable information was lost causing financial loss to the city.

Recommendation: We have recommended the Town use password protected computers for all users and that passwords are not shared with anyone. Also, a backup procedure should be in place to ensure the recovery of data in the event of data loss due to natural disaster or intentional deletion of records.

Response: Management will implement the recommended changes.

11-6 Internal Control – Payroll Tax Deposits

Criteria: Town management is responsible for withholding certain payroll taxes from employee's checks and remitting those taxes, along employer portions, timely to the Internal Revenue Service and Oklahoma Tax Commission. This also includes the timely preparation of payroll reports as required by these regulatory agencies.

Condition: Presently payroll tax deposits have not been remitted to the Internal Revenue Service or Oklahoma Tax commission.

Cause: Current town management has not been trained in payroll procedures.

Effect or Potential Effect: It is important for all entities to remain compliant with payroll tax deposits. Because of the town's failure to make their payroll deposits timely, it could face significant interest and penalties as a result of noncompliance.

Recommendation: We recommend that management file all outstanding payroll reports and remit all taxes due as soon as possible. Further, we recommend that management seek training in proper payroll procedures or that the payroll function is outsourced to a company that can help the Town remain compliant.

Responsible Official's Response: The Town concurs with the recommendation. Payroll reports and taxes will be filed as soon as possible and outside services for payroll will be used until proper training has taken place.

11-7 Compliance – Asset Capitalization Policy

Condition: The town does not have a set policy for capitalization of fixed assets.

Criteria: A policy should be in place that will ensure consistent treatment of property additions and repairs and maintenance expense.

Effect: Because of the lack of a formal capitalization policy immaterial items may be capitalized and items that are material may be expensed.

**TOWN OF CARNEY**  
**Carney, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

Recommendation: We have recommended the Town establish a policy whereby all property purchases over \$1,000 and having a useful life of more than one year are capitalized. The Town should document the capitalization policy and communicate it to those who code property invoices to ensure the policy is consistently followed.

Response: Management will implement the recommended changes upon council approval.

11-8 Internal Control – Transfer of Special Revenue Funds

Criteria: Town management is responsible for depositing restricted amounts into their appropriate funds. The motor vehicle tax submitted to the Town from the Lincoln county Treasurer has been designated for street maintenance and repair and should be deposited into the street & alley fund.

Condition: Presently the amounts received from Lincoln County have been deposited into the General Fund

Cause: Current town management was not aware of the requirement to separate out amounts received from the County Treasurer

Effect or Potential Effect: Failure to separate designated amounts to their respective funds could result in designated funds being spent on unapproved expenditures.

Recommendation: We recommend that management transfer or deposit motor vehicle tax to the street & alley fund as it is received.

Responsible Official's Response: Management is now aware of the requirement and will deposit the funds accordingly.