

TOWN OF CARNEY
Carney, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2013

**TOWN OF CARNEY
Carney, Oklahoma**

CONTENTS

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

**TOWN OF CARNEY
Carney, Oklahoma**

CONTENTS

Page No.

Combining Balance Sheet – Non-Major Governmental Funds 28

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Non-Major Governmental Funds 29

Report Required by *Government Auditing Standards*:

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* 30-31

Schedule of Findings and Responses 32



INDEPENDENT AUDITORS' REPORT

The Honorable Town Council
Town of Carney, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carney, Oklahoma (the "Town") as of and for the year ended June 30, 2013, and the related notes to basic financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1(B); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in modified cash basis financial position and where applicable, cash flows—modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(B).

Emphasis of Matters

Basis of Accounting

We draw attention to Note 1(B) 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. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1(B) to the financial statements, in 2013 the Town adopted new accounting guidance, Statements No. 63 of the Governmental Accounting Standards Board (GASB), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town's basic financial statements. The budgetary comparison information and the non-major governmental funds combining schedules—modified cash basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison information on pages 26 through 28, which are the responsibility of management, have 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, Continued

Report on Supplementary and Other Information, Continued

The non-major governmental funds combining schedules—modified cash basis are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
September 30, 2015

TOWN OF CARNEY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 56,297	\$ 21,979	\$ 78,276
Due to/from others	(224)	(3,233)	(3,457)
Capital assets:			
Land and construction in process	-	70,110	70,110
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	321,337	487,311	808,648
Total assets	\$ 377,410	\$ 576,167	\$ 953,577
Liabilities:			
Current liabilities:			
Notes payable (Note 2)	\$ -	\$ 13,035	\$ 13,035
Non-current liabilities:			
Notes payable (Note 2)	-	141,337	141,337
Total liabilities	-	154,372	154,372
Net position:			
Invested in capital assets, net of related debt	321,337	403,049	724,386
Restricted	11,654	-	11,654
Unrestricted	44,419	18,746	63,165
Total net position	\$ 377,410	\$ 421,795	\$ 799,205

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

TOWN OF CARNEY
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
City clerk	\$ 24,181	\$ -	\$ -	\$ -	\$ (24,181)
General government	62,395	969	-	-	(61,426)
Total general government	86,576	969	-	-	(85,607)
Public safety and judiciary:					
Fire and ambulance	13,733	574	4,484	12,103	3,428
Municipal court	35,970	49,658	-	-	13,688
Police	85,789	7,382	-	-	(78,407)
Total public safety and judiciary	135,492	57,614	4,484	12,103	(61,291)
Transportation:					
Streets	7,339	-	-	-	(7,339)
Total transportation	7,339	-	-	-	(7,339)
Community development	-	-	-	18,000	18,000
Unallocated depreciation	60,076	-	-	-	(60,076)
Total governmental activities	289,483	58,583	4,484	30,103	(196,313)
Business-type activities					
Water & sewer service	70,701	59,989	-	-	(10,712)
General & administrative	23,226	32,822	-	-	9,596
Sanitation service	60,588	64,673	-	-	4,085
Financing costs	8,855	-	-	-	(8,855)
Unallocated depreciation	27,123	-	-	-	(27,123)
Total business-type activities	190,493	157,484	-	-	(33,009)
Total	\$ 479,976	\$ 216,067	\$ 4,484	\$ 30,103	\$ (229,322)

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(196,313)	(33,009)	(229,322)
General revenues:			
Taxes:			
Sales and use taxes	131,962	-	131,962
Franchise taxes	19,112	-	19,112
Cigarette taxes	1,486	-	1,486
Intergovernmental	11,388	-	11,388
Gas excise taxes	1,681	-	1,681
Investment earnings	166	122	288
Miscellaneous	8,833	70,560	79,393
Transfers	(19,922)	19,922	-
Total general revenues and transfers	154,706	90,604	245,310
Change in net position	(41,607)	57,595	15,988
Net position - beginning of year	419,017	364,200	783,217
Net position - end of year	\$ 377,410	\$ 421,795	\$ 799,205

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

TOWN OF CARNEY
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 51,853	\$ 4,444	\$ 56,297
Due from others	208	7,210	7,418
Total assets	<u>\$ 52,061</u>	<u>\$ 11,654</u>	<u>\$ 63,715</u>
Liabilities:			
Due to others	7,642	-	7,642
Total liabilities	<u>7,642</u>	<u>-</u>	<u>7,642</u>
Fund balance:			
Restricted for:			
Other purposes	-	11,654	11,654
Unassigned	44,419	-	44,419
Total fund balance	<u>44,419</u>	<u>11,654</u>	<u>56,073</u>
Total liabilities and fund balance	<u>\$ 52,061</u>	<u>\$ 11,654</u>	<u>\$ 63,715</u>

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 POSITION
MODIFIED CASH BASIS
June 30, 2013

Total Fund Balances - Total Governmental Funds \$ 56,073

Amounts reported for governmental activities in the statement of net position is 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	\$	312,710	
Building & improvements		308,052	
Less: Accumulated Depreciation		<u>(299,425)</u>	
			<u>321,337</u>

Net position of governmental activities \$ 377,410

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

TOWN OF CARNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Cigarette taxes	\$ 1,486	\$ -	\$ 1,486
Interest	157	9	166
Franchise taxes	19,112	-	19,112
Gas excise taxes	-	1,681	1,681
Intergovernmental programs	24,827	9,045	33,872
Fines and forfeits	49,658	-	49,658
Licenses and permits	969	-	969
Sales and use taxes	131,962	-	131,962
Donations and other	20,779	8,113	28,892
Total revenues	248,950	18,848	267,798
Expenditures:			
Current:			
General government	86,576	-	86,576
Public safety	121,759	13,733	135,492
Highways and roads	-	7,339	7,339
Capital outlay	26,028	-	26,028
Total expenditures	234,363	21,072	255,435
Excess of revenues over (under) expenditures	14,587	(2,224)	12,363
Other financing uses:			
Operating transfers in (out)	(22,219)	2,297	(19,922)
Excess of revenues over (under) expenditures & transfers	(7,632)	73	(7,559)
Fund balance - beginning of year	52,051	11,581	63,632
Fund balance - end of year	\$ 44,419	\$ 11,654	\$ 56,073

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 POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	(7,559)
<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>	26,028	
<p>Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.</p>	(60,076)	
Change in Net Position of Governmental Activities	\$	<u>(41,607)</u>

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

**TOWN OF CARNEY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2013**

Business-type Activities - Enterprise Funds

	Carney Public Utility Authority	Carney Municipal Development Trust Authority	Totals
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 21,717	\$ 262	\$ 21,979
Due from others	432	-	432
Capital assets:			
Land and construction in process	70,110	-	70,110
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	354,224	133,087	487,311
Total assets	\$ 446,483	\$ 133,349	\$ 579,832
Liabilities:			
Current liabilities:			
Due to others	\$ 3,665	-	3,665
Notes payable (Note 2)	4,012	9,023	13,035
Non-current liabilities:			
Notes payable (Note 2)	21,740	119,597	141,337
Total liabilities	29,417	128,620	158,037
Net position:			
Invested in capital assets, net of related debt	398,582	4,467	403,049
Restricted	-	-	-
Unrestricted	18,484	262	18,746
Total net position	\$ 417,066	\$ 4,729	\$ 421,795

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

TOWN OF CARNEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2013

Business-type Activities - Enterprise Funds

	Carney Public Utility Authority	Carney Municipal Development Trust Authority	Totals
Revenues:			
Water revenue	\$ 59,989	\$ -	\$ 59,989
Wastewater revenue	32,822	-	32,822
Sanitation revenue	64,673	-	64,673
Miscellaneous revenue	70,560	-	70,560
Total revenues	228,044	-	228,044
Operating expenses:			
General and administrative	23,226	-	23,226
Water & sewer service	70,701	-	70,701
Sanitation service	60,588	-	60,588
Depreciation expense	23,710	3,413	27,123
Total operating expenses	178,225	3,413	181,638
Income before non-operating revenues, expenses & transfers	49,819	(3,413)	46,406
Non-operating revenues (expenses):			
Interest revenue	117	5	122
Interest expense	(1,392)	(6,194)	(7,586)
Loan Acquisition Costs	-	(1,269)	(1,269)
Total	(1,275)	(7,458)	(8,733)
Income (loss) before operating transfers	48,544	(10,871)	37,673
Transfers in (out)	4,322	15,600	19,922
Change in net position	52,866	4,729	57,595
Net position at beginning of year	364,200	-	364,200
Net position at end of year	\$ 417,066	\$ 4,729	\$ 421,795
	0	-	

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

**TOWN OF CARNEY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2013**

Business-type Activities - Enterprise Funds

	Carney Public Utility Authority	Carney Municipal Development Trust Authority	Totals
Cash flows from operating activities:			
Cash received from customers & service users	\$ 228,044	\$ -	\$ 228,044
Cash payments for goods & services & employees	(154,515)	-	(154,515)
Net cash provided by operating activities	<u>73,529</u>	<u>-</u>	<u>73,529</u>
Cash flows from noncapital financing activities:			
Operating transfers in from other funds	4,322	15,600	19,922
Change in due to/from accounts	3,665	-	3,665
Net cash provided (used) for noncapital financing activities	<u>7,987</u>	<u>15,600</u>	<u>23,587</u>
Cash flows from capital and related financing activities:			
Acquisition & construction of capital assets	(71,910)	(136,500)	(208,410)
Loan Acquisition Costs	-	(1,269)	(1,269)
Principal paid on debt	(3,817)	(9,149)	(12,965)
Interest paid on debt	(1,392)	(6,194)	(7,586)
Loans To/From Others	-	137,769	137,769
Net cash provided (used) for capital and related financing activities	<u>(77,119)</u>	<u>(15,343)</u>	<u>(92,462)</u>
Cash flows from investing activities:			
Interest on investments	117	5	122
Net cash provided by investing activities	<u>117</u>	<u>5</u>	<u>122</u>
Net increase (decrease) in cash & cash equivalents	4,514	262	4,776
Cash and cash equivalents - beginning of year	<u>17,203</u>	<u>-</u>	<u>17,203</u>
Cash and cash equivalents - end of year	<u>\$ 21,717</u>	<u>\$ 262</u>	<u>\$ 21,979</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 49,819	\$ (3,413)	\$ 46,406
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	23,710	3,413	27,123
Total adjustments	<u>23,710</u>	<u>3,413</u>	<u>27,123</u>
Net cash provided by operating activities	<u>\$ 73,529</u>	<u>\$ -</u>	<u>\$ 73,529</u>

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

TOWN OF CARNEY
STATEMENT OF FIDUCIARY NET POSITION
MODIFIED CASH BASIS
FIDUCIARY FUNDS
 June 30, 2013

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 28,618
Due From Others	3,457
Total assets	\$ 32,075
Liabilities:	
Utility deposits	\$ 32,075
Total liabilities	\$ 32,075

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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Carney, Oklahoma (the Town) accounting policies conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in the modified cash basis of accounting and used by the City is 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.

The Carney Municipal Development Trust Authority (CMDTA) was created July 12, 2012 pursuant to a Trust Indenture for the benefit of the Town of Carney, Oklahoma. The purpose of the CMDTA as set forth in its trust indenture is to promote economic growth, cultural awareness, preservation of our heritage, recreational opportunities, educational activities, community and civic events, and tourism growth and is governed by a board comprised of the Town's elected council members. CMDTA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1997, Section 176-180, et seq., and is governed by a board consisting of trustees identical with the Town Council. CMDTA is exempt from State and Federal Income taxes and is reported as an enterprise fund.

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position 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 modified cash basis of accounting.

Government-wide Financial Statements – The statement of net position 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 position 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 cash basis of accounting. Under the modified cash basis of accounting, revenues are recognized when received. Expenditures are recorded as they are paid rather than when the obligation is incurred.

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 City are susceptible to accrual under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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. 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 – Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally 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 the Town's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld, other withholdings, and accrued compensated absences which the Town records as a modification to the cash basis of accounting. The accrual amounts are not material to the financial statement presentation.

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 funds are:

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

Carney Municipal Development Trust Authority – This fund is to promote economic growth, cultural awareness, preservation of our heritage, recreational opportunities, educational activities, community and civic events, and tourism growth for the Town.

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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town has implemented the following standards during this fiscal year:

- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*—Intended to enhance the usefulness of its Codification by incorporating guidance that previously could be only found in certain FASB and AICPA pronouncements. The implementation of this standard did not have a significant impact on the Town's financial statement presentation.
- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*—Provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The implementation of this standard did not have a significant impact on the Town's financial statement presentation other than the renaming of "Net Assets" as "Net Position".

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

Customer utility deposits held by the Town are represented in the agency fund.

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 position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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

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".

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 position 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 position 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 maintains a capitalization threshold of \$1,000. 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.

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued):

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

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 is paid upon termination. It is not reported in the financial statements.

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.

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position 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 position is 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).

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.

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

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.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2013, the Town held deposits of approximately \$106,894 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.).

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

2. DETAILED NOTES CONCERNING THE FUNDS (CONTINUED)

A. Deposits and Investments, (Continued):

The cash deposits held at June 30, 2013 are as follows:

Type	(Months)	Rating	Value	Cost
Cash Deposits	N/A	N/A	\$ 106,894	\$ 106,894
Total Deposits			<u>\$ 106,894</u>	<u>\$ 106,894</u>

Reconciliation to Statement of Net Position	
Governmental activities	\$ 56,297
Business-Type activities	\$ 21,979
Agency funds	\$ 28,618
	<u>\$ 106,894</u>

B. Capital Assets

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

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Governmental activities:				
Non-depreciable assets:				
Land	-	-	-	-
Construction work in process	-	-	-	-
Total capital assets, not depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable assets:				
Buildings and improvements	282,024	26,028	-	308,052
Equipment & vehicles	312,710	-	-	312,710
Total depreciable assets	<u>594,734</u>	<u>26,028</u>	<u>-</u>	<u>620,762</u>
Less accumulated depreciation:				
Buildings and improvements	(58,133)	(15,403)	-	(73,536)
Equipment & vehicles	(181,216)	(44,673)	-	(225,889)
Total accumulated depreciation	<u>(239,349)</u>	<u>(60,076)</u>	<u>-</u>	<u>(299,425)</u>
Net governmental activities capital assets	<u>\$ 355,385</u>	<u>\$ (34,048)</u>	<u>\$ -</u>	<u>\$ 321,337</u>

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

2. DETAILED NOTES CONCERNING THE FUNDS (CONTINUED)

B. Capital Assets (Continued):

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Business-Type Activities:				
Non-depreciable assets:	\$	\$	\$	\$
Land	-	-	-	-
Construction work in process	-	70,110	-	70,110
Total capital assets, not depreciated	<u>-</u>	<u>70,110</u>	<u>-</u>	<u>70,110</u>
Depreciable assets:				
Buildings and improvements	835,301	136,500	-	971,801
Vehicles	2,000	-	-	2,000
Equipment	3,530	1,800	-	5,330
Total depreciable assets	<u>840,831</u>	<u>138,300</u>	<u>-</u>	<u>979,131</u>
Less accumulated depreciation:				
Buildings and improvements	(459,806)	(26,706)	-	(486,512)
Vehicles	(2,000)	-	-	(2,000)
Equipment	(2,891)	(417)	-	(3,308)
Total accumulated depreciation	<u>(464,697)</u>	<u>(27,123)</u>	<u>-</u>	<u>(491,820)</u>
Net business-type activities capital assets	<u>\$ 376,134</u>	<u>\$ 181,287</u>	<u>\$ -</u>	<u>\$ 557,421</u>

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

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 Position presentation in accordance with GASB 34:

	Due From	Due To
General Fund:		
Street & Alley	-	7,211
CPUA	208	432
Street & Alley:		
General Fund	7,211	-
Meter Deposit:		
CPUA	3,457	-
CPUA:		
General Fund	432	208
Meter Deposit	-	3,457
Total all funds	<u>\$ 11,308</u>	<u>\$ 11,308</u>

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

2. DETAILED NOTES CONCERNING THE FUNDS (CONTINUED)

D. Long-term Debt

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

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. As per the promissory note there shall be set aside into the Reserve Account the sum of 10% of the monthly installment (\$43.40 = 434 * 10%) each month until there is accumulated in that account the sum of the annual installment (\$5,208 = 434 * 12), after which deposits may be suspended, except to replace withdrawals. When necessary, disbursements may be used for payments due on the Note if sufficient funds are not available in the Debt Service Account. See compliance finding 13-5 related to this note. 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 the note.

On July 17, 2012, the CMDTA issued a note payable to The Carney State Bank, in the amount of \$137,768.80 to build the Health Clinic Building. Interest is 5% on the note. The note is to be paid in semi-annual installments of \$7,671.37 for 12 years. The note is secured by the building.

The Town is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the proprietary fund:

Note Payables:	Balance 6/30/2012	Additions	Reductions	Balance 6/30/2013	Current Portion
Rural Development	29,568	-	3,816	25,752	4,012
Carney State Bank	-	137,769	9,149	128,620	9,023
Total	\$ 29,568	\$ 137,769	\$ 12,965	\$ 154,372	\$ 13,035

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
2014	\$ 13,035	\$ 7,516	\$ 20,551
2015	13,697	6,854	20,551
2016	14,392	6,158	20,550
2017	15,123	5,427	20,550
2018	15,891	4,659	20,550
2019-2023	67,437	12,880	80,317
2024	14,797	546	15,343
Totals	\$ 154,372	\$ 44,040	\$ 198,412

TOWN OF CARNEY
Carney, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, \$780 and \$1,680 for 2011, 2012, and 2013, respectively. At June 30, 2013 the system held no related-party investments of the Town or of its related entities.

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, 2013, no recent retiring employees are receiving benefits under COBRA.

E. Civil Money Penalties

The Town has been assessed civil money penalties by the IRS for failure to file certain forms in a timely manner. Management is working with the IRS to resolve or pay the assessed penalties.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit report, 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**

**OTHER SUPPLEMENTARY INFORMATION
June 30, 2013**

TOWN OF CARNEY
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2013
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 157	\$ 157
Cigarette taxes	1,464	1,464	1,486	22
Franchise taxes	22,025	22,025	19,112	(2,913)
Intergovernmental programs	11,385	11,385	24,827	13,442
Fines and forfeits	55,817	55,817	49,658	(6,159)
Licenses and permits	40	40	969	929
Sales and use taxes	132,623	132,623	131,962	(661)
Donations and other	28,023	28,023	20,779	(7,244)
Total revenues	<u>251,377</u>	<u>251,377</u>	<u>248,950</u>	<u>(2,427)</u>
Expenditures:				
Current:				
General government	71,150	71,150	86,576	(15,426)
Public safety	135,990	135,990	121,759	14,231
Capital outlay	-	-	26,028	(26,028)
Total expenditures	<u>207,140</u>	<u>207,140</u>	<u>234,363</u>	<u>(27,223)</u>
Excess of revenue over (under) expenditures	44,237	44,237	14,587	(29,650)
Other financing sources (uses):				
Operating transfers in (out)	-	-	(22,219)	(22,219)
Net changes in fund balance	44,237	44,237	(7,632)	(51,869)
Fund balance at beginning of year	<u>52,051</u>	<u>52,051</u>	<u>52,051</u>	<u>-</u>
Fund balance at end of year	<u>\$ 96,288</u>	<u>\$ 96,288</u>	<u>\$ 44,419</u>	<u>\$ (51,869)</u>

TOWN OF CARNEY
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2013
(Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Gas excise taxes	\$ 1,645	\$ 1,645	\$ 1,681	\$ 36
Interest	-	-	9	9
Intergovernment programs	-	-	9,045	9,045
Donations and other	3,574	3,574	8,113	4,539
Total revenues	<u>5,219</u>	<u>5,219</u>	<u>18,848</u>	<u>13,629</u>
Expenditures:				
Current:				
Public safety	-	-	13,733	(13,733)
Highways and roads	17,000	17,000	7,339	9,661
Capital outlay	-	-	-	-
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>21,072</u>	<u>(4,072)</u>
Excess of revenue over (under) expenditures	(11,781)	(11,781)	(2,224)	9,557
Other financing sources (uses):				
Operating transfers in (out)	-	-	2,297	2,297
Net changes in fund balance	(11,781)	(11,781)	73	11,854
Fund balance at beginning of year	<u>11,581</u>	<u>11,581</u>	<u>11,581</u>	<u>-</u>
Fund balance at end of year	<u>\$ (200)</u>	<u>\$ (200)</u>	<u>\$ 11,654</u>	<u>\$ 11,854</u>

**TOWN OF CARNEY
Carney, Oklahoma**

**NOTES TO OTHER SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013
(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
 COMBINING BALANCE SHEET
 MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Special Revenue			Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	FEMA Grant	
Assets:				
Cash and equivalents	\$ 448	\$ 3,996	\$ -	\$ 4,444
Taxes receivable	-	-	-	-
Due from others	7,210	-	-	7,210
Total assets	<u>\$ 7,658</u>	<u>\$ 3,996</u>	<u>\$ -</u>	<u>\$ 11,654</u>
Liabilities:				
Due to others	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	7,658	3,996	-	11,654
Unassigned	-	-	-	-
Total fund balances	<u>7,658</u>	<u>3,996</u>	<u>-</u>	<u>11,654</u>
Total liabilities and fund balances	<u>\$ 7,658</u>	<u>\$ 3,996</u>	<u>\$ -</u>	<u>\$ 11,654</u>

TOWN OF CARNEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Special Revenue			Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	FEMA Grant	
Revenues:				
Taxes	\$ 1,681	\$ -	\$ -	\$ 1,681
Intergovernmental programs	4,561	4,484	-	9,045
Donations	-	7,200	-	7,200
Interest	-	9	-	9
Miscellaneous income	-	913	-	913
Total revenues	\$ 6,242	\$ 12,606	\$ -	\$ 18,848
Expenditures:				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	13,733	-	13,733
Highways and roads	7,339	-	-	7,339
Cultural & recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	7,339	13,733	-	21,072
Excess of revenues over (under) expenditures	(1,097)	(1,127)	-	(2,224)
Other financing uses:				
Operating transfers in (out)	-	2,638	(341)	2,297
Excess of revenues over (under) expenditures & transfers	(1,097)	1,511	(341)	73
Fund balance - beginning of year	8,755	2,485	341	11,581
Fund balance - end of year	\$ 7,658	\$ 3,996	\$ -	\$ 11,654

**TOWN OF CARNEY
Carney, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2013**



**INDEPENDENT AUDITORS' 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 Town Council
Town of Carney, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carney, Oklahoma (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 30, 2015. Our report includes an explanatory paragraph which noted that the financial statements were prepared on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States. Our report also includes an explanatory paragraph disclaiming an opinion on budgetary comparison information—modified cash basis and an explanatory paragraph to emphasize the adoption of GASB Statement No. 63 by the Town.

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.

(Continued)

**INDEPENDENT AUDITORS' 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, CONTINUED**

Internal Control Over Financial Reporting, Continued

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control that we consider to be a significant deficiencies, described in the accompanying schedule of findings and responses as Findings 13-1 through 13-3.

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 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 Findings 13-4 through 13-5.

Town's Responses to Findings

The Town's responses to the findings identified in our audit are described in the schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of This Report

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



Shawnee, Oklahoma
September 30, 2015

TOWN OF CARNEY, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2013

SECTION II—FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

13-1. Segregation of Duties—Utility Billing Procedures

Criteria: Segregation of duties over custody, bookkeeping, and reconciliation is important to have adequate control over financial assets.

Condition: The Town currently has a lack of segregation of duties in the utility billing procedures. The Town Clerk is responsible for all aspects of the utility billing procedures, from the creation of the bill to the collection of the payment.

Cause: The Town's limited population and resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, there is an increase in the risk that errors and fraud related to the billing and collection activities could occur and not be detected within a timely basis.

Recommendation: Efficient segregation of duties in a small town environment is often difficult; however, we feel that the governing body and town management should be aware of the risk associated with this lack of segregation of duties and attempt to exercise as much oversight control in these areas as possible and feasible. Such control could consist of accounts receivable reconciliation reviews, payment posting report reviews, and utility adjustment reviews.

Management's Response: The Town concurs with the recommendation and will consider alternative procedures to help mitigate the weakness.

13-2 Segregation of Duties—Cash Accounts

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts are important control activities 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 reconciling the monthly bank statements.

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.

TOWN OF CARNEY, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Year Ended June 30, 2013

SECTION II—FINANCIAL STATEMENT FINDINGS, CONTINUED

SIGNIFICANT DEFICIENCIES, CONTINUED

13-2 Segregation of Duties—Cash Accounts, Continued

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 manner.

Recommendation: We recommend that management 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 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.

Management'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.

13-3 Payroll Tax Deposits

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

Condition: Payroll tax deposits have not been remitted timely to the Internal Revenue Service or the 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 its payroll deposits timely, it could face significant interest and penalties as a result of noncompliance. Presently the Town has been assessed civil money penalties and interest for failure to file W-2's with the Social Security Administration on time.

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 be outsourced to a company that can help the Town be in compliance.

TOWN OF CARNEY, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Year Ended June 30, 2013

SECTION II—FINANCIAL STATEMENT FINDINGS, CONTINUED

SIGNIFICANT DEFICIENCIES, CONTINUED

13-3 Payroll Tax Deposits, Continued

Management'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.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

13-4 Budgetary Compliance

Criteria: Title 11, Section 17-211, O.S. 2001 states that no encumbrance may be made or authorized which exceeds the appropriation of any fund. Consequences for violation of this statute include forfeiture of office and civil and criminal punishments.

Condition: A budget was prepared for the period under audit, but when changes took place during the year, the amended budget had not been prepared accordingly. Per a review of expenditures, it appears that general government, and capital outlay expenditures had exceeded the budgeted amount of expenditures for the year in the General Fund and public safety expenditures exceeded the budgeted amounts of expenditures for the year in the Special Revenue Funds.

Cause: The Town management did not file the amended budget accordingly to take care of the significant increases in expenses in these areas. As a result, management has exceeded the budget. Current Town management was also unaware that the expenditures had exceeded the budget due to lack of financial records.

Effect or Potential Effect: By spending more than the budgeted expenditures, the Town could exceed their fund balance.

Recommendation: Records should be maintained by the Town to ensure that receipts and disbursements are properly recorded and that budgets and fund balances are not exceeded.

Management's Response: The Town's current management has been reviewing and amending budgets accordingly since this occurrence and will continue to monitor any areas that may exceed the original budget.

TOWN OF CARNEY, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Year Ended June 30, 2013

SECTION II—FINANCIAL STATEMENT FINDINGS, CONTINUED

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED**

13-5 Reserve Funds for Rural Development

Criteria: As per Promissory Note Section 4 Part (d) Reserve Account—with the United States Department of Agriculture—Rural Development: From the remaining funds in the General Account, there shall be set aside into the Reserve Account the sum of 10% of the monthly installment ($\$43.40 = 434 \times 10\%$) each month until there is accumulated in that account the sum of the annual installment ($\$5,208 = 434 \times 12$), after which deposits may be suspended, except to replace withdrawals. When necessary, disbursements may be used for payments due on the Note if sufficient funds are not available in the Debt Service Account. Only with prior written approval of Rural Development, funds may be withdrawn for (1) paying the cost of repairing or replacing any damage to the Facility which may have been caused by catastrophe or (2) making extension or improvements to the Facility.

Condition: The reserve money can only be used for water improvement with a written approval from Rural Development. No written approval was found. Also, since the reserve fund has not reached the required \$5,208, the Town is required to continue making payments of \$43.40 per month until it has been reached.

Cause: The Town previously held two separate Rural Development notes since 1979. A fiduciary was used to keep a required reserve amount related to one of these notes, and it was incorrectly assumed this satisfied the requirement for both notes. When the first note was paid off, the reserve was refunded and spent, leaving the second note without the required reserve.

Effect or Potential Effect: As a result of this condition, the Town is not in compliance with the Promissory Note with Rural Development and has not been making the required monthly installments.

Recommendation: The Town should start making the required monthly installments and should not use this cash until prior written approval has been received from Rural Development.

Management's Response: The Town concurs with the recommendation and will start depositing the required monthly installments. The Town will not use any reserve fund monies until prior written approval has been received from Rural Development.