

TOWN OF CARMEN, OKLAHOMA

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

TOWN OF CARMEN, OKLAHOMA

June 30, 2012

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1011 Texas Avenue
Woodward, OK 73801
(580) 256-6830

Independent Accountant's Report

To the Specified Users of the Report:

Town Board, Town of Carmen
Carmen, Oklahoma

Trustees of the Carmen Public Works Authority
Carmen, Oklahoma

Oklahoma Office of State Auditor and Inspector
Oklahoma City, Oklahoma

Oklahoma Department of Environmental Quality
Oklahoma City, Oklahoma

Oklahoma Department of Commerce
Oklahoma City, Oklahoma

We have compiled the accompanying Summary of Changes in Fund Balances/Net Assets- Modified Cash Basis of the Town of Carmen and Public Trust, Carmen, Oklahoma as of June 30, 2012 and the related Budgetary Comparison Schedule of General Fund and Other Significant Governmental Funds- Modified Cash Basis, Statement of Revenues, Expenses and Changes in Net Assets of Public Works Authority, and Schedule of Grant Activity- Modified Cash Basis for the fiscal year ended June 30, 2012. The financial statements have been prepared in a format and basis of accounting, as prescribed by Oklahoma Statutes, that demonstrates compliance with the modified cash basis (except for enterprise funds that are accrual basis) and budget laws of the State of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles. We have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the basis of accounting described above.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds and the requirements of Oklahoma Statutes and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the prescribed basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Town's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Additionally, we have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, and as defined within the applicable state laws of the State of Oklahoma solely to assist the Town and Public Works Authority in meeting its financial accountability requirements as prescribed by Oklahoma Statutes §11-17 (105-107) and §60-180.1-.3 and evaluating compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2012. Management of the Town of Carmen, Oklahoma is responsible for the Town's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As to the **Town of Carmen, Oklahoma** as of and for the fiscal year ended June 30, 2012:

1. **Procedures Performed:** From the Town's trial balance, we prepared a schedule of changes in fund balances for each fund (see accompanying Exhibit 1) and compared the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: No exceptions were found as a result of applying the procedure.

2. **Procedures Performed:** From the Town's trial balance, we prepared a budget and actual financial schedule for the General Fund and any other significant funds listing separately each federal fund (see accompanying Exhibit 2) and compared the actual expenditures and encumbrances reported to the authorized appropriations to report any noted instances of noncompliance with the appropriation limitations.

Findings:

Criteria: Budget appropriations give the Town a legal authority to spend money. According to the Municipal Budget Act, the legal level of expenditure and encumbrance control is at the department level.

Condition: Several departments within the general fund and the cemetery fund had expenditures that exceeded the budgeted appropriations.

Cause: Lack of controls to make sure expenditures do not exceed the budgeted amounts.

Effect: Appropriation limitations were not complied with, causing the Town to exceed the amount it was legally authorized to spend.

Recommendation: The Town should periodically compare actual expenditures to the budgeted amount, and, if needed, supplemental appropriations should be made.

3. **Procedures Performed:** We agreed the Town's material bank account balances to bank statements, and traced timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: No exceptions were found as a result of applying the procedure.

4. **Procedures Performed:** We compared the Town's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No exceptions were found as a result of applying the procedure.

5. **Procedures Performed:** We compared use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No exceptions were found as a result of applying the procedure.

6. **Procedures Performed:** We compared the accounting for the Town's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No exceptions were found as a result of applying the procedure.

7. **Procedures Performed:** We compared the Town's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: This procedure is not applicable because the Town is not required to have a reserve account.

As to the **Carmen Public Works Authority**, as of and for the fiscal year ended June 30, 2012:

1. **Procedures Performed:** From the Authority's trial balance, we prepared a schedule of revenues, expenses and changes in net assets for each fund (see accompanying Exhibit 3) and compared the schedule results to the applicable trust prohibitions for creating net asset deficits to report any noted instance of noncompliance.

Findings: No exceptions were found as a result of applying the procedures.

2. **Procedures Performed:** We agreed the Authority's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: No exceptions were found as a result of applying the procedures.

3. **Procedures Performed:** We compared the Authority's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No exceptions were found as a result of applying the procedures.

4. **Procedures Performed:** We compared the Authority's use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No exceptions were found as a result of applying the procedures.

5. **Procedures Performed:** We compared the accounting for the Authority's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No exceptions were found as a result of applying the procedures.

6. **Procedures Performed:** We compared the Authority's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: This procedure is not applicable because the Authority is not required to have a reserve account.

As to the **Town of Carmen, Oklahoma and Public Works Grant Programs**, as of and for the fiscal year ended June 30, 2012:

1. **Procedures Performed:** From the Town and Authority's trial balance, we prepared a schedule of grant activity for each grant/contract (see accompanying Exhibit 4) and compared the receipts and disbursements to grant agreements and supporting information to report any noted instances of noncompliance with grant agreements.

Findings: No exceptions were found as a result of applying the procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

FSW&B CPA'S- PLLC

FSW&B CPA's- PLLC
Woodward, OK

June 12, 2014

Town of Carmen, Oklahoma
 Summary of Changes in Fund Balances/Net Assets
 For the Year Ended June 30, 2012

Exhibit 1

	Beginning of Year <u>Fund Balances</u>	Current Year <u>Change</u>	End of Year Fund <u>Balances</u>
TOWN:			
General Fund- Modified Cash Basis	\$ 79,694	\$ 80,969	\$ 160,663
Street and Alley- Modified Cash Basis	909	(909)	-
Cemetery Fund - Modified Cash Basis	-	-	-
Cemetery Care Fund - Modified Cash Basis	707	44	751
Town Subtotal	81,310	80,104	161,414
ENTERPRISE FUNDS:			
Public Works Authority- Accrual Basis	819,118	(5,326)	813,792
Enterprise Funds Subtotal	819,118	(5,326)	813,792
Overall Totals	\$ 900,428	\$ 74,778	\$ 975,206

See independent accountant's report.

Town of Carmen, Oklahoma
 Budgetary Comparison Schedule of General Fund
 and Other Significant Governmental Funds- Modified Cash Basis
 For the Year Ended June 30, 2012

Exhibit 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				<u>Positive/(Negative)</u>
Beginning Budgetary Fund Balance	\$ 80,603	\$ 80,603	\$ 80,603	\$ -
Resources (inflows):				
Revenues:				
General Fund	115,000	115,000	-	(115,000)
Street & Alley Fund	4,500	4,500	-	(4,500)
Cemetery	2,000	2,000	-	(2,000)
Total Revenues	<u>121,500</u>	<u>121,500</u>	<u>-</u>	<u>(121,500)</u>
Taxes:				
Sales Tax	-	-	78,662	78,662
Use Tax	-	-	3,642	3,642
Franchise Tax	-	-	39,093	39,093
Total Taxes	<u>-</u>	<u>-</u>	<u>121,397</u>	<u>121,397</u>
Intergovernmental:				
Alcoholic Beverage Tax	-	-	7,136	7,136
Cigarette Tax	-	-	1,119	1,119
Commercial Vehicle Tax	-	-	2,456	2,456
Gasoline Excise Tax	-	-	402	402
Fire Department Grant	-	4,413	4,413	-
Pool Grant	-	-	-	-
Library Grant	-	2,960	2,960	-
DWSRF Grant	120,000	120,000	35,545	(84,455)
ECCBG Grant	116,500	116,500	107,500	(9,000)
REAP Grant	17,500	17,500	17,000	(500)
Total Intergovernmental	<u>254,000</u>	<u>261,373</u>	<u>178,531</u>	<u>(82,842)</u>
Charges for Services				
Administrative Miscellaneous	-	-	-	-
Rentals of Town Property	-	-	-	-
Park Income	-	-	1,400	1,400
Swimming Pool	-	-	5,642	5,642
Mowing and Trash Removal Reimbursements	-	-	-	-
Total Charges for Services	<u>-</u>	<u>-</u>	<u>7,042</u>	<u>7,042</u>
Fines and Forfeitures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent accountant's report.

Town of Carmen, Oklahoma
 Budgetary Comparison Schedule of General Fund
 and Other Significant Governmental Funds- Modified Cash Basis
 For the Year Ended June 30, 2012

Exhibit 2

Licenses and Permits

Occupation Tax	-	-	-	-
Dog Tax	-	-	-	-
Building Permits	-	-	-	-

Total Licenses and Permits

-	-	-	-
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Miscellaneous Income

Royalties	-	-	-	-
Electricity Generation Revenue	-	-	518	518
Other Income	-	-	8,154	8,154
Interest Income	-	-	1,641	1,641
Sale of Property	-	-	-	-
Reimbursements	-	-	-	-
Library	-	-	75	75
Fire Department Donations	-	-	-	-
Library Donations	-	757	757	-
Park Donations	-	425	425	-
Rural Fire Runs	-	-	-	-
Swimming Pool Donations	-	-	-	-
Cemetery Land Rent	-	-	699	699
Cemetery Lot Sales	-	-	306	306

Total Miscellaneous Income

-	1,182	12,574	11,392
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Other Financing Sources:

Transfers to/from other funds	-	-	2,219	2,219
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Total Resources (Inflows)

375,500	384,055	321,764	(62,291)
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Amounts Available for Appropriation

456,103	464,658	402,366	(62,291)
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Town of Carmen, Oklahoma
 Budgetary Comparison Schedule of General Fund
 and Other Significant Governmental Funds- Modified Cash Basis
 For the Year Ended June 30, 2012

Exhibit 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive/(Negative)</u>
Charges to Appropriations (Outflows):				
General Government				
Personal Services	40,000	40,000	41,351	(1,351)
Maintenance and Operations	14,500	14,500	12,388	2,112
Utilities and Telephone	15,000	15,000	11,369	3,631
Capital Outlay	1,000	1,000	-	1,000
Grant Expenditures	254,000	254,000	126,346	127,654
Total General Government	324,500	324,500	191,453	133,047
Street and Alley Fund				
Personal Services	8,000	8,000	4,689	3,311
Maintenance and Operations	4,000	4,000	4,692	(692)
Utilities	6,000	6,000	6,419	(419)
Capital Outlay	-	-	-	-
Total Street and Alley	18,000	18,000	15,800	2,200
Cemetery				
Personal Services	1,500	1,500	1,455	45
Maintenance and Operations	500	500	1,954	(1,454)
Total Cemetery	2,000	2,000	3,410	(1,410)
Swimming Pool				
Maintenance and Operations	12,000	12,000	6,781	5,219
Grant Expenditures	-	-	-	-
Total Swimming Pool Improvements	12,000	12,000	6,781	5,219
Library Department				
Personal Services	-	-	-	-
Maintenance and Operations	3,000	3,000	1,058	1,942
Maintenance and Operations-Donations	-	757	757	-
Capital Outlay	-	-	945	(945)
Grant Expenditures	-	2,960	2,960	-
Total Library Department	3,000	6,717	5,720	997
Park Department				
Maintenance and Operations	4,000	4,000	5,643	(1,643)
Maintenance and Operations-Donations	-	425	425	-
Capital Outlay	-	-	-	-
Total Park Department	4,000	4,425	6,069	(1,643)

See independent accountant's report.

Town of Carmen, Oklahoma
 Budgetary Comparison Schedule of General Fund
 and Other Significant Governmental Funds- Modified Cash Basis
 For the Year Ended June 30, 2012

Fire Department				
Maintenance and Operations	6,500	6,500	7,487	(987)
Capital Outlay	-	-	-	-
Donation Expenditures	-	-	-	-
Grant Expenditures	-	4,413	4,413	-
Total Fire Department	<u>6,500</u>	<u>10,913</u>	<u>11,900</u>	<u>(987)</u>
First Responders				
Maintenance and Operations	1,000	1,000	571	429
Total First Responders	<u>1,000</u>	<u>1,000</u>	<u>571</u>	<u>429</u>
Total Charges to Appropriations	371,000	379,555	241,703	137,852
Change In Budgetary Fund Balance	4,500	4,500	80,061	75,561
Ending Budgetary Fund Balance	<u>\$ 85,103</u>	<u>\$ 85,103</u>	<u>\$ 160,663</u>	<u>\$ 75,561</u>

Reconciliation of the Budgetary Comparison Schedule to the Summary of Changes in Fund Balances/Net Assets

Ending Budgetary Fund Balance per the Budgetary Comparison Schedule	160,663
Ending Fund Balance for Governmental Funds not included above: Cemetery Care Fund	751
Ending Fund Balance for the Town's Funds	<u>161,414</u>

Town of Carmen, Oklahoma
Statement of Revenues, Expenses and Changes in Net Assets
of Public Works Authority
For the Year Ended June 30, 2012

Exhibit 3

Operating Revenues:

Charges for Services:	
Trash Sales	\$ 31,491
Sewer Charges	23,330
Sewer and Water Taps	250
Water Sales	71,837
Miscellaneous	1,168

Total Operating Revenues	128,075
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Operating Expenses:

Bad Debt Expense	-
Salaries and Wages	55,759
Trash Hauling	27,583
Maintenance and Operations	31,579
Depreciation Expense	20,217

Total Operating Expenses	135,137
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Operating Income/(Loss)	(7,062)
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Non-Operating Revenues/(Expenses):

Interest Income	3,955
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Total Non-Operating Revenues/(Expenses)	3,955
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Net Income(Loss) Before Contributions and Transfers	(3,107)
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Transfers In/(Out)	(2,219)
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Change in Net Assets	(5,326)
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Net Assets- Beginning	819,118
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Net Assets- Ending	\$ 813,792
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See independent accountant's report.

Town of Carmen, Oklahoma
 Schedule of Grant Activity- Modified Cash Basis
 For the Year Ended June 30, 2012

Exhibit 4

State Grantor/Program Title	Program No.	Award	Amount Received	Amount Expended
Oklahoma Department of Commerce	13956 SEECBG 09	\$ 242,500	\$ 107,500	\$ 107,500
Oklahoma Department of Libraries- operational grant		2,960	2,960	2,960
Oklahoma Department of Environmental Quality	Grant number: 2000207	125,000	35,545	35,545
Rural Economic Action Plan	2011 REAP FUND AL11-5	17,500	17,000	17,000
Department of Agriculture				
Fire Department- operational grant		4,413	4,413	4,413
Total		\$ 392,373	\$ 167,418	\$ 167,418

See independent accountant's report.

Town of Carmen
Notes to the General Purpose Financial Statements
As of and for the Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

The Reporting Entity

The Town of Carmen (Town) operates under the Statutory Town Board of Trustees form of government and provides the following services as authorized by its charter: public safety, streets, public improvements, planning and zoning, and general administration. The financial statements of the reporting entity include those of the Town of Carmen (the primary government) and its component units. The component unit discussed below is included in the Town's reporting entity because of the significance of its operational and financial relationships with the Town.

Component Units

Carmen Public Works Authority (PWA), a legally separate entity from the Town is governed by the same board that governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its purpose is to finance and provide water, sewer, and trash utility services to the citizens of the Town.

Basis of Presentation- Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUND TYPES – These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

GENERAL FUND- The general fund is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS- (Street & Alley Fund; Cemetery Fund) – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes.

PERMANENT FUNDS- (Cemetery Care Fund) – Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

Town of Carmen
Notes to the General Purpose Financial Statements
As of and for the Year Ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

PROPRIETARY FUND TYPES – These funds account for operations that are organized to be self-supporting through user charges.

ENTERPRISE FUND – (Utility Fund) – This fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting and Measurement Focus

The entity reports the results of operations for governmental type funds on a budgetary basis of accounting as directed by Oklahoma State Statute. Revenues are recognized when received and expenditures are recognized when they are encumbered or expended.

Budgetary Accounting and Control

The budget, as adopted by the Board of Trustees is filed with the Alfalfa County Excise Board. Budget amendments or supplements made during the year are recommended by the Town Clerk and must be approved by the Board of Trustees. Amendments are then filed with the agency mentioned above. The budget and actual comparisons presented in the financial statements include the legally amended budgets for the respective funds.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

Budgets as adopted by the Board of Trustees are prepared on a modified cash basis of accounting for governmental funds which is the same basis used to record actual revenues and expenditures.

All unencumbered budget appropriations lapse at the end of each fiscal year.

The level of control at which expenditures and encumbrances may not legally exceed appropriations is at the department level by fund for each legally adopted fiscal operating budget.

Restricted Assets

Certain assets of the Town are restricted for use for certain payments. The assets consist of cash and short-term investments which are restricted for use as future refunds of utility customer deposits.

Town of Carmen
Notes to the General Purpose Financial Statements
As of and for the Year Ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

Inventory

The Town has adopted the accounting policy of expensing the purchases of inventory items at the time of purchase. Inventory balances are not maintained for unused materials and supplies on hand at the end of the year.

2. Contingencies

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms, it has accomplished the objectives of the Town to the provisions of the grant.

3. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

4. Accounting Basis for Grants

The Town does not follow its normal accounting procedures for recognizing revenue and expenses related to grants. The Town uses the accrual basis of accounting consistent with generally accepted accounting principles for municipalities.