TOWN OF CARMEN, OKLAHOMA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
AND FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

FSW&B
CERTIFIED PUBLIC ACCOUNTANTS - PLLC

TOWN OF CARMEN, OKLAHOMA

June 30, 2013

TABLE OF CONTENTS

Independent Accountant's Report.....1

Financial Statements

Summary of Changes in Fund Balances/Net Position- Modified Cash Basis 6
Budgetary Comparison Schedule- Modified Cash Basis - General Fund.....7
Budgetary Comparison Schedule- Modified Cash Basis – Street and Alley Fund...9
Budgetary Comparison Schedule- Modified Cash Basis – Cemetery Fund 10
Statement of Revenues, Expenses and Changes in Net Position
of Public Works Authority.....11
Schedule of Grant Activity- Modified Cash Basis 12
Selected Notes to the Financial Statements 13

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CERTIFIED PUBLIC ACCOUNTANTS - PLLC

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 Position - Modified Cash Basis of the Town of Carmen and related Public Trust, the Budgetary Comparison Schedule - Modified Cash Basis - General Fund, Budgetary Comparison Schedule - Modified Cash Basis – Street and Alley Fund, Budgetary Comparison Schedule - Modified Cash Basis – Cemetery Fund, Statement of Revenues, Expenses and Changes in Net Position - Public Works Authority, and the Schedule of Grant Activity - Modified Cash Basis for the fiscal year ended June 30, 2013. 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 fund that is 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.

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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, 2013. 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, 2013:

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, Street and Alley Fund, and Cemetery 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.

   Finding 2013-001:

   Criteria: Budget appropriations give the Town the 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 Street and Alley 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.

Finding 2013-002:

Criteria: Controls should be in place to ensure that all cash transactions have been recorded accurately and in the correct period.

Conditions: We noted the following conditions: (1) there were bank accounts that were not being reconciled each month, (2) one bank account was being reconciled to the wrong bank statement, (3) several of the bank reconciliations contained items that had been outstanding for several years, and (4) after year end, we identified journal entries that were posted to several cash accounts in order to force the account balances in the general ledger to reconcile to the bank statements.

Cause: Lack of controls to ensure that bank reconciliations are being performed accurately and in a timely manner.

Effect: The financial statements will be less reliable. Without bank reconciliations being performed timely and accurately, there is a chance that transactions could be recorded twice, not at all, or for the incorrect amount.

Recommendation: All bank accounts should be reconciled on a timely basis and any transactions that have been outstanding for a significant period of time should be investigated.

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.

Finding 2013-003:

Criteria: According to State Statute 62 O.S. § 511-516, deposits of public funds cannot exceed the federal insurance limit unless secured by acceptable collateral.

Condition: The Town's deposits exceeded the federal insurance limit and there was no collateral to cover the uninsured amount.

Cause: In the past, the bank balances have been below the FDIC limit, so pledged collateral was not necessary for the Town.

Effect: This year, the Town's bank balances exceeded the FDIC limit, leaving uninsured deposits at year end.

Recommendation: Acquire pledged collateral to cover the amount of uninsured deposits, and periodically perform tests to ensure that the collateral pledged is sufficient to cover uninsured balances.

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, 2013:

1. **Procedures Performed:** From the Authority's trial balance, we prepared a schedule of revenues, expenses and changes in net position for each fund (see accompanying Exhibit 3) and compared the schedule results to the applicable trust prohibitions for creating net position 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: See **Finding 2013-002** listed above.

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 Authority Grant Programs**, as of and for the fiscal year ended June 30, 2013:

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 8, 2015

Town of Carmen, Oklahoma

Exhibit 1

Summary of Changes in Fund Balances/Net Position

For the Year Ended June 30, 2013

	Beginning of Year Fund Balances/Net Position	Current Year Change	End of Year Fund Balances/Net Position
TOWN:			
General Fund- Modified Cash Basis	$ 160,663	$ 89,087	$ 249,750
Street and Alley- Modified Cash Basis	-	-	-
Cemetery Fund - Modified Cash Basis	-	-	-
Cemetery Care Fund - Modified Cash Basis	751	50	801
Town Subtotal	161,414	89,137	250,551
ENTERPRISE FUNDS:			
Public Works Authority- Accrual Basis	813,792	(7,608)	806,183
Enterprise Funds Subtotal	813,792	(7,608)	806,183
Overall Totals	$ 975,206	$ 81,528	$ 1,056,734

See accompanying notes and independent accountant's compilation report.

Town of Carmen, Oklahoma

Exhibit 2

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
Beginning Budgetary Fund Balance	$ 160,663	$ 160,663	$ 160,663	$ -
Resources (inflows):				
Revenues:				
General Fund	115,000	115,000	-	(115,000)
Total Revenues	115,000	115,000	-	(115,000)
Taxes:				
Sales Tax	-	-	148,732	148,732
Use Tax	-	-	8,359	8,359
Franchise Tax	-	-	38,751	38,751
Total Taxes	-	-	195,841	195,841
Intergovernmental:				
Alcoholic Beverage Tax	-	-	7,223	7,223
Cigarette Tax	-	-	1,923	1,923
Fire Department Grant	-	4,484	4,484	0
Library Grant	-	3,444	3,444	-
CDBG - CIP Grant	15,000	15,000	-	(15,000)
REAP Grant	50,000	50,000	-	(50,000)
Total Intergovernmental	65,000	72,928	17,075	(55,853)
Charges for Services				
Park Income	-	-	1,050	1,050
Swimming Pool	-	-	2,852	2,852
Total Charges for Services	-	-	3,902	3,902
Miscellaneous Income				
Electricity Generation Revenue	-	-	181	181
Other Income	-	-	2,580	2,580
Interest Income	-	-	1,016	1,016
Library Donations	-	150	150	-
Park Donations	-	700	700	-
Total Miscellaneous Income	-	850	4,627	3,777
Total Resources (Inflows)	180,000	188,778	221,445	32,667
Amounts Available for Appropriation	340,663	349,441	382,109	32,667

See accompanying notes and independent accountant's compilation report.

Town of Carmen, Oklahoma

Exhibit 2

Budgetary Comparison Schedule of General Fund - Modified Cash Basis
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
Charges to Appropriations (Outflows):				
General Government				
Personal Services	40,000	40,000	37,107	2,893
Maintenance and Operations	14,500	14,500	27,947	(13,447)
Utilities and Telephone	15,000	15,000	12,573	2,427
Grant Expenditures	65,000	65,000	-	65,000
Total General Government	134,500	134,500	77,626	56,874
Swimming Pool				
Maintenance and Operations	12,000	12,000	14,251	(2,251)
Total Swimming Pool Improvements	12,000	12,000	14,251	(2,251)
Library Department				
Maintenance and Operations	3,000	3,000	3,226	(226)
Maintenance and Operations-Donations	-	150	150	-
Grant Expenditures	-	3,444	3,444	-
Total Library Department	3,000	6,594	6,820	(226)
Park Department				
Maintenance and Operations	4,000	4,000	3,350	650
Maintenance and Operations-Donations	-	700	700	-
Total Park Department	4,000	4,700	4,050	650
Fire Department				
Maintenance and Operations	6,500	6,500	5,313	1,187
Grant Expenditures	-	4,484	4,484	-
Total Fire Department	6,500	10,984	9,797	1,187
First Responders				
Maintenance and Operations	1,000	1,000	1,184	(184)
Total First Responders	1,000	1,000	1,184	(184)
Other Financing Uses:				
Transfers to other funds	13,500	13,500	18,630	(5,130)
Total Transfers Out	13,500	13,500	18,630	(5,130)
Total Charges to Appropriations	174,500	183,278	132,359	50,920
Change In Budgetary Fund Balance	5,500	5,500	89,087	83,587
Ending Budgetary Fund Balance	$ 166,163	$ 166,163	$ 249,750	$ 83,587

See accompanying notes and independent accountant's compilation report.

Town of Carmen, Oklahoma

Exhibit 2

Budgetary Comparison Schedule - Modified Cash Basis
Street and Alley Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
Beginning Budgetary Fund Balance	$ -	$ -	$ -	$ -
Resources (inflows):				
Revenues:				
Street & Alley Fund	4,500	4,500	-	(4,500)
Total Revenues	4,500	4,500	-	(4,500)
Intergovernmental:				
Commercial Vehicle Tax	-	-	2,526	2,526
Gasoline Excise Tax	-	-	662	662
Total Intergovernmental	-	-	3,188	3,188
Other Financing Sources:				
Transfers from other funds	13,500	13,500	17,874	4,374
Total Resources (Inflows)	18,000	18,000	21,062	3,062
Amounts Available for Appropriation	18,000	18,000	21,062	3,062
Charges to Appropriations (Outflows):				
Street and Alley Fund				
Personal Services	8,000	8,000	4,116	3,884
Maintenance and Operations	4,000	4,000	8,284	(4,284)
Utilities	6,000	6,000	8,663	(2,663)
Total Street and Alley	18,000	18,000	21,062	(3,062)
Total Charges to Appropriations	18,000	18,000	21,062	(3,062)
Change In Budgetary Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	$ -	$ -	$ -	$ -

See accompanying notes and independent accountant's compilation report.

Town of Carmen, Oklahoma

Exhibit 2

Budgetary Comparison Schedule - Modified Cash Basis
Cemetery Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
Beginning Budgetary Fund Balance	$ -	$ -	$ -	$ -
Resources (inflows):				
Revenues:				
Cemetery	2,000	2,000	-	(2,000)
Total Revenues	2,000	2,000	-	(2,000)
Miscellaneous Income				
Cemetery Land Rent	-	-	698	698
Cemetery Lot Sales	-	-	350	350
Total Miscellaneous Income	-	-	1,048	1,048
Other Financing Sources:				
Transfers from other funds	-	-	643	643
Total Resources (Inflows)	2,000	2,000	1,691	(309)
Amounts Available for Appropriation	2,000	2,000	1,691	(309)
Charges to Appropriations (Outflows):				
Cemetery				
Personal Services	1,500	1,500	1,253	247
Maintenance and Operations	500	500	438	63
Total Cemetery	2,000	2,000	1,691	309
Total Charges to Appropriations	2,000	2,000	1,691	309
Change In Budgetary Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	$ -	$ -	$ -	$ -

See accompanying notes and independent accountant's compilation report.

Town of Carmen, Oklahoma

Exhibit 3

Statement of Revenues, Expenses and Changes in Net Position
of Public Works Authority
For the Year Ended June 30, 2013

Operating Revenues:		
Trash Sales	$	30,821
Sewer Charges		22,445
Sewer and Water Taps		750
Water Sales		69,467
Miscellaneous		8,909
Total Operating Revenues		132,392
Operating Expenses:		
Bad Debt Expense		80
Salaries and Wages		48,126
Trash Hauling		33,197
Maintenance and Operations		43,989
Depreciation Expense		17,470
Total Operating Expenses		142,863
Operating Income/(Loss)		(10,471)
Non-Operating Revenues/(Expenses):		
Interest Income		2,750
Total Non-Operating Revenues/(Expenses)		2,750
Net Income(Loss) Before Contributions and Transfers		(7,721)
Transfers In/(Out)		113
Change in Net Position		(7,608)
NetPosition - Beginning		813,792
Net Position - Ending	$	806,183

See accompanying notes and independent accountant's compilation report.

Town of Carmen, Oklahoma
Schedule of Grant Activity- Modified Cash Basis
For the Year Ended June 30, 2013

Exhibit 4

State Grantor/Program Title	Program No.	Award	Amount Received	Amount Expended
Oklahoma Department of Commerce	13956 SEECBG 09	$ 242,500	$ -	$ -
	15123 CDBG 12	15,000	-	-
	15167 CDBG 12	274,839	-	-
Oklahoma Department of Libraries- operational grant		2,944	2,944	2,944
Rural Economic Action Plan	2012 REAP FUND AL12-4	50,000	-	-
Department of Agriculture				
Fire Department- operational grant		4,484	4,484	4,484
Total		$ 589,767	$ 7,428	$ 7,428

See accompanying notes and independent accountant's compilation report.

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.

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.

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.