THE TOWN OF KEYES, OKLAHOMA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Independent Accountant's Report

To the Specified Users of the Report:

Town Council, Town of Keyes
Keyes, Oklahoma

Trustees of the Keyes Utility Authority
Keyes, Oklahoma

Oklahoma Office of State Auditor and Inspector
Oklahoma City, Oklahoma

Oklahoma Department of Agriculture, Food and Forestry
Oklahoma City, Oklahoma

Oklahoma Department of Commerce
Oklahoma City, Oklahoma

Report on Compiled Financial Statements and Schedules

We have compiled the accompanying Summary of Changes in Fund Balances-Cash Basis of the Town of Keyes and related Public Trust , the Budgetary Comparison Schedule- Cash Basis - General Fund, Budgetary Comparison Schedule - Cash Basis – EMT Fund, Statement of Revenues, Expenses and Changes in Fund Balance – Cash Basis – Keyes Utility Authority, and the Schedule of Grant Activity – Cash Basis for the year ended June 30, 2011. The financial statements and schedules have been prepared in a format and basis of accounting, as prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma applicable to municipalities and the presentation requirements prescribed in Oklahoma Statutes § 11-17-105-.107 and § 60-180-1-.3, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We have not audited or reviewed the aforementioned financial statements and schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and schedules are in accordance with the cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements and schedules in accordance with the cash basis of accounting and applicable Oklahoma Statutes and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and schedules.

Our responsibility is to conduct the compilation in accordance with Statements 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 and schedules, in order to meet the requirements of applicable Oklahoma Statutes, without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and schedules.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements and schedules prepared in accordance with the cash basis of accounting. If the omitted disclosures were included in the financial statements and schedules, they might influence the user's conclusions about the

Town's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements and schedules are not designed for those who are not informed about such matters.

Report on Applying Agreed-Upon Procedures

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 Utility Authority in meeting its financial accountability requirements as prescribed by applicable Oklahoma law and evaluating compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2011. Management of the Town of Keyes and the Keyes Utility Authority are responsible for the Town's and Authority'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 to meet the requirements prescribed in Oklahoma Statutes §11-17.105-.107 and §60-180.1-.3. The sufficiency of these 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 Keyes as of and for the fiscal year ended June 30, 2011:

1. **Procedures Performed**: From the Town's trial balances, we compiled a cash basis 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 instances of noncompliance noted.

2. **Procedures Performed**: From the Town's trial balances, we compiled a budgetary basis budget and actual financial schedule for the General Fund and EMT Fund (see accompanying Exhibit 2) and compared the actual expenditures reported to the authorized appropriations to report any noted instances of noncompliance with the appropriation limitations.

   Findings: No instances of noncompliance noted.

3. **Procedures Performed**: We agreed the Town'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 significant or unusual reconciling items were noted that did not clear on a timely basis.

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: All deposits were FDIC insured at June 30, 2011.

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

   Findings: No instances of noncompliance noted.

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 instances of noncompliance were noted.

7. **Procedures Performed:** A search for Town debt agreements was performed to identify any contractually required reserve balances and debt service requirements of bond indentures for the purpose of determining contract compliance.

   Findings: The Town had no debt, therefore no debt service coverage requirements of bond indentures were evaluated for compliance.

As to the Keyes Utility Authority, as of and for the fiscal year ended June 30, 2011:

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

   Findings: No instances of noncompliance were noted.

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 significant or unusual reconciling items were noted that did not clear on a timely basis.

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: All deposits were FDIC insured at June 30, 2011.

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 instances of noncompliance were noted except for the termination of a restricted utility fee without proper authorization. According to a resolution adopted by the KUA trustees, the restricted utility fee was created July 2007 and was to be used for maintaining utility structures. The resolution creating the fee did not specify a termination date. However, management reports the intent of the resolution was that the fee would cease once a major water tower repair cost was reimbursed. Consequently, management terminated the fee in July 2010 when the major water tower repairs had been completed. There was no evidence provided that the termination of the fee was authorized by the KUA trustees through adoption of a subsequent resolution.

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 instances of noncompliance were noted.

6. **Procedures Performed:** A search for Authority debt agreements was performed to identify any contractually required reserve balances and debt service coverage requirements of bond indentures for the purposes of determining contract compliance.

   Findings: No such compliance requirements were identified that were applicable to the Keyes Utility Authority.

As to the Town of Keyes and Keyes Utility Authority grant programs, as of and for the fiscal year ended June 30, 2011:

1. **Procedures Performed:** From the Town and Authority's trial balances, we compiled 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 the grant agreement.

   Findings: No instances of noncompliance were noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance and an opinion on the related financial statements and schedules. 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.

Crawford & Associates, P.C.

Crawford & Associates, P.C.
June 10, 2013

EXHIBIT 1

TOWN OF KEYES AND KEYES UTILITY AUTHORITY
Keyes, Oklahoma

SUMMARY OF CHANGES IN FUND BALANCES - CASH BASIS
For the Fiscal Year Ended June 30, 2011
(Unaudited)

	Beginning of Year Fund Balances	Current Year Revenues	Current Year Expenditures	End of Year Fund Balances
CITY:				
General Fund	$ 24,655	$ 170,411	$ 158,496	36,570
Street & Alley Fund	1,382	14,174	14,862	694
EMT Fund	22,419	128,454	141,852	9,021
Fire Dept Building Fund	2,897	32,700	33,633	1,964
City Subtotal	51,353	345,739	348,843	48,249
KEYES UTILITY AUTHORITY:				
KUA Utilities Fund	66,019	278,858	294,487	50,390
Meter Deposit Fund	-	1,681	1,681	-
KUA Subtotal	66,019	280,539	296,168	50,390
Overall Totals	$ 117,372	$ 626,278	$ 645,011	$ 98,639

See independent accountant's report on agreed-upon procedures.

EXHIBIT 2

TOWN OF KEYES

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
For the Fiscal Year Ended June 30, 2011
(Unaudited)

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance:	$24,654	$24,654	$ -
Resources (Inflows):			
Taxes:			
Sales tax	12,000	13,695	1,695
Use tax	5,400	8,529	3,129
Total Taxes	17,400	22,224	4,824
Intergovernmental:			
Alcoholic beverage tax	30,500	31,831	1,331
Cigarette tax	-	204	204
Grant revenue	-	31,387	31,387
Total Intergovernmental	30,500	63,422	32,922
Fines and Forfeitures:			
Court fines	40,000	11,676	(28,324)
Investment Income	600	185	(415)
Miscellaneous Income:	4,500	19,904	15,404
Other Financing Sources:			
Transfers from other funds	86,830	53,000	(33,830)
Total Other Financing Sources	86,830	53,000	(33,830)
Total Resources	179,830	170,411	(9,419)
Amounts available for appropriation	204,484	195,065	(9,419)
Charges to Appropriations (Outflows):			
General Government	21,070	16,467	4,603
Clerk-Treasurer	30,430	25,486	4,944
Fire	12,230	9,506	2,724
Parks	16,300	10,223	6,077
Police	60,750	56,844	3,906
Streets	38,550	34,554	3,996
Other Financing Uses - Transfers to other funds	500	500	-
Total Charges to Appropriations	179,830	153,580	26,250
Ending Budgetary Fund Balance	$24,654	$41,485	$16,831

See independent accountant's report on agreed-upon procedures.

TOWN OF KEYES **EXHIBIT 2**

RECONCILIATION TO CASH BASIS
GENERAL FUND
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Ending Budgetary Fund Balance	41,486
Less: Adjustment to cash account	4,916
Ending Cash Basis Fund Balance	36,570

EXHIBIT 2

TOWN OF KEYES

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
EMT FUND
For the Fiscal Year Ended June 30, 2011
(Unaudited)

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance:	$22,419	$22,419	$ -
Resources (Inflows):			
Grant Revenue	112,920	109,533	(3,387)
Investment Income	80	58	(22)
Miscellaneous Income	17,300	18,863	1,563
Total Resources	130,300	128,454	1,541
Amounts available for appropriation	152,719	150,873	1,541
Charges to Appropriations (Outflows):			
EMT	142,800	139,352	3,448
Other Financing Uses - Transfers to other funds	2,500	2,500	-
Total Charges to Appropriations	145,300	141,852	3,448
Ending Budgetary Fund Balance	$7,419	$9,021	$4,989

See independent accountant's report on agreed-upon procedures.

EXHIBIT 3

KEYES UTILITY AUTHORITY
Keyes, Oklahoma

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - CASH BASIS
(KUA Utilities Fund)

For the Fiscal Year Ended June 30, 2011
(Unaudited)

Operating Revenues:	
Charges for services:	
Gas	$120,562
Water	67,756
Sewer	24,366
Sanitation	49,666
Penalties and other charges	12,058
Total Operating Revenues	274,408
Operating Expenses:	
Administration	33,043
Gas	111,254
Water	31,151
Sewer	7,726
Sanitation	14,054
Capital outlay	11,503
Total Operating Expenses	208,731
Operating Income	65,677
Non-Operating Revenues (Expenses):	
Investment income	138
Debt service:	
Principal	(14,395)
Interest	(1,271)
Loan proceeds	9,905
Miscellaneous	1,236
Total Non-Operating Revenues (Expenses)	(4,387)
Net Income Before Contributions and Transfers	61,290
Transfers in	3,076
Transfers out	(79,995)
Change in fund balance	(15,629)
Fund Balance - beginning	66,019
Fund Balance - ending	$50,390

See independent accountant's report on agreed-upon procedures.

TOWN OF KEYES
Keyes, Oklahoma

SCHEDULE OF GRANT ACTIVITY - CASH BASIS
For the Fiscal Year Ended June 30, 2011
(Unaudited)

	Fire Operational Grant	#14130 CDBG 10	OEDA REAP #10-115	OEDA REAP #11-217
Awarding agency	Oklahoma Department of Agriculture	Oklahoma Department of Commerce	Oklahoma Economic Development Authority	Oklahoma Economic Development Authority
CFDA No.	N/A	N/A	N/A	N/A
Award Amount	$ 4,413	$ 56,460	$ 56,460	$ 50,000
Program Budget	4,413	56,460	56,460	50,000
Current Year Activity				
Current Year Receipts:				
Received from agency	4,413	56,460	56,460	28,000
Total current year receipts	4,413	56,460	56,460	28,000
Current Year Disbursements	4,413	56,460	56,460	28,000
Beginning of Year Unexpended Grant Funds	-	-	-	-
End of Year Unexpended Grant Funds	-	-	-	-
Program To-Date Activity				
Program To-Date Receipts:				
Received from agency	4,413	56,460	56,460	28,000
Received from local funds		-	-	-
Total program To-Date Receipts	4,413	56,460	56,460	28,000
Program To-Date Disbursements	4,413	56,460	56,460	28,000
Program To-Date Unexpendeed Grant Funds	$ -	$ -	$ -	$ -

See independent accountant's report on agreed-upon procedures.