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Members of American Institute of Certified Public Accountants

Members of Oklahoma Society of Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Specified Users of the Report:

Town Board, Town of Arapaho
Arapaho, Oklahoma

Trustees of the Arapaho Public Works Authority
Arapaho, Oklahoma

Oklahoma Office of State Auditor and Inspector
Oklahoma City, Oklahoma

We have performed the procedures enumerated within Appendix A and Appendix B 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 of Arapaho (the Town) and the Arapaho Public Works Authority (the Authority) in meeting its financial accountability requirements as prescribed by such state laws and evaluating compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2011 for the Town and for the Authority. Management of the Town of Arapaho 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 and the additional requirements prescribed in Oklahoma Statutes 11-17.105-.107 and 60-180.1-.3. 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 in Appendix A or B, either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on financial accountability and compliance with contractual requirements. 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.

RSMeacham CPAs & Advisors
September 23, 2011

Town of Arapaho, Oklahoma
Procedures and Findings
For the Year Ended June 30, 2011

As to the Town of Arapaho as of and for the fiscal year ended June 30, 2011:

I. Prepare a schedule of changes in fund balances for each fund from the Town's trial balances and compare the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: See Exhibit I, no instances of noncompliance noted.

II. Prepare a budget and actual financial schedule for the General Fund and any other significant funds listing separately each federal fund and compare the actual expenditures and encumbrances reported to the authorized appropriations to report any noted instances on noncompliance with the appropriation limitations.

Findings: See Exhibit II, no instances of noncompliance noted.

III. Agree 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 instances of noncompliance noted.

IV. Compare the Town's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No instances of noncompliance noted.

V. Compare use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No instances of noncompliance noted.

VI. Compare 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 noted.

VII. Compare 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: No instances of noncompliance noted.

VIII. Prepare a schedule of Revenue, Expenditures, and changes in fund balance for the fire department.

Findings: See Exhibit VI, no instances of noncompliance noted.

IX. Prepare a schedule of grant receipts and expenditures for the general fund.

Findings: See Exhibit VII, no instances of noncompliance noted.

Appendix B

Arapaho, Oklahoma Public Works Authority
Procedures and Findings
For the Year Ended June 30, 2011

As to the Arapaho Public Works Authority, as of and for the year ended June 30, 2011:

I. Prepare a schedule of revenues, expenditures and changes in fund balance for each fund from the Authority's trial balances and compare the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: See Exhibit I & III, IV, & V, no instances of noncompliance noted.

II. Agree 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 instances of noncompliance noted.

III. Compare the Authority's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No instances of noncompliance noted.

IV. Compare 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 noted.

V. Compare 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 noted.

VI. Compare 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: No instances of noncompliance noted. Reserve balances required by the loan resolution security agreement are as follows:

Rural development $26,993.40
GMAC cash reserves $24,878.00
GMAC held in certificates of deposit $13,799.62

VII. Prepare a cash basis balance sheet for the Authority.

Findings: See Exhibit III

VIII. Prepare a schedule of debt for the Authority listing lending institution, issuance amount, year of issuance, interest rate, and term along with outstanding balances at year end.

Findings: See Exhibit V

Exhibit I

TOWN OF ARAPAHO, OKLAHOMA
SUMMARY OF CHANGES IN UNRESTRICTED FUND BALANCES (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011

	Beginning of Year Fund Balances	Current Year Change	End of Year Fund Balances
TOWN:			
General Fund	$ 577,621	$ 27,026	$ 604,647
Street & Alley Fund	23,566	1,710	25,276
Expendable Trust Fire	4,058	2,490	6,548
Arapaho Fire Department	16,095	10,534	26,629
CITY TOTAL	621,340	41,760	663,100
ARAPAHO PUBLIC WORKS AUTHORITY			
APWA	622,204	55,239	677,443
Water Fund	-	-	-
PWA Savings	14,599	1,879	16,478
APWA TOTAL	$ 636,803	$ 57,118	$ 693,921

See accountant's report.

Exhibit II

TOWN OF ARAPAHO, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance:	$ 577,621	$ 577,621	$ 577,621	$ -
Resources (Inflows):				
Taxes:				
Sales tax	53,080	73,080	85,765	12,685
Use tax	7,180	7,180	9,581	2,401
Tobacco tax	748	748	1,170	422
Total Taxes	61,008	81,008	96,516	15,508
Intergovernmental:				
Alcoholic beverage tax	3,515	3,515	4,120	605
Grant revenue	-	-	-	-
Franchise tax	13,753	13,753	15,665	1,912
Total Intergovernmental	17,268	17,268	19,785	2,517
Fines and Forfeitures	4,029	4,029	9,732	5,703
Investment Income	8,600	8,600	3,361	(5,239)
Donations	-	-	4,547	4,547
Miscellaneous Income	3,563	3,563	3,515	(48)
Transfers from other funds	-	-	-	-
Grants-Fire Dept			12,544	12,544
Grants-CEM	-	-	15,000	15,000
Grants-Other	-	-	1,000	1,000
Total current year resources	94,468	114,468	166,000	34,441
Amounts available for appropriation	$ 672,089	$ 692,089	$ 743,621	$ 34,441
Charges to Appropriations (Outflows):				
General government:				
Personal services	25,840	31,340	26,981	4,359
Materials and supplies	6,500	6,500	11,273	(4,773)
Other services and charges	44,200	45,950	45,104	846
Capital outlay	20,000	20,000	16,688	3,312
Transfers	-	-	-	-
Total General Government	96,540	103,790	100,046	3,744
Administration				
Personal services	2,900	2,900	2,563	337
Materials and supplies	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Transfers	-	-	-	-
Total Administration	2,900	2,900	2,563	337
Public Works-Street Dept				
Personal services	-	-	-	-
Materials and supplies	2,000	2,000	-	2,000
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Transfers	-	-	-	-
Public Works-Street Dept	2,000	2,000	-	2,000
Police:				
Personal services	39,250	44,750	33,535	11,215
Materials and supplies	5,500	5,500	2,398	3,102
Other services and charges	4,000	7,200	4,063	3,137
Capital outlay	2,000	2,000	-	2,000
Debt service	-	-	-	-
Total Police	50,750	59,450	39,996	19,454
Fire:				
Personal services	1,000	1,080	1,020	60
Materials and supplies	4,000	5,200	4,761	439
Other services and charges	3,000	3,000	2,876	124
Capital outlay	6,000	6,000	-	6,000
Total Fire	14,000	15,280	8,657	6,623
Civil Emergency Management				
Personal services	8,100	8,100	7,512	588
Materials and supplies	850	4,050	2,803	1,247
Other services and charges	3,050	3,050	1,936	1,114
Capital outlay	17,500	27,500	-	27,500
Total Civil Emergency Management	29,500	42,700	12,251	30,449
Animal Control				
Personal services	-	-	-	-
Materials and supplies	1,000	1,000	-	1,000
Other services and charges	300	300	45	255
Capital outlay	-	-	-	-
Total Animal Control	1,300	1,300	45	1,255
Park				
Personal services	-	-	-	-
Materials and supplies	500	500	23	477
Other services and charges	1,700	1,700	-	1,700
Capital outlay	5,000	5,000	-	5,000
Total Park	7,200	7,200	23	7,177
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	204,190	234,620	163,581	71,039
Change in Fund Balance	(109,722)	(120,152)	2,419	105,480
Ending Budgetary Fund Balance	467,899	457,469	580,040	105,480
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
OTHER ACCRUALS			24,607	
UNRESTRICTED FUND BALANCE AT END OF YEAR (GAAP BASIS)			604,647	

See accountant's report.

Exhibit III

ARAPAHO PUBLIC WORKS AUTHORITY, ARAPAHO, OKLAHOMA
BALANCE SHEET-CASH BASIS
JUNE 30, 2011

	2011
ASSETS	
Current assets:	
Cash, including time deposits	$ 692,908
Total current assets	692,908
Restricted assets:	
Cash, including time deposits	98,341
Total restricted assets	98,341
Non-current assets:	
Land	30,910
Capital assets (net)	1,065,086
Total non-current assets	1,095,996
Total assets	1,887,245
LIABILITIES	
Liabilities, payable from restricted assets	
Accounts payable	4,086
Meter deposits payable	32,670
Interest payable	1,000
Notes payable, current	20,199
Total liabilities payable from restricted assets	57,955
Noncurrent liabilities:	
Notes payable, non-current	512,473
Total non-current liabilities	512,473
Total liabilities	570,428
FUND BALANCE	
Restricted for:	
Debt service	39,178
Debt service-USDA	26,993
Grant	639,374
Unrestricted	611,272
Fund Balance	1,887,245

See accountant's report.

Exhibit IV

ARAPAHO PUBLIC WORKS AUTHORITY ARAPAHO, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Operating Revenues:	
Charges for services:	
Water	247,359
Sewer	88,232
Sanitation	63,499
Grants	44,296
Other	11,503
Total Operating Revenues	454,889
Operating Expenses:	
Administration	23,511
Water	161,681
Sewer	26,135
Sanitation	62,270
Grant expense	44,296
Depreciation	58,872
Interest	24,856
Total Operating Expenses	401,621
Operating Income	53,268
Non-Operating Revenues:	
Interest	3,771
Total Non-Operating Revenues	3,771
Net Income Before Contributions and Transfers	57,039
Transfers out	(1,800)
Change in fund balance	55,239
Fund Balance - beginning	622,204
Fund Balance - ending	677,443

See accountant's report.

Town of Arapaho
Notes to the Agreed Upon Procedures
For the Fiscal Year Ended June 30, 2011

LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2011:

NOTES PAYABLE

Note payable to GMAC Commercial Mortgage dated August 1977 at an original amount of $160,000 for public utility project improvements. Loan is payable in monthly installments at 5% interest, due August 2017.	$46,679
Note payable originated in June 1983 in the amount of $70,000 payable to GMAC Commercial Mortgage for construction and improvements of public utility projects. Loan carries an interest rate of 5%, maturing June 2023.	36,331
Loan payable to Oklahoma Bank & Trust Company, Clinton, Oklahoma. Original loan was issued October 10, 2010 for $13,000.00 The loan carries an interest rate of 4.5% payable in monthly payments of $386.71. Loan matures in January 2014. Principal balance is 10,258.	10,258
Loan payable to the United States Department of Agriculture Rural Development originated in October 2000 for $495,000. Loan carries an interest rate of 4.75% with a 40 year term, maturing October 2040. Loan proceeds were used for a major sewer lagoon renovation.	439,404
	$532,672

Exhibit VI

ARAPAHO FIRE DEPARTMENT ARAPAHO, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Resources:		
Sales tax revenue	$	29,592
Donations		200
Grants		4,398
Other		250
Total Operating Revenues		34,440
Charges to appropriations:		
Materials and supplies		3,758
Other services and charges		2,862
Capital outlay		17,345
Total Operating Expenses		23,964
Operating Income		10,476
Non-Operating Revenues:		
Interest		58
Total Non-Operating Revenues		58
Net Income Before Contributions and Transfers		10,534
Transfers out		-
Change in fund balance		10,534
Fund Balance - beginning		28,817
Fund Balance - ending	$	39,351
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES		
OTHER ACCRUALS		(12,722)
UNRESTRICTED FUND BALANCE AT END OF YEAR (GAAP BASIS)	$	26,629

See accountant's report.

Exhibit VII

TOWN OF ARAPAHO, OKLAHOMA
SCHEDULE OF GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Grant revenue	Funding period	Project description	Award	Amount received	Amount expended	Receipts less expenditures
Grant received from:						
SWODA	2010-2011	Water tower repair	$ 44,296	$ 44,296	$ 44,296	-
State of Oklahoma, Department of Emergency Management	2010-2011	CEM	15,000	15,000	13,440	1,560
		Total	$ 59,296	$ 59,296	$ 57,736	$ 1,560

See accountant's report.