

***TOWN OF QUAPAW***  
Ottawa County, Oklahoma  
Independent Auditor's Report and  
Financial Statements  
For the Year Ended June 30, 2010

**TOWN OF QUAPAW**  
Ottawa County, Oklahoma  
For the Year Ended June 30, 2010

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Trustees  
*Town of Quapaw*  
Quapaw, Ottawa County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *Town of Quapaw*, Ottawa County, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *Town of Quapaw's* management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the *Town of Quapaw*, Ottawa County, Oklahoma, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 on our consideration of the *Town of Quapaw's* internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Quapaw's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and

other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary section has 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.

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



**WINGARD, RAGSDALE & LANGLEY**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*  
**JUNE 29, 2012**

**TOWN OF QUAPAW**  
**Statement of Net Assets – Government-Wide**  
**For the Year Ended June 30, 2010**

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 58,962	\$ 8,253	\$ 67,215
Cash held by third parties	17,169	-	17,169
Investments	80,906	113,677	194,583
Receivables	-	33,927	33,927
Due from other governmental agencies	18,923	-	18,923
Other assets	2,123	4,062	6,185
Total Current Assets	<u>178,083</u>	<u>159,919</u>	<u>338,002</u>
Current Restricted Assets:			
Cash	-	257,006	257,006
Investments	-	37,369	37,369
OMAG interest fund	-	-	-
OMAG loss fund	-	23,911	23,911
Total Current Restricted Assets	<u>-</u>	<u>318,286</u>	<u>318,286</u>
Non-Current Assets:			
Capital assets, net of accumulated depreciation	<u>503,976</u>	<u>4,306,759</u>	<u>4,810,735</u>
Total Non-Current Assets	<u>503,976</u>	<u>4,306,759</u>	<u>4,810,735</u>
Total ASSETS	<u>682,059</u>	<u>4,784,964</u>	<u>5,467,023</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	8,118	17,381	25,499
Accrued interest	839	5,798	6,637
Payroll taxes payable	1,307	972	2,279
Current portion of long-term debt	<u>32,484</u>	<u>33,860</u>	<u>66,344</u>
Total Current Liabilities	<u>42,748</u>	<u>58,011</u>	<u>100,759</u>
Long-term liabilities			
Utility deposits	-	23,471	23,471
Notes payable	<u>37,573</u>	<u>1,884,954</u>	<u>1,922,527</u>
Total Long-Term Liabilities	<u>37,573</u>	<u>1,908,425</u>	<u>1,945,998</u>
Total LIABILITIES	<u>80,321</u>	<u>1,966,436</u>	<u>2,046,757</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	503,976	2,387,945	2,891,921
Restricted for:			
Utility deposits	-	23,471	23,471
Debt service	-	85,404	85,404
Capital Projects	-	223,452	223,452
Unrestricted	<u>97,762</u>	<u>98,256</u>	<u>196,018</u>
Total Net Assets	<u>\$ 601,738</u>	<u>\$ 2,818,528</u>	<u>\$ 3,420,266</u>

See accompanying notes and independent auditor's report.

**TOWN OF QUAPAW**  
Statement of Activities – Government-Wide  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General Government	\$ 319,010	\$ 39,814	\$ 74,800	\$ (204,396)	\$ -	\$ (204,396)
Fire	30,139	25,817	5,100	778	-	778
Streets	14,525	-	-	(14,525)	-	(14,525)
Total governmental activities	<u>363,674</u>	<u>65,631</u>	<u>79,900</u>	<u>(218,143)</u>	<u>-</u>	<u>(218,143)</u>
Business-type activities:						
Water Utilities	<u>445,969</u>	<u>370,865</u>	<u>1,643,013</u>		<u>1,567,909</u>	<u>1,567,909</u>
Total business-type activities	<u>445,969</u>	<u>370,865</u>	<u>1,643,013</u>		<u>1,567,909</u>	<u>1,567,909</u>
<b>General Revenues:</b>						
Taxes:						
Franchise taxes				28,337	-	28,337
Public service taxes				175,009	-	175,009
Unrestricted investment earnings				-	4,845	4,845
Realized gain (loss)				3,140	(212)	2,928
Miscellaneous				16,166	20	16,186
Transfers				<u>(22,570)</u>	<u>22,570</u>	<u>-</u>
Total general revenues and transfers				<u>200,082</u>	<u>27,223</u>	<u>227,305</u>
Change in net assets				<u>(18,061)</u>	<u>1,595,132</u>	<u>1,577,071</u>
Net assets - beginning, adjusted				<u>619,799</u>	<u>1,223,396</u>	<u>1,843,195</u>
Net assets - ending				<u>\$ 601,738</u>	<u>\$ 2,818,528</u>	<u>\$ 3,420,266</u>

See accompanying notes and independent auditor's report.

***TOWN OF QUAPAW***  
**Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balance of Governmental Funds to the  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2010**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balances of Governmental Funds to the Government Wide  
 Statement of Activities

Net change in fund balances - total governmental funds	\$ (70,491)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	34,729
The issuance of long-term debt (e.g., loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	18,540
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest difference not reflected on Governmental funds	<u>(839)</u>
Change in net assets of governmental activities	<u>\$ (18,061)</u>

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See accompanying notes and independent auditor's report.

***TOWN OF QUAPAW***  
**Balance Sheet - Governmental Funds**  
**For the Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Fire Dept Fund</b>	<b>EPA Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b><u>ASSETS</u></b>					
Cash	\$ 20,803	\$ 16,053	\$ 22,079	\$ 27	\$ 58,962
Cash held by others	-	17,170	-	-	17,170
Investments	-	-	80,906	-	80,906
Prepaid expense	2,123	-	-	-	2,123
Receivable from other governments	16,499	-	-	2,424	18,923
Due from other funds	-	-	40,000	-	40,000
<b>Total assets</b>	<b>\$ 39,425</b>	<b>\$ 33,223</b>	<b>\$ 142,985</b>	<b>\$ 2,451</b>	<b>\$ 218,084</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ 6,916	\$ -	\$ -	\$ 1,203	\$ 8,119
Payroll taxes payable	1,307	-	-	-	1,307
Due to EPA fund	40,000	-	-	-	40,000
<b>Total liabilities</b>	<b>48,223</b>	<b>-</b>	<b>-</b>	<b>1,203</b>	<b>49,426</b>
Fund balances:					
Reserved	-	-	-	-	-
Unreserved	(8,798)	33,223	142,985	1,248	168,658
<b>Total fund balances</b>	<b>(8,798)</b>	<b>33,223</b>	<b>142,985</b>	<b>1,248</b>	<b>168,658</b>
<b>Total liabilities and fund balances</b>	<b>\$ 39,425</b>	<b>\$ 33,223</b>	<b>\$ 142,985</b>	<b>\$ 2,451</b>	<b>218,084</b>
Total fund balance, governmental funds				\$	168,658
Amounts reported for government activities in the Statement of Net Assets are different because:					
Capital assets, net of depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental activities of the Statement of Net Assets.					503,976
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet					(839)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.					(70,057)
Net Assets of Governmental Activities in the Statement of Net Assets				\$	<u>601,738</u>

See accompanying notes and independent auditor's report.



# TOWN OF QUAPAW

## Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2010

	<b>General Fund</b>	<b>Fire Dept. Fund</b>	<b>EPA Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Taxes	141,781	24,410	-	8,818	175,009
Franchise fees	28,337	-	-	-	28,337
Fines and fees	31,387	-	-	-	31,387
Permits and fees	564	25,817	-	-	26,381
Rents	7,863	-	-	-	7,863
Grants and contract	74,800	5,100	-	-	79,900
Miscellaneous	14,419	2	-	-	14,421
Interest	-	179	3,701	-	3,880
Total revenues	<u>299,151</u>	<u>55,508</u>	<u>3,701</u>	<u>8,818</u>	<u>367,178</u>
<b>EXPENDITURES:</b>					
Maintenance and operations	155,279	-	-	-	155,279
Personal services	97,082	28,328	2	14,525	139,937
Capital outlay	72,305	26,698	-	-	99,003
Debt Service:					
Principal	24,919	14,836	-	-	39,755
Interest and other charges	2,732	1,812	-	-	4,544
Total expenditures	<u>352,317</u>	<u>71,674</u>	<u>2</u>	<u>14,525</u>	<u>438,518</u>
Excess (deficiency) of revenues over (under) expenditures	(53,166)	(16,166)	3,699	(5,707)	(71,340)
<b>OTHER FINANCING SOURCES AND (USES):</b>					
Realized loss	-	-	(240)	-	(240)
Loan proceeds	6,961	16,698	-	-	23,659
Transfers in	9,028	-	-	7,902	16,930
Transfers out	-	(12,000)	(27,500)	-	(39,500)
Total other financing sources and (uses)	<u>15,989</u>	<u>4,698</u>	<u>(27,740)</u>	<u>7,902</u>	<u>849</u>
Net change in fund balance	(37,177)	(11,468)	(24,041)	2,195	(70,491)
Fund balances, beginning	<u>28,380</u>	<u>44,690</u>	<u>167,026</u>	<u>(947)</u>	<u>239,149</u>
Fund balances, ending	<u>\$ (8,797)</u>	<u>\$ 33,222</u>	<u>\$ 142,985</u>	<u>\$ 1,248</u>	<u>\$ 168,658</u>

See accompanying notes and independent auditor's report.

**TOWN OF QUAPAW**  
**Statement of Net Assets - Proprietary Fund**  
**For the Year Ended June 30, 2010**

	<u>Quapaw Public Works Authority</u>
<b>ASSETS</b>	
Current Unrestricted Assets:	
Cash	\$ 8,253
Investments	113,677
Accounts receivable (net of allowance)	33,927
Prepaid expense	4,062
Current Restricted Assets:	
Cash	257,006
Investments	37,369
OMAG interest fund	-
OMAG loss fund	23,911
Total Current Assets	<u>478,205</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>4,306,759</u>
Total Noncurrent Assets	<u>4,306,759</u>
Total ASSETS	<u>4,784,964</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	17,381
Accrued interest	5,798
Payroll taxes payable	972
Current portion long-term debt	<u>33,860</u>
Total Current Liabilities	<u>58,011</u>
Noncurrent Liabilities:	
Utility deposits	23,471
Long-term debt, less current portion	<u>1,884,954</u>
Total Long-term Liabilities	<u>1,908,425</u>
Total Liabilities	<u>1,966,436</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,387,945
Restricted for utility deposits	23,471
Restricted for debt service	85,404
Restricted for capital projects	223,452
Unrestricted net assets	<u>98,256</u>
Total Net Assets	<u>\$ 2,818,528</u>

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See accompanying notes and independent auditor's report.

**TOWN OF QUAPAW**  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended June 30, 2010

	<b>Quapaw Public Works Authority</b>
<b>OPERATING REVENUES:</b>	
Water sales to industries	\$ 31,763
Water, sewer and sanitation sales to public	339,102
Other revenue	20
Total operating revenue	370,885
<b>OPERATING EXPENSES:</b>	
Salaries	75,728
Utilities	57,672
Insurance	17,706
Maintenance and repairs	31,583
Sanitation services	42,766
Payroll taxes	6,575
Testing / Lab Fees	3,440
Office expenses	2,664
Fuel	5,729
Professional fees	5,015
Telephone	3,932
Supplies	1,615
Dues	5,212
Depreciation	101,055
Miscellaneous	1,172
Total operating expenses	361,864
Operating income (loss)	9,021
<b>OTHER FINANCING SOURCES (USES):</b>	
Grant Income	1,643,013
Interest income	4,845
Gain (Loss) on Investments	(212)
Transfers to other funds	-
Transfers from other funds	22,570
Interest expense	(84,105)
Total other financing sources (uses)	1,586,111
Change in net assets	1,595,132
Total net assets - beginning	1,223,396
Total net assets - ending	\$ 2,818,528

See accompanying notes and independent auditor's report.

**TOWN OF QUAPAW**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2010**

	<u>Quapaw Public Works Authority</u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 357,314
Payments to suppliers and employees	<u>(252,063)</u>
Net cash provided by operating activities	<u>105,251</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Interfund Transfers in	<u>22,570</u>
Net cash provided by noncapital financing activities	<u>22,570</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal paid on capital debt	(39,755)
Addition to capital debt	513,894
Grants received	1,315,783
Purchase of capital assets	(1,838,690)
Interest paid on capital debt	<u>(84,105)</u>
Net cash provided (used) by capital and related financing activities	<u>(132,873)</u>
<b>Cash Flows from Investing Activities:</b>	
OMAG escrow (increase) decrease	(7,864)
Increase in investments	(7,422)
Interest and dividends	<u>4,845</u>
Net cash provided by investing activities	<u>(10,441)</u>
Net increase in cash and cash equivalents	(15,493)
Cash and cash equivalents, beginning of year	<u>280,752</u>
Cash and cash equivalents, end of year	<u>\$ 265,259</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 9,021
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	101,055
Change in assets and liabilities:	
(Increase) decrease receivables, net	(13,571)
(Increase) decrease prepaid expenses	(4,062)
Increase (decrease) accounts payable	8,138
Increase (decrease) in accrued liabilities	1,663
Increase (decrease) utility deposit	<u>3,007</u>
Net cash provided by operating activities	<u>\$ 105,251</u>

See accompanying notes and independent auditor's report.

***TOWN OF QUAPAW***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010

**Note 1 - Summary of Significant Accounting Policies**

A. Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion and exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The *Town of Quapaw* and component units consist of all fund accounts of the oversight unit, the *Town of Quapaw*, referred to as "the Town", and the Quapaw Public Works Authority, referred to as "the Authority", a component unit.

The Authority was created April 12, 1977, for the primary purpose of supplying water to Eagle-Picher Industries, Inc. The Authority originally leased from the Town the water system identified as Well No. 4. On April 2, 1985, the voters of the *Town of Quapaw*, by special election, authorized the leasing of all the water system and sewer system of the *Town of Quapaw* to the Authority. The lease became effective April 3, 1985. The Town is the beneficiary of the Authority.

***TOWN OF QUAPAW***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary.

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

B. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds and trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Fund Accounting

The Town uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain town functions or activities.



**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

D. Fund Accounting (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types".

Governmental Funds - The General Fund accounts for receipts and expenditures for activities that are not otherwise accounted for in the Fire Dept. Fund, EPA Fund, and other Governmental Funds. The Fire Dept. Fund accounts for the receipts and associated expenditures of memberships, grants and donations designated for fire department operations and expenditures. The EPA Fund accounts for receipt of EPA Superfund designated for expenditures relating to the repairs of damaged Town roads.

Proprietary Fund - Quapaw Public Works Authority accounts for the receipts and expenditures of the utility services.

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

E. Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. All current year infrastructure additions have been recorded at actual cost. The Town is not required to account for infrastructure assets acquired prior to July 1, 2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15-50 years
Other Improvements	5-100 years
Machinery and Equipment	10-40 years
Office Machinery and Equipment	2-15 years
Vehicles	5-15 years
Infrastructure	25-50 years

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

E. Fixed Assets (continued)

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

F. Assets, Liabilities and Net Assets or Equity

Cash and Investments - For the purposes of these financial statements, “cash and cash equivalents” includes all demands and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months. Investments consist of certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

The Town Treasurer has the responsibility for daily cash management activities and determines the amount of funds to be invested and length of time. The Board of Trustees, by investment resolution, grants final approval for investment of all Town funds. Additional cash and investment disclosures are presented in Note 2.

Inventories and Prepaids - The value of consumable inventories at June 30, 2010 is not material to the financial statements. Acquisitions are considered expenditures at the time of purchase and are not recorded as assets for financial statement purposes. Prepaids use the consumption method of reporting.

Receivables - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include various tax revenues.

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

F. Assets, Liabilities and Net Assets or Equity (continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, and other similar intergovernmental revenues since they are both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the proprietary fund receivables.

Restricted Assets - Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note reserve accounts and utility meter deposits.

Compensated Absences - The Town is not able to reasonably estimate the accrual for compensated absences. Therefore, the balance has not been recorded.

Long-term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

F. Assets, Liabilities and Net Assets or Equity (continued)

Equity Classifications

*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

F. Assets, Liabilities and Net Assets or Equity (continued)

Equity Classifications (continued)

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

- G. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 - Deposits, Investments and Collateral**

The Town's policies regarding deposits of cash are discussed in Note 1.F. The table presented below is designed to disclose the level of custody credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2010. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's or Authority's name; or collateralized with no written or approved collateral agreement.

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 2 - Deposits, Investments and Collateral** (continued)

Type of Deposits	Total Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Town	159,707	159,707	-	-	\$ 157,037
PWA	450,763	450,763	-	-	416,305
	<u>610,470</u>	<u>610,470</u>			<u>573,342</u>
Reconciliation to Government-wide Statement of Net Assets					
Unrestricted cash including time deposits					84,384
Unrestricted investments					194,583
Restricted cash, including time deposits					257,006
Restricted investments					37,369
					<u>\$ 573,342</u>

**Note 3 - Accounts Receivable**

The Authority's accounts receivable as of June 30, 2010 are as follows:

	<u>Total</u>
Balance	\$ 35,130
Allowance for uncollectible	<u>(1,203)</u>
Net Accounts Receivable	<u>\$ 33,927</u>

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 4 - Property and Equipment**

**4.A. Capital Asset Activity - Governmental**

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

	<b>Balance 6/30/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2010</b>
Land	\$ 17,620	\$ -	\$ -	\$ 17,620
Infrastructure	303,601	24,800	-	328,401
Buildings	186,294	-	-	186,294
Equipment and furniture	431,308	74,203	-	505,511
Total	938,823	99,003	-	1,037,826
Accumulated depreciation	(469,576)	(64,274)	-	(533,850)
Total	<u>\$ 469,247</u>	<u>\$ 34,729</u>	<u>\$ -</u>	<u>\$ 503,976</u>

**4.B. Capital Asset Activity – Business-Type**

Capital asset activity for business-type activities for the year ended June 30, 2010 was as follows:

	<b>Balance 6/30/2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2009</b>
Land	\$ 47,500	\$ -	\$ -	\$ 47,500
Buildings	7,338	-	-	7,338
Water system	2,394,161	11,624	-	2,405,785
Sewer system	1,205,088	-	-	1,205,088
Equipment and furniture	132,568	-	-	132,568
Construction in Process	465,501	1,827,066	-	2,292,567
Total	4,252,156	1,838,690	-	6,090,846
Accumulated depreciation	(1,683,032)	(101,055)	-	(1,784,087)
Net book value	<u>\$ 2,569,124</u>	<u>\$ 1,737,635</u>	<u>\$ -</u>	<u>\$ 4,306,759</u>



**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 4 - Property and Equipment** (continued)

The Authority's and the Service's fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life, which is forty years for the buildings, water and sewer system; five years for the equipment and furniture. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

**4.C. Depreciation Charges**

Depreciation expense by functional category for the governmental funds was as follows:

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ 14,269
Fire Department	28,937
Streets	21,068
	<u>\$ 64,274</u>

**Note 5 - Restricted Assets**

**Debt Service**

Under the terms of the Rural Development loan agreements (Note 6), the Authority is required to maintain reserve funds until the loan is repaid or is reduced below this balance.

<b><u>Debt Service Fund:</u></b>	
Cash	\$ 21,748
Investments	<u>25,704</u>
Total restricted debt service funds	47,452
Loan resolution requirements	<u>85,404</u>
Funds under requirements	<u>\$ (37,952)</u>

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 5 - Restricted Assets** (continued)

**Utility Deposits**

The Public Works Authority is holding customers' meter deposits in the amount of \$23,471 and has assets reserved to refund these deposits, as required by statute.

**Utility Deposits:**

Cash	\$	9,297
Investments		14,174
Total restricted utility funds		23,471
Utility deposit liability		23,471
Total restricted under liability	\$	-

**OMAG Funds**

The Oklahoma Municipal Assurance Group (OMAG) provides workers' compensation coverage to the Town through participation in the State Insurance Fund. The Town has a right to the return of any funds set aside for claims that have not been paid out as benefits after three years. The Town has elected to invest these funds in an escrow account with OMAG, which is unrestricted. The Interest Fund holds the accumulation of the amount earned on the accounts with OMAG. This amount is credited against next year's premium.

OMAG funds - Interest fund	\$	-
OMAG funds - Loss fund		23,911
Total restricted OMAG funds	\$	23,911

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 6 - Long-term Debt**

The Town's long-term debt at June 30, 2010 consists of the following:

Kislak National Bank note with an interest rate of 5.2% per annum, annual installments of \$17,063, including interest, until January 2012, secured by a fire truck.	\$ 30,611
Capital lease agreement with Welch State Bank paid from specific taxes collected by Ottawa County who pays these obligations on the town's behalf. Current interest rate is 5.4% annum.	<u>39,446</u>
Total long-term debt	70,057
Less: current portion long-term debt	<u>(32,484)</u>
Total governmental activities long-term debt, less current portion	<u>\$ 37,573</u>

The Authority's long-term debt at June 30, 2010 consists of the following:

Rural Development note with an interest rate of 5% per annum and monthly installments of \$1,577, including interest, until December, 2029; secured by the water system.	\$ 233,810
Rural Development note with an interest rate of 4.5% per annum and monthly installments of \$1,617, including interest, until December, 2039; secured by water system, and revenues from the system.	312,498
Rural Development note with an interest rate of 4.5% per annum and monthly installments of \$3,923, including interest, until April, 2039; secured by water and sewer improvements.	748,377
Rural Development note with an interest rate of 4.125% per annum and annual installments of \$2,216, including interest, until June, 2036; secured by water and sewer improvements.	510,910
Rural Development note with an interest rate of 2.75% per annum and annual installments of approximately \$4,800, including interest, until June 2011; secured by water and sewer improvements.	113,219

**TOWN OF QUAPAW**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 6 - Long-term Debt** (continued)

		1,918,814
Total long-term debt		
Less: current portion long-term debt		(33,860)
Total business-type activities long-term debt, less current portion		\$ 1,884,954

The Town's maturities of long-term debt are as follows:

<b>Governmental Activities</b>			
Year Ended	Principal	Interest	
June 30			
2011	\$ 32,484	\$ 1,722	
2012	32,484	1,722	
2013	5,089	270	
2014	-	-	
2015			
Thereafter	-	-	
	\$ 70,057	\$ 3,713	

<b>Business Type Activities</b>				
<b>Year Ended</b>	<b>Principal</b>		<b>Interest</b>	
June 30				
2011	\$	33,860	\$	82,936
2012		35,177		81,619
2013		37,004		79,793
2014		38,690		78,106
2015		40,454		76,342
Thereafter		1,733,629		1,122,711
	\$	1,918,814	\$	1,521,507

***TOWN OF QUAPAW***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2010  
(continued)

**Note 8 - Budget Policy**

The Town operates under the Oklahoma Estimate of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund and Special Revenue Funds of the Town. The Budget is prepared using the cash basis and budget laws of the State of Oklahoma. The financial statements are prepared using the modified accrual basis of accounting that complies with generally accepted accounting principles in the United States of America. There are timing differences related to encumbrances between the financial statements presentation and the budget that are reconciled. The Board of Trustees can legally amend the Budget once it has been approved by filling a supplemental appropriation with the county excise board, state auditor and inspector and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. As of June 30, 2010, the Town is unable to report the fiscal year 2010 budget as required by Oklahoma Statutes.

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## **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 Quapaw*

We have audited the basic financial statements of the *Town of Quapaw* as of and for the year ended June 30, 2010, and have issued our report thereon dated June 30, 2012. *Town of Quapaw's* management has not presented the Management's Discussion and Analysis Budgetary Comparative information required by the Governmental Accounting Standards Board (GASB) as GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Town of Quapaw's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Town of Quapaw's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the item described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as presented in item 2009-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

deficiencies that are also considered to be material weaknesses. We consider the item described in the accompanying schedule of findings and responses to be a material weaknesses in internal control over financial reporting as presented as item 2009-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Town of Quapaw's* financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Town of Quapaw's* response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the *Town of Quapaw's* response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town Board of Trustees, management, others within the entity, and the Oklahoma State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.



**WINGARD, RAGSDALE & LANGLEY**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*  
**JUNE 29, 2012**

# WINGARD, RAGSDALE & LANGLEY

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-

133

The Honorable Town Council  
*Town of Quapaw, Oklahoma*

### Compliance

We have audited the Town of Quapaw's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Town of Quapaw's major federal programs for the year ended June 30, 2010. The Town of Quapaw's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Quapaw's management. Our responsibility is to express an opinion on the Town of Quapaw's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Quapaw's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the town of Quapaw's compliance with those requirements.

In our opinion, the Town of Quapaw, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control over Compliance

Management of the Town of Quapaw is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Quapaw's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Quapaw's internal control over compliance.



A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, The Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**WINGARD, RAGSDALE & LANGLEY**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*  
**JUNE 29, 2012**

# WINGARD, RAGSDALE & LANGLEY

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## Town of Quapaw Schedule of Findings and Responses June 30, 2010

The following items represent deficiencies as described in the *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* for the Town of Quapaw's audit as of June 30, 2010. The following items represent items reported in the previous reporting period and remain unresolved.

2009-2

*Failure to comply with statues governing budget activities.*

During the current year, it was discovered the Town did not file the budgetary "Estimate of Needs" as required by Oklahoma Statues. Failure to comply with the statues can result in legal action taken against the Town. Because this is a fundamental requirement in the basic operations of a municipality in Oklahoma, management and the Board should take immediate action to resolve this deficiency, and develop a method of tracking other items of importance.

### Response

We agree with this finding and will take action to put a control in place to avoid future occurrences.

2009-3

*Failure to meet debt requirements.*

Under the terms of the Rural Development loan agreement, the Authority is required to transfer ten percent of the monthly payments from the operating account to a reserve account each month until one hundred twenty times the ten percent of the monthly payments are accumulated, or \$85,404. At June 30, 2010, this requirement was not met. This was a finding in the prior year.

### Response

The Public Works Authority has not had an excess of money and will continue to transfer the money as agreed.

**Town of Quapaw**  
**Schedule of Findings and Responses - Continued**  
**June 30, 2010**

The following represents previously reported deficiencies and updated information as it pertains to the current period evaluation of control deficiencies.

2009-1

*Understanding of Significant Contracts:*

Prior to the current reporting period, the voters of Ottawa County approved an additional sales tax for the purpose of providing fire departments in the County the financial resources needed to improve their services. Ottawa County, being the taxing authority over this initiative, is responsible for the oversight and accountability of this funding, however, once levied, this funding becomes the property of the respective fire departments. As such, the Town of Quapaw is equally responsible for accounting and reporting of these amounts. During the compiling of the Town's financial information for its annual audit, it was discovered by the Town's consulting accountant, that the Town failed to report this information in previous financial reports, resulting in a current year, material, prior period adjustment. Per our discussion with the Town's consulting accountant, it was believed this misstatement was the result a misunderstanding as to the ownership of the funding, the assets received by it, etc. We recommend the Town's Council review all significant contracts and consult with appropriate professionals, to ensure items related to such contracts are properly reported.

**Update:**

This deficiency was corrected by management during the current reporting period.

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## Schedule of Findings and Questioned Costs

### Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weakness identified?  yes  no
- Significant deficiency identified?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.760	<b>US Department of Agriculture, Rural Development</b>
10.766	Water and Waste Disposal Systems for Rural Communities
	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000 or 33% of total Federal expenditures

Auditee qualified as low-risk auditee?  yes  no

### Section II—Financial Statement Findings

Reported Significant Deficiencies as presented in the Schedule of Findings and Responses related to internal control deficiencies over financial reporting:

1) 2009-3

Reported Material Weaknesses as presented in the Schedule of Findings and Responses related to internal control deficiencies over financial reporting:

1) 2009-2

### Section III—Federal Award Findings and Questioned Costs

There were no reported deficiencies in the Schedule of Findings and Responses related to internal control deficiencies over compliance with federal awards.

**Town of Quapaw, OK**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2010**

<u>Federal Grantor/Pass-through Grantor/Program or Clustor Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
US Department of Agriculture, Rural Development			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,076,268
Community Facilities Loans and Grants*	10.766		<u>513,894</u>
Total U.S. Department of Agriculture			<u>1,590,162</u>
<b>Total Direct Programs</b>			<b><u>1,590,162</u></b>
Environmental Protection Agency			
Indian Health Service	66.458	OK 04-P18	<u>32,931</u>
Total Environmental Protection Agency			<u>32,931</u>
Department of Commerce			
Oklahoma Department of Commerce, Community Development	11.300	11847CDBG05	<u>169,603</u>
Total Department of Commerce			<u>169,603</u>
<b>Total Pass-through Programs</b>			<b><u>202,534</u></b>
<b>Total expenditures of federal awards</b>			<b><u>\$ 1,792,696</u></b>

*Note A-Basis of Presentation*

The accompanying schedule of expenditures of federal awards includes grant activity of the Town of Quapaw, Oklahoma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Represents amounts incurred as indebtedness for capital expenditure\*