

TOWN OF QUINTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees  
Town of Quinton  
Quinton, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Quinton, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Town of Quinton, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Quinton, Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Town of Quinton, Oklahoma as of June 30, 2011, and the respective changes in financial position and cash flows where appropriate, thereof, for the year ended, in conformity with the basis of accounting described in Note A.

The Town of Quinton, Oklahoma has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2013, on my consideration of Town of Quinton, Oklahoma's internal control over financial reporting and my 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 my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Quinton, Oklahoma's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
May 9, 2013

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 232,370	\$ 120,571	\$ 352,941
Investments	50,232	-	50,232
Restricted assets:			
Cash and cash equivalents	-	60,474	60,474
Investments	-	13,200	13,200
Accounts receivable, net	9,898	36,406	46,304
Due from other governments	30,822	-	30,822
Due from other funds	186	(186)	-
Prepaid assets	-	1,725	1,725
Total current assets	<u>323,508</u>	<u>232,190</u>	<u>555,698</u>
Non-current assets:			
Capital assets:			
Land	10,325	12,029	22,354
Other capital assets, net of depreciation	<u>97,332</u>	<u>2,746,016</u>	<u>2,843,348</u>
Total non-current assets	<u>107,657</u>	<u>2,758,045</u>	<u>2,865,702</u>
 Total	 <u>431,165</u>	 <u>2,990,235</u>	 <u>3,421,400</u>
LIABILITIES:			
Accounts payable & accrued liabilities	10,460	22,060	32,520
Accrued interest payable	-	3,743	3,743
Meter deposit held in trust	-	30,302	30,302
Long-term debt current	<u>-</u>	<u>22,978</u>	<u>22,978</u>
 Total current liabilities	 <u>10,460</u>	 <u>79,083</u>	 <u>89,543</u>
 Long-term debt non-current	 <u>-</u>	 <u>1,485,355</u>	 <u>1,485,355</u>
 Total non-current	 <u>-</u>	 <u>1,485,355</u>	 <u>1,485,355</u>
Total liabilities	<u>10,460</u>	<u>1,564,438</u>	<u>1,574,898</u>
NET ASSETS:			
Nonspendable	138,103	1,231,552	1,369,655
Restricted for debt	-	43,372	43,372
Restricted for meter deposit	-	30,302	30,302
Assigned	207,412	-	207,412
Unassigned	<u>75,190</u>	<u>120,571</u>	<u>195,761</u>
Total net assets	<u>\$ 420,705</u>	<u>\$ 1,425,797</u>	<u>\$ 1,846,502</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Function/Programs					
Governmental activities					
Administration	\$ 91,869	\$ -	\$ -	\$ -	\$ (91,869)
Public safety	148,313	-	-	-	(148,313)
Community services	77,625	2,725	-	-	(74,900)
Total governmental activities	<u>317,807</u>	<u>2,725</u>	<u>-</u>	<u>-</u>	<u>(315,082)</u>
Business-type activities					
Utilities	371,287	307,494	-	-	(63,793)
Total business-type activities	<u>371,287</u>	<u>307,494</u>	<u>-</u>	<u>-</u>	<u>(63,793)</u>
Total primary government	<u>\$694,187</u>	<u>\$310,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (383,968)</u>
Primary Government					
Changes in net assets:					
Net (expense) revenue		<u>\$ (315,082)</u>	<u>\$ (63,793)</u>	<u>\$ (383,968)</u>	
General revenues					
Taxes					
Sales/Use		210,547	-	210,547	
Franchise		21,294	-	21,294	
Cigarette Tax		2,987	-	2,987	
Fines and court fees		27,660	-	27,660	
Intergovernmental Revenue		13,954	-	13,954	
Investment income		2,696	1,220	3,916	
Miscellaneous		<u>13,907</u>	<u>3,228</u>	<u>17,135</u>	
Total general revenue		<u>293,045</u>	<u>4,448</u>	<u>297,493</u>	
Change in net assets		(22,037)	(59,345)	(86,475)	
Net assets - beginning		<u>442,742</u>	<u>1,485,142</u>	<u>1,932,977</u>	
Net assets - ending		<u>\$ 420,705</u>	<u>\$ 1,425,797</u>	<u>\$ 1,846,502</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 135,920	\$ 96,450	\$ 232,370
Investments	-	50,232	50,232
Receivables:			
Due from other governments	25,308	5,514	30,822
Due from other funds	142	916	1,058
Court fines receivable, net of allowance of \$4,276	<u>9,898</u>	<u>-</u>	<u>9,898</u>
Total assets	<u>\$ 171,268</u>	<u>\$ 153,112</u>	<u>\$ 324,380</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable & accrued liabilities	\$ 8,682	\$ 1,778	\$ 10,460
Due to other funds	<u>872</u>	<u>-</u>	<u>\$ 872</u>
Total liabilities	<u>9,554</u>	<u>1,778</u>	<u>11,332</u>
Fund Balances:			
Nonspendable	25,794	4,652	30,446
Assigned	60,730	146,682	207,412
Unassigned	<u>75,190</u>	<u>-</u>	<u>75,190</u>
Total net assets	<u>161,714</u>	<u>151,334</u>	<u>313,048</u>
Total liabilities and fund balances	<u>\$ 171,268</u>	<u>\$ 153,112</u>	
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation of \$63,669			<u>107,657</u>
Net assets of governmental civilities			<u>\$ 420,705</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 187,260	\$ 47,568	\$ 234,828
Intergovernmental	7,130	6,824	13,954
Fines and court fees	27,660	-	27,660
Fees for services	-	2,725	2,725
Investment income	2,417	279	2,696
Miscellaneous	<u>10,876</u>	<u>3,031</u>	<u>13,907</u>
Total revenues	<u>235,343</u>	<u>60,427</u>	<u>295,770</u>
EXPENDITURES:			
Administration	91,869	-	91,869
Public safety	144,538	-	144,538
Community services	<u>27,352</u>	<u>49,475</u>	<u>76,827</u>
Total expenditures	<u>263,759</u>	<u>49,475</u>	<u>313,234</u>
Net change in fund balances	(28,416)	10,952	(17,464)
Fund balances - beginning	<u>190,130</u>	<u>140,382</u>	<u>330,512</u>
Fund balances - ending	<u>\$ 161,714</u>	<u>\$ 151,334</u>	<u>\$ 313,048</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Net changes in fund balances - total governmental funds \$ (17,464)

Amounts reported for governmental activities in  
the statement of activities are different because:

Governmental funds report capital outlays  
as expenditures while governmental activities  
report depreciation expense to allocate those  
expenditures over the life of the assets.

Capital asset purchases capitalized	4,000	
Depreciation expense	<u>(8,573)</u>	<u>(4,573)</u>

Debt proceeds provide current financial resources  
to government funds, but issuing debt increases  
long-term liabilities in the Statement of Net  
Assets. Repayment of debt principal is an  
expenditure in the government funds, but the  
repayment reduces long-term liabilities in the  
Statement of Net Assets.

Capital lease obligation principal payments	-	
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Change in net assets of governmental activities \$ (22,037)

The accompanying notes are an integral part of this financial statement.



TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND  
JUNE 30, 2011

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 120,571
Accounts receivable, net	36,406
Prepaid insurance	1,725
Restricted cash	60,474
Restricted Investments	<u>13,200</u>
Total current assets	<u>232,376</u>
Non-current assets:	
Land	12,029
Capital assets, net of depreciation	<u>2,746,016</u>
Total non-current assets	<u>2,758,045</u>
 TOTAL ASSETS	 <u>2,990,421</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	22,060
Accrued interest payable	3,743
Deposits subject to refund	30,302
Notes payable	22,978
Due to other funds	<u>186</u>
Total current liabilities	<u>79,269</u>
Non-current liabilities:	
Notes payable	<u>1,485,355</u>
Total non-current liabilities	<u>1,485,355</u>
 TOTAL LIABILITIES	 <u>1,564,624</u>
NET ASSETS	
Nonspendable	1,231,552
Restricted for debt	43,372
Restricted for meter deposit	30,302
Unassigned	<u>120,571</u>
Total net assets	<u>\$ 1,425,797</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water	\$ 220,770
Sewer	75,039
Water/sewer taps	1,325
Penalties and reconnects	10,360
Other	<u>3,228</u>
Total operating revenues	<u>310,722</u>
<u>OPERATING EXPENSES</u>	
Wages	79,252
Payroll taxes	6,651
Water	91,809
Insurance	4,129
Maintenance and supplies	13,393
Accounting and audit	11,075
Licenses and testing	7,494
Office and postage	8,359
Bad Debt	1,516
Utilities	4,251
Depreciation	<u>78,893</u>
Total operating expenses	<u>306,822</u>
Net Operating income (loss)	<u>3,900</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	1,220
Interest expense	<u>(64,465)</u>
Total non-operating revenue (expense)	<u>(63,245)</u>
Change in net assets	(59,345)
Total net assets, beginning	<u>1,485,142</u>
Total net assets, ending	<u>\$ 1,425,797</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Public Works</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 306,773
Cash received from other sources	3,228
Cash payments to suppliers for goods and services	(148,919)
Cash payments to employees	<u>(79,252)</u>
Net cash provided (used) by operating activities	<u>81,830</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(22,190)
Interest paid on capital debt	(64,522)
Increase in restricted assets - Debt Reserve	<u>(5,546)</u>
Net cash used in capital and related financing activities	<u>(92,258)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>1,220</u>
Net cash provided by investing activities	<u>1,220</u>
Net decrease in cash and cash equivalents	(9,208)
Cash and cash equivalents, beginning	<u>129,779</u>
Cash and cash equivalents, ending	<u><u>\$ 120,571</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 3,900
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	78,893
Changes in assets and liabilities:	
Receivables, net	(2,548)
Prepaid insurance	199
Accounts payable	<u>1,386</u>
Net cash provided by operating activities	<u><u>\$ 81,830</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Quinton, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and is governed by a five-member Board. The Trustees elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety, streets, public works, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographic area organized as the Town of Quinton, Oklahoma. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Quinton Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Quinton Public Works Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

The Quinton Public Works Authority (QPWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of Quinton, Oklahoma. QPWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to QPWA. QPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes and is governed by the board consisting of three trustees identical with the Town Council. The QPWA is exempt from State and Federal Income Taxes and is reported as an enterprise fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or ABP opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 45 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Major revenue sources susceptible to accrual include: sales and use taxes, franchise taxes (fees), intergovernmental revenues, and investment income, and user fees. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Quinton Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Town adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the town charter at the legal level of classification (fund, department, & object category) and that the budget be filed with County Clerk and the State Auditor and Inspector. The Town may transfer budgeted amounts within and among departments. The budget is prepared on a cash basis.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2011 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	5-10
Mobile equipment	5-10
Furniture, machinery, and equipment	5-10
Utility system	10-40

Compensated Absences

The Town of Quinton's policy is to permit employees to accumulate earned but unused vacation time. Full time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2011, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$476,847 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$486,812.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2011.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2011, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Authority has accounts receivable from its utility customers in the amount of \$36,406.

The governmental funds have accrued sales and franchise taxes to be received in July.



TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2011 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 186	Public Works	General Fund
893	General Fund	Street and Alley
23	General Fund	Cemetery
<u>\$ 1,102</u>		

NOTE E - RESTRICTED ASSETS

The Authority has restricted cash assets for customer deposits, capital outlay and as a loan reserve for its Rural Development loan.

NOTE F - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure &amp; Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2010	\$ 39,900	\$ 5,100	\$ 112,001	\$ 157,001	\$ 10,325
Increases	-	-	4,000	4,000	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>39,900</u>	<u>5,100</u>	<u>116,001</u>	<u>161,001</u>	<u>10,325</u>
Accumulated Depreciation					
Balance, June 30, 2010	4,989	1,455	48,652	55,096	
Increase	998	255	7,320	8,573	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>5,987</u>	<u>1,710</u>	<u>55,972</u>	<u>63,669</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 33,913</u>	<u>\$ 3,390</u>	<u>\$ 60,029</u>	<u>\$ 97,332</u>	<u>\$ 10,325</u>
Business-type activities					
Balance, June 30, 2010	\$ -	\$ 3,419,669	\$ 68,464	\$ 3,488,133	\$ 12,029
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>-</u>	<u>3,419,669</u>	<u>68,464</u>	<u>3,488,133</u>	<u>12,029</u>
Accumulated Depreciation					
Balance, June 30, 2010	-	595,484	67,740	663,224	
Increase	-	78,169	724	78,893	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>-</u>	<u>673,653</u>	<u>68,464</u>	<u>742,117</u>	
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,746,016</u>	<u>\$ -</u>	<u>\$ 2,746,016</u>	<u>\$ 12,029</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 33,913</u>	<u>\$ 2,749,406</u>	<u>\$ 60,029</u>	<u>\$ 2,843,348</u>	<u>\$ 22,354</u>

TOWN OF QUINTON, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES

General government	\$	8,393
Street		180

BUSINESS-TYPE ACTIVITIES

Public works	\$	78,893
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NOTE G - LONG TERM DEBT

Changes in long-term debt are as follows:

	Payable at June 30, 2010	Added	Retired	Balance at June 30, 2011
USDA, Rural Development	\$ 725,812	\$ -	\$ (11,676)	\$ 714,136
USDA, Rural Development	804,711	-	(10,514)	794,197
	<u>\$ 1,530,523</u>	<u>\$ -</u>	<u>\$ (22,190)</u>	<u>\$ 1,508,333</u>

As of June 30, 2010, the long-term debt payable from business-type activities resources consisted of the following:

Rural Development Notes Payable:

2004 Promissory Note, original issue amount of \$800,000 dated June 23, 2004 issued by U.S. Department of Agriculture, Rural Development, interest rate 4.375%. Monthly payments of \$3,600, for a term of 40 years.		<u>\$ 714,135</u>
Current Portion		<u>\$ 12,112</u>
Non-Current Portion		<u>702,023</u>
Total Notes Payable		<u>\$ 714,135</u>
2009 Promissory Note, original issue amount of \$851,000 dated May 18, 2009 issued by U.S. Department of Agriculture, Rural Development, interest rate 4.125%. Monthly payments of \$3,626, for a term of 40 years.		<u>\$ 794,197</u>
Current Portion		<u>\$ 10,866</u>
Non-Current Portion		<u>783,331</u>
Total Notes Payable		<u>\$ 794,197</u>

TOWN OF QUINTON, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011

Debt service requirements to maturity are as follows (this includes the full amount of the 2011 note):

	<u>Business-Type Activities</u>		
<u>Year ending</u>	<u>Notes Payable</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 22,978	\$ 63,734	\$ 86,712
2013	24,151	62,561	86,712
2014	25,199	61,513	86,712
2015	26,293	60,419	86,712
2016	27,271	59,441	86,712
2017-2021	155,914	277,646	433,560
2022-2026	192,847	240,713	433,560
2027-2031	238,540	195,020	433,560
2032-2036	295,012	138,548	433,560
2037-2041	340,593	92,967	433,560
2042-2045	159,535	13,780	173,315
	<u>\$ 1,508,333</u>	<u>\$ 1,266,342</u>	<u>\$ 2,774,675</u>

NOTE H - COMPENSATED ABSENCES

The amount that should be reported for accrued compensated absences is not known but is not believed to be material.

NOTE I - PENSION OBLIGATIONS

Town of Quinton participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll
Period required to vest	10 years

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Benefits and eligibility for distribution (full time)		20 years credited service, 2 ½% of final Average salary multiplied by the years of Credited service with a maximum of 30 Years considered; If vested, at or after Age 50, or after 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)		20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option		Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes	Yes
Disability	Yes	Yes
Cost of living allowances	Yes	Yes

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 780	100%
2010	\$ 960	100%
2009	\$ 900	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the state retirement systems.

Volunteer firefighters receive a monthly pension based on their years of service. The volunteer may receive death or spousal benefits if certain conditions are met.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE J - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town retained legal counsel to defend it in any legal action.

NOTE K - FEDERAL STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities. The purpose of the audits is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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

	Original and Final Budget	Actual	Variance with Original And Final Budget Positive (Negative)
<b>TAXES:</b>			
Sales and Use Tax	\$ 174,450	\$ 180,618	\$ 6,168
Franchise Tax	6,500	6,642	142
Total Taxes	<u>180,950</u>	<u>187,260</u>	<u>6,310</u>
<b>INTERGOVERNMENTAL:</b>			
Liquor Tax	6,000	7,130	1,130
Total Intergovernmental	<u>6,000</u>	<u>7,130</u>	<u>1,130</u>
<b>FINES AND FORFEITURES</b>	<u>23,500</u>	<u>27,660</u>	<u>4,160</u>
<b>INVESTMENT INCOME</b>	<u>2,200</u>	<u>2,417</u>	<u>217</u>
<b>MISCELLANEOUS</b>	<u>5,350</u>	<u>10,876</u>	<u>5,526</u>
<b>TOTAL REVENUES</b>	<u>218,000</u>	<u>235,343</u>	<u>17,343</u>
<b>ADMINISTRATION:</b>			
General			
Personal Service	10,500	9,779	721
Materials and Supplies	11,452	13,218	(1,766)
Other Services and Charges	20,000	63,330	(43,330)
Capital Outlay	7,000	-	7,000
Total	<u>48,952</u>	<u>86,327</u>	<u>(37,375)</u>
City Council:			
Personal Service	<u>648</u>	<u>638</u>	<u>10</u>
City Attorney:			
Personal Service	<u>3,600</u>	<u>3,600</u>	<u>-</u>
Clerk:			
Personal Service	<u>1,400</u>	<u>1,304</u>	<u>96</u>
Total	<u>1,400</u>	<u>1,304</u>	<u>96</u>
<b>TOTAL ADMINISTRATION</b>	<u>54,600</u>	<u>91,869</u>	<u>(37,269)</u>

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

	Original and Final Budget	Actual	Variance with Original And Final Budget Positive (Negative)
<b>PUBLIC SAFETY:</b>			
Police:			
Personal Service	95,000	97,774	(2,774)
Materials and Supplies	17,500	16,918	582
Other Services and Charges	6,500	7,525	(1,025)
Capital Outlay	-	4,000	(4,000)
Total	<u>119,000</u>	<u>126,217</u>	<u>(7,217)</u>
Fire:			
Personal Service	2,100	-	2,100
Materials and Supplies	4,500	10,109	(5,609)
Other Services and Charges	3,400	4,860	(1,460)
Total	<u>10,000</u>	<u>14,969</u>	<u>(4,969)</u>
Municipal Court:			
Personal Service	<u>3,400</u>	<u>3,352</u>	<u>48</u>
Total	<u>3,400</u>	<u>3,352</u>	<u>48</u>
Total Public Safety	<u>132,400</u>	<u>144,538</u>	<u>(12,138)</u>
<b>COMMUNITY SERVICE:</b>			
Animal Control:			
Personal Service	3,920	3,912	8
Materials and Supplies	880	413	467
Other Service and Charges	<u>1,200</u>	<u>629</u>	<u>571</u>
Total	<u>6,000</u>	<u>4,954</u>	<u>1,046</u>
Cemetery:			
Personal Service	7,000	6,000	1,000
Materials and Supplies	<u>500</u>	<u>-</u>	<u>500</u>
Total	<u>7,500</u>	<u>6,000</u>	<u>1,500</u>
Civil Defense:			
Materials and Supplies	<u>500</u>	<u>127</u>	<u>373</u>
Community Center:			
Maintenance and Supplies	1,200	1,185	15
Other Services and Charges	<u>800</u>	<u>-</u>	<u>800</u>
Total	<u>2,000</u>	<u>1,185</u>	<u>815</u>
Street & Alley:			
Personal Service	19,500	12,086	7,414
Other Services and Charges	<u>3,500</u>	<u>3,000</u>	<u>500</u>
Total	<u>23,000</u>	<u>15,086</u>	<u>7,914</u>
Total Community Service	<u>39,000</u>	<u>27,352</u>	<u>11,648</u>
Total Charges to Appropriations	<u>226,000</u>	<u>263,759</u>	<u>(37,759)</u>
Transfers to Other Funds:			
Public Works Authority	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Budgetary Fund Balance	<u>\$ (8,000)</u>	<u>\$ (28,416)</u>	<u>\$ (20,416)</u>

TOWN OF QUINTON, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	SPECIAL REVENUE FUNDS		
	STREET AND ALLEY FUND	CEMETERY FUND	TOTAL NONMAJOR FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 51,056	\$ 45,394	\$ 96,450
Investments	-	50,232	50,232
Receivables:			
Due from other governments	5,514	-	5,514
Due from other funds	893	23	916
<b>Total assets</b>	<u>\$ 57,463</u>	<u>\$ 95,649</u>	<u>\$ 153,112</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,625	\$ -	\$ 1,625
Payroll taxes payable	153	-	153
<b>Total liabilities</b>	<u>1,778</u>	<u>-</u>	<u>1,778</u>
<b>FUND BALANCES</b>			
Nonspendable	4,629	23	54,884
Assigned	51,056	95,626	96,450
<b>Total fund balances</b>	<u>55,685</u>	<u>95,649</u>	<u>151,334</u>
<b>Total liabilities and fund balances</b>	<u>\$ 57,463</u>	<u>\$ 95,649</u>	<u>\$ 153,112</u>



TOWN OF QUINTON, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	SPECIAL REVENUE FUNDS		
	STREET AND ALLEY FUND	CEMETERY FUND	TOTAL NONMAJOR FUNDS
Revenues:			
Taxes	\$ 47,568	\$ -	\$ 47,568
Intergovernmental	6,824	-	6,824
Charges for services	1,969	756	2,725
Investment income	-	279	279
Miscellaneous	3,031	-	3,031
Total revenues	59,392	1,035	60,427
Expenditures:			
Current:			
Community services	49,475	-	49,475
Total expenditures	49,475	-	49,475
Net change in fund balances	9,917	1,035	10,952
Fund balances - beginning	45,768	94,614	140,382
Fund balances - ending	\$ 55,685	\$ 95,649	\$ 151,334

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*

To the Honorable Mayor and Members of the City Council  
Town of Quinton  
Quinton, Oklahoma

I have audited the accompanying financial statements, of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Quinton, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Quinton, Oklahoma's basic financial statements, and have issued my report thereon dated May 9, 2013 which did not include Management's Discussion and Analysis. I conducted my 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 my audit, I considered Town of Quinton, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Quinton, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Quinton, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Quinton, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, and 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.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
May 9, 2013