

TOWN OF QUINTON, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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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, 2012, 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, 2012, 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, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 242,454	\$ 123,526	\$ 365,980
Investments	50,289	-	50,289
Restricted assets:			
Cash and cash equivalents	-	68,663	68,663
Investments	-	13,200	13,200
Accounts receivable, net	-	37,438	37,438
Due from other governments	29,505	-	29,505
Internal balances	198	(198)	-
Prepaid assets	-	802	802
Court fines receivable	12,373	-	12,373
Total current assets	334,819	243,431	578,250
Non-current assets:			
Capital assets:			
Land	10,325	12,029	22,354
Other capital assets, net of depreciation	106,542	2,667,847	2,774,389
Total non-current assets	116,867	2,679,876	2,796,743
Total assets	451,686	2,923,307	3,374,993
LIABILITIES:			
Accounts payable & accrued liabilities	11,949	18,476	30,425
Accrued interest payable	-	3,684	3,684
Meter deposit held in trust	-	31,292	31,292
Long-term debt current	-	24,151	24,151
Lease purchase current	4,914	-	4,914
Total current liabilities	16,863	77,603	94,466
Long-term debt non-current	-	1,461,028	1,461,208
Lease purchase non-current	7,797	-	7,797
Total non-current liabilities	7,797	1,461,028	1,468,825
Total liabilities	24,660	1,538,631	1,563,291
NET ASSETS:			
Nonspendable	134,283	1,179,287	1,313,570
Restricted for debt	-	50,571	50,571
Restricted for meter deposit	-	31,292	31,292
Assigned	221,922	-	221,922
Unassigned	70,821	123,526	194,347
Total net assets	\$ 427,026	\$ 1,384,676	\$ 1,811,702

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

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Function/Programs	<u>Expenses</u>	Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 78,137	\$ -	\$ -	\$ -	\$ (78,137)
Public safety	172,756	-	-	-	(172,756)
Community services	64,007	2,262	-	-	(61,745)
Total governmental activities	<u>314,900</u>	<u>2,262</u>	<u>-</u>	<u>-</u>	<u>(312,638)</u>
Business-type activities					
Utilities	357,336	310,961	1,231	-	(45,144)
Total business-type activities	<u>357,336</u>	<u>310,961</u>	<u>1,231</u>	<u>-</u>	<u>(45,144)</u>
Total primary government	<u>\$672,236</u>	<u>\$313,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (357,782)</u>
		Primary Government			
		Governmental Activities	Business-type Activities	Total	
Changes in net assets:					
Net (expense) revenue		<u>\$ (312,638)</u>	<u>\$ (45,144)</u>	<u>\$ (357,782)</u>	
General revenues					
Taxes					
Sales/Use		223,353	-	223,353	
Franchise		21,325	-	21,325	
Cigarette Tax		3,120	-	3,120	
Fines and court fees		42,754	-	42,754	
Intergovernmental Revenue		14,242	-	14,242	
Investment income		2,413	1,052	3,465	
Miscellaneous		11,751	4,798	16,549	
Total general revenue		<u>318,958</u>	<u>5,850</u>	<u>324,808</u>	
Change in net assets		6,320	(39,294)	(32,974)	
Net assets - beginning		<u>420,706</u>	<u>1,423,970</u>	<u>1,844,676</u>	
Net assets - ending		<u>\$ 427,026</u>	<u>\$ 1,384,676</u>	<u>\$ 1,811,702</u>	

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

TOWN OF QUINTON, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 131,551	\$ 110,903	\$ 242,454
Investments	-	50,289	50,289
Receivables:			
Due from other governments	24,211	5,294	29,505
Due from other funds	6,593	216	6,809
Court fines receivable, net of allowance of \$4,276	12,373	-	12,373
 Total assets	\$ 174,728	\$ 166,702	\$ 341,430
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable & accrued liabilities	\$ 11,728	\$ 221	\$ 11,949
Due to other funds	171	6,440	\$ 6,611
Total liabilities	11,899	6,661	18,560
 Fund Balances:			
Nonspendable	31,278	49,138	80,416
Assigned	60,730	110,903	171,633
Unassigned	70,821	-	70,821
Total fund balance	162,829	160,041	322,870
 Total liabilities and fund balances	\$ 174,728	\$ 166,702	

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 \$75,786	116,866
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Capital lease obligation payable	(12,710)
Net assets of governmental civilities	\$ 427,026

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, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 196,784	\$ 51,014	\$ 247,798
Intergovernmental	7,003	7,239	14,242
Fines and court fees	42,754	-	42,754
Fees for services	-	2,262	2,262
Investment income	2,162	251	2,413
Miscellaneous	<u>9,576</u>	<u>2,175</u>	<u>11,751</u>
 Total revenues	 <u>258,279</u>	 <u>62,941</u>	 <u>321,220</u>
 EXPENDITURES:			
Administration	80,512	-	80,512
Public safety	165,335	-	165,335
Community services	<u>11,318</u>	<u>54,234</u>	<u>65,552</u>
 Total expenditures	 <u>257,165</u>	 <u>54,234</u>	 <u>311,399</u>
 Net change in fund balances	 1,114	 8,707	 9,821
 Fund balances - beginning	 <u>161,715</u>	 <u>151,334</u>	 <u>313,049</u>
 Fund balances - ending	 <u>\$ 162,829</u>	 <u>\$ 160,041</u>	 <u>\$ 322,870</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, 2012

Net changes in fund balances - total governmental funds \$ 9,821

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.

Sale of asset	(791)	
Capital asset purchases capitalized	22,327	
Depreciation expense	<u>(12,327)</u>	<u>9,209</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 purchase proceeds	(15,085)	
Capital lease obligation principal payments	<u>2,375</u>	<u>(12,710)</u>

Change in net assets of governmental activities \$ 6,320

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

TOWN OF QUINTON, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2012

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 123,526
Accounts receivable, net	37,438
Prepaid insurance	802
Restricted cash	68,663
Restricted investment	<u>13,200</u>
Total current assets	<u>243,629</u>
Non-current assets	
Land	12,029
Capital assets, net of depreciation	<u>2,667,847</u>
Total non-current assets	<u>2,679,876</u>
TOTAL ASSETS	<u>2,923,505</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	18,476
Accrued interest payable	3,684
Deposits subject to refund	31,292
Notes payable	24,151
Due to other funds	<u>198</u>
Total current liabilities	<u>77,801</u>
Non-current liabilities:	
Notes payable	<u>1,461,028</u>
Total non-current liabilities	<u>1,461,028</u>
TOTAL LIABILITIES	<u>1,538,829</u>
NET ASSETS	
Nonspendable	1,179,287
Restricted for debt	50,571
Restricted for meter deposit	31,292
Unassigned	<u>123,526</u>
Total net assets	<u>\$ 1,384,676</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, 2012

<u>OPERATING REVENUES</u>	<u>Public Works</u>
Charges for services:	
Water	\$ 223,150
Sewer	75,716
Water/sewer taps	1,000
Penalties and reconnects	11,095
Other	4,798
Total operating revenues	315,759
<u>OPERATING EXPENSES</u>	
Wages	83,829
Payroll taxes	6,922
Water	87,516
Insurance	4,257
Maintenance and supplies	7,568
Licenses and testing	9,712
Office and postage	5,973
Bad Debt	6,406
Utilities	3,485
Depreciation	78,169
Total operating expenses	293,837
Net Operating income (loss)	21,922
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Rural Development Grant	1,231
Investment income	1,052
Interest expense	(63,499)
Total non-operating revenue (expense)	(61,216)
Change in net assets	(39,294)
Total net assets, beginning	1,423,970
Total net assets, ending	\$ 1,384,676

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, 2012

	<u>Public Works</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 309,929
Cash received from other sources	4,798
Cash payments to suppliers for goods and services	(134,500)
Cash payments to employees	<u>(83,829)</u>
Net cash provided (used) by operating activities	<u>96,398</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(23,154)
Interest paid on capital debt	(63,499)
Rural development grant	1,231
Increase in restricted assets - Debt Reserve	<u>(9,073)</u>
Net cash used in capital and related financing activities	<u>(94,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>1,052</u>
Net cash provided by investing activities	<u>1,052</u>
Net increase in cash and cash equivalents	2,955
Cash and cash equivalents, beginning	<u>120,571</u>
Cash and cash equivalents, ending	<u><u>\$ 123,526</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 21,922
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	78,169
Changes in assets and liabilities:	
Receivables, net	(1,032)
Prepaid insurance	923
Accounts payable	<u>(3,584)</u>
Net cash provided by operating activities	<u><u>\$ 96,398</u></u>

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

TOWN OF QUINTON, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

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, 2012

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 statues 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, 2012

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, 2012 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, 2012

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, 2012, all of the Towns 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 \$498,132 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$498,132.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2012.

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 monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2012, 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 \$37,438.

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

TOWN OF QUINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2012 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 198	Public Works	General Fund
6,422	General Fund	Street and Alley
23	General Fund	Cemetery
<u>\$ 6,643</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 & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2011	\$ 39,900	\$ 5,100	\$ 116,001	\$ 161,001	\$ 10,325
Increases	-	6,450	15,877	22,327	-
Decreases	-	-	(1,000)	(1,000)	-
Balance, June 30, 2012	<u>39,900</u>	<u>11,550</u>	<u>130,878</u>	<u>182,328</u>	<u>10,325</u>
Accumulated Depreciation					
Balance, June 30, 2011	5,987	1,710	55,970	63,667	
Increase	998	363	10,966	12,327	
Decreases	-	-	(208)	(208)	
Balance, June 30, 2012	<u>6,985</u>	<u>2,073</u>	<u>66,728</u>	<u>75,786</u>	
Governmental activities Capital Assets, Net	<u>\$ 32,915</u>	<u>\$ 9,477</u>	<u>\$ 64,150</u>	<u>\$ 106,542</u>	<u>\$ 10,325</u>
Business-type activities					
Balance, June 30, 2011	\$ -	\$ 3,419,669	\$ 68,464	\$3,488,133	\$ 12,029
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<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, 2011	-	673,653	68,464	742,117	
Increase	-	78,169	-	78,169	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>-</u>	<u>751,822</u>	<u>68,464</u>	<u>820,286</u>	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,667,847</u>	<u>\$ -</u>	<u>\$2,667,847</u>	<u>\$ 12,029</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 32,915</u>	<u>\$ 2,677,324</u>	<u>\$ 64,150</u>	<u>\$2,774,389</u>	<u>\$ 22,354</u>

TOWN OF QUINTON, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General government	\$ 11,939	Public works	\$ 78,169
Street	180		

NOTE G - LONG TERM DEBT

Changes in long-term debt are as follows:

	Payable at June 30, 2011	Added	Retired	Balance at June 30, 2012
USDA, Rural Development	\$ 714,136	\$ -	\$ (12,198)	\$ 701,938
USDA, Rural Development	794,373	-	(10,956)	783,417
	<u>\$ 1,508,509</u>	<u>\$ -</u>	<u>\$ (23,154)</u>	<u>\$ 1,485,355</u>

As of June 30, 2012, 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>\$ 701,938</u>
Current Portion	\$ 12,738
Non-Current Portion	<u>689,200</u>
Total Notes Payable	<u>\$ 701,938</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>\$ 783,241</u>
Current Portion	\$ 11,413
Non-Current Portion	<u>771,828</u>
Total Notes Payable	<u>\$ 783,241</u>

TOWN OF QUINTON, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Debt service requirements to maturity are as follows (this includes the full amount of the 2012 note):

Year ending June 30,	Business-Type Activities		Total
	Notes Payable		
	Principal	Interest	
2012	\$ 24,151	\$ 62,561	\$ 86,712
2013	25,199	61,513	86,712
2014	26,293	60,419	86,712
2015	27,271	59,441	86,712
2016	28,619	58,093	86,712
2017-2021	162,683	270,877	433,560
2022-2026	201,222	232,338	433,560
2027-2031	248,812	184,748	433,560
2032-2036	307,918	125,642	433,560
2037-2041	311,273	122,287	433,560
2042-2045	121,915	7,888	129,803
	<u>\$ 1,485,355</u>	<u>\$ 1,245,983</u>	<u>\$ 2,731,163</u>

NOTE H - CAPITAL LEASES

The Town have entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2012 are as follows:

Payable at July 1, 2011	Additions	Retirements	Balance at June 30, 2012
\$ -	\$ 15,085	\$ 2,375	\$ 12,710
<u>\$ -</u>	<u>\$ 15,085</u>	<u>\$ 2,375</u>	<u>\$ 12,710</u>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Truck	Total
2013	\$ 5,385	\$ 5,385
2014	5,385	5,385
2015	<u>2,692</u>	<u>2,692</u>
Total minimum lease payment	13,462	13,462
Less: Amount representing interest	<u>752</u>	<u>752</u>
Total	<u>\$ 12,710</u>	<u>\$ 12,710</u>

TOWN OF QUINTON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE I - COMPENSATED ABSENCES

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

NOTE J - 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
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

TOWN OF QUINTON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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>
2012	\$ 960	100%
2011	\$ 960	100%
2010	\$ 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.

NOTE K - 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 L - 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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Original And Final Budget Positive(Negative)</u>
TAXES:			
Sales and Use Tax	\$ 180,800	\$ 190,994	\$ 10,194
Franchise Tax	<u>7,000</u>	<u>5,790</u>	<u>(1,210)</u>
Total Taxes	<u>187,800</u>	<u>196,784</u>	<u>8,984</u>
INTERGOVERNMENTAL:			
Liquor Tax	<u>7,000</u>	<u>7,003</u>	<u>3</u>
Total Intergovernmental	<u>7,000</u>	<u>7,003</u>	<u>3</u>
FINES AND FORFEITURES	<u>25,000</u>	<u>42,754</u>	<u>17,754</u>
INVESTMENT INCOME	<u>2,600</u>	<u>2,162</u>	<u>(438)</u>
MISCELLANEOUS	<u>11,600</u>	<u>9,576</u>	<u>(2,024)</u>
TOTAL REVENUES	<u>234,000</u>	<u>258,279</u>	<u>24,276</u>
ADMINISTRATION:			
General			
Personal Service	10,000	9,786	214
Materials and Supplies	14,000	12,073	1,927
Other Services and Charges	44,398	43,895	503
Capital Outlay	-	<u>6,450</u>	<u>(6,450)</u>
Total	<u>68,398</u>	<u>72,204</u>	<u>(3,806)</u>
City Council:			
Personal Service	<u>648</u>	<u>648</u>	<u>-</u>
City Attorney:			
Personal Service	<u>3,600</u>	<u>3,675</u>	<u>(75)</u>
Clerk:			
Personal Service	<u>1,304</u>	<u>1,292</u>	<u>12</u>
TOTAL ADMINISTRATION	<u>73,950</u>	<u>77,819</u>	<u>(3,869)</u>

TOWN OF QUINTON
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance with Original And Final Budget Positive(Negative)
PUBLIC SAFETY:			
Police:			
Personal Service	98,000	120,145	(22,145)
Materials and Supplies	20,000	19,096	904
Other Services and Charges	8,000	9,837	(1,837)
Capital Outlay	-	2,693	(2,693)
Total	<u>126,000</u>	<u>151,771</u>	<u>(25,771)</u>
Fire:			
Materials and Supplies	7,500	5,627	1,873
Other Services and Charges	7,400	7,284	116
Total	<u>14,900</u>	<u>12,911</u>	<u>1,989</u>
Municipal Court:			
Personal Service	650	646	4
Other Services and Charges	2,750	2,700	50
Total	<u>3,400</u>	<u>3,346</u>	<u>54</u>
Total Public Safety	<u>144,300</u>	<u>168,028</u>	<u>(23,728)</u>
COMMUNITY SERVICE:			
Animal Control:			
Personal Service	4,000	3,875	125
Materials and Supplies	500	1,128	(628)
Other Service and Charges	750	1,017	(267)
Total	<u>5,250</u>	<u>6,020</u>	<u>(770)</u>
Cemetery:			
Materials and Supplies	500	142	358
Other Services and Charges	7,500	4,540	2,960
Total	<u>8,000</u>	<u>4,682</u>	<u>3,318</u>
Civil Defense:			
Materials and Supplies	500	131	369
Community Center:			
Maintenance and Supplies	1,200	18	1,182
Other Services and Charges	800	467	333
Total	<u>2,000</u>	<u>485</u>	<u>1,515</u>
Total Community Service	<u>15,750</u>	<u>11,318</u>	<u>4,432</u>
Total Charges to Appropriations	<u>234,000</u>	<u>257,165</u>	<u>(23,165)</u>
Changes in Budgetary Fund Balance	<u>\$ -</u>	<u>\$ 1,114</u>	<u>\$ 1,114</u>

TOWN OF QUINTON, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	SPECIAL REVENUE FUNDS		
	STREET AND ALLEY FUND	CEMETERY FUND	TOTAL NONMAJOR FUNDS
ASSETS			
Cash and cash equivalents	\$ 64,540	\$ 46,363	\$ 110,903
Investments	-	50,289	50,289
Receivables:			
Due from other governments	5,294	-	5,294
Due from other funds	193	23	216
Total assets	\$ 70,027	\$ 96,675	\$ 166,702
LIABILITIES			
Accounts payable	\$ 221	\$ -	\$ 221
Payroll taxes payable	6,440	-	6,440
Total liabilities	6,661	-	6,661
FUND BALANCES			
Nonspendable	(1,174)	23	(1,151)
Assigned	64,540	96,652	161,192
Total fund balances	63,366	96,675	160,041
Total liabilities and fund balances	\$ 70,027	\$ 96,675	\$ 166,702

TOWN OF QUINTON, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	SPECIAL REVENUE FUNDS			TOTAL NONMAJOR FUNDS
	STREET AND ALLEY FUND	CEMETERY FUND	Grants	
Revenues:				
Taxes	\$ 51,014	\$ -	\$ -	\$ 51,014
Intergovernmental	7,239	-	-	7,239
Charges for services	1,487	775	-	2,262
Investment income	-	251	-	251
Miscellaneous	2,175	-	-	2,175
Total revenues	61,915	1,026	-	62,941
Expenditures:				
Current:				
Community services	54,234	-	-	54,234
Total expenditures	54,234	-	-	54,234
Net change in fund balances	7,681	1,026	-	8,707
Fund balances - beginning	55,685	95,649	-	151,334
Fund balances - ending	\$ 63,366	\$ 96,675	\$ -	\$ 160,041

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, 2012, 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,

Ralph Osborn

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