

Town of Ravia, Oklahoma

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended June 30, 2011

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

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TOWN OF RAVIA, OKLAHOMA

AUDIT REPORT

June 30, 2011

BOARD OF TRUSTEES

Clarence Victor-Love

Mayor

Darvin Nanney

Vice-Mayor

Tanner Hinton

Trustee

J. D. Lane

Trustee

Brenda Ryan

Trustee

Denise Allen

Town Clerk/Trust Clerk

TOWN OF RAVIA, OKLAHOMA

TABLE OF CONTENTS

June 30, 2011

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	12
Statement of Net Assets – Proprietary Fund.....	14
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to Financial Statements	17
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	28
SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	30
Fire Protection Fund	31
CDBG Fund	32
Combining Governmental Funds Balance Sheet – Other Governmental Funds.....	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds.....	34
Schedule of Grant Activity – 13588 CDBG 08.....	35
Status of Prior Audit Findings.....	36
Schedule of Findings and Responses	37

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Town of Ravia
Ravia, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ravia, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Ravia, Oklahoma's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Town of Ravia, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

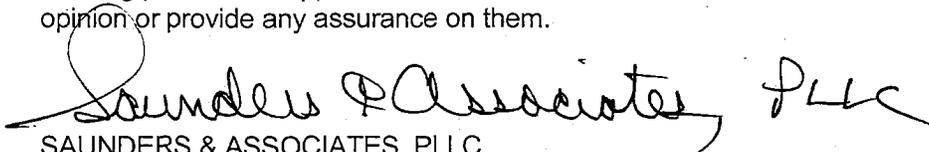
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 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 of the Town of Ravia, Oklahoma, as of June 30, 2011, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Town of Ravia, Oklahoma, as of June 30, 2011, 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 January 30, 2012 on our consideration of the Town of Ravia, Oklahoma's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 30 through 32 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ravia, Oklahoma's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining, and individual non-major fund financial statements 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 introductory and statistical sections have 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 them.


SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

January 30, 2012

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

“UNAUDITED”

Our discussion and analysis of the Town of Ravia’s financial performance provides an overview of the Town’s financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town’s financial statements, which begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Town as a whole and present a longer-term view of the Town’s finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town’s operations in more detail than the government-wide statements by providing information about the Town’s most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 4. One of the most important questions asked about the Town’s finances is, *“Is the Town as a whole better off or worse off as a result of the year’s activities?”* The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town’s net assets and changes in them. You can think of the Town’s net assets – the difference between assets and liabilities – as one way to measure the Town’s financial health, or financial position. Over time, increases or decreases in the Town’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town’s property tax base and the condition of the Town’s roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental Activities – Most of the Town’s basic services are reported here, including, fire, general government, streets, cemetery, and trash service. Sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-Type Activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town’s water system is reported here.

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

“UNAUDITED”

Reporting the Town’s Most Significant Funds

Our analysis of the Town’s major funds begins on page 5. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Trustees establishes many other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funding. The Town’s two kinds of funds – *governmental and proprietary* – use different accounting approaches.

- *Governmental Funds* – Most of the Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Additional detail, such as cash flows is provided for the enterprise funds.

THE TOWN AS A WHOLE

Net Assets

For the year ended June 30, 2011, the Town’s combined net assets changed as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Net Assets	\$ 600,548	\$ 562,008	\$ 1,162,556
Increase (Decrease) in Net Assets	<u>60,436</u>	<u>(19,746)</u>	<u>40,690</u>
Ending Net Assets	<u>\$ 660,984</u>	<u>\$ 542,262</u>	<u>\$ 1,203,246</u>

This reflects an increase of 3.5% overall. In comparison, last years combined net assets increased 19%. The significant increase during the prior year was primarily due to the capital grants to the Governmental Activities from various grants for vehicles and facilities used in fire protection services and other capital items. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two different stories emerge. (See Table 1).

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

“UNAUDITED”

TABLE 1 – NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total % Change</u>
	<u>06/30/11</u>	<u>06/30/10</u>	<u>06/30/11</u>	<u>06/30/10</u>	<u>06/30/11</u>	<u>06/30/10</u>	
Capital Assets	\$ 496,671	\$ 446,431	\$ 583,797	\$ 582,187	\$ 1,080,468	\$ 1,028,618	5.0%
Current and Other Assets	<u>165,199</u>	<u>154,792</u>	<u>153,587</u>	<u>140,615</u>	<u>318,786</u>	<u>295,407</u>	7.9%
Total Assets	<u>\$ 661,870</u>	<u>\$ 601,223</u>	<u>\$ 737,384</u>	<u>\$ 722,802</u>	<u>\$ 1,399,254</u>	<u>\$ 1,324,025</u>	5.7%
Long-Term Liabilities	\$ 0	\$ 0	\$ 152,159	\$ 130,894	\$ 152,159	\$ 130,894	16.2%
Other Liabilities	<u>886</u>	<u>675</u>	<u>42,963</u>	<u>29,900</u>	<u>43,849</u>	<u>30,575</u>	43.4%
Total Liabilities	<u>\$ 886</u>	<u>\$ 675</u>	<u>\$ 195,122</u>	<u>\$ 160,794</u>	<u>\$ 196,008</u>	<u>\$ 161,469</u>	21.4%
Net Assets							
Invested in Capital Assets Net of Related Debt	\$ 496,671	\$ 446,431	\$ 410,921	\$ 435,014	\$ 907,592	\$ 881,445	3.0%
Restricted	8,450	5,266	15,267	15,229	23,717	20,495	15.7%
Unrestricted	<u>155,863</u>	<u>148,851</u>	<u>116,074</u>	<u>111,765</u>	<u>271,937</u>	<u>260,616</u>	4.3%
Total Net Assets	<u>\$ 660,984</u>	<u>\$ 600,548</u>	<u>\$ 542,262</u>	<u>\$ 562,008</u>	<u>\$ 1,203,246</u>	<u>\$ 1,162,556</u>	3.5%

Net assets of the Town's governmental activities increased by 10.1% (from \$600,548 to \$660,984). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased by 4.7% from \$148,851 to \$155,863.

The net assets of our business-type activities decreased by 3.5% from \$562,008 to \$542,262.

Changes in Net Assets

The Town's total revenues (including special items) decreased by 22.9% (\$115,626). Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

TABLE 2 – NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total % Change</u>
	<u>06/30/11</u>	<u>06/30/10</u>	<u>06/30/11</u>	<u>06/30/10</u>	<u>06/30/11</u>	<u>06/30/10</u>	
Program Revenues:							
Charges for Services	\$ 67,804	\$ 69,052	\$ 153,133	\$ 145,690	\$ 220,937	\$ 214,742	2.9%
Operating Grants/Contributions	10,000	15,830	0	0	10,000	15,830	-36.8%
Capital Grants Contributions	86,002	201,684	0	0	86,002	201,684	-57.4%
General Revenues:							
Franchise Taxes	13,562	13,431	0	0	13,562	13,431	1.0%
Public Service Taxes	52,543	53,308	0	0	52,543	53,308	-1.4%
Interest	92	106	128	210	220	316	-30.4%
Miscellaneous	<u>1,773</u>	<u>1,785</u>	<u>4,920</u>	<u>4,487</u>	<u>6,693</u>	<u>6,272</u>	6.7%
Total Revenues	<u>231,776</u>	<u>355,196</u>	<u>158,181</u>	<u>150,387</u>	<u>389,957</u>	<u>505,583</u>	-22.9%

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

"UNAUDITED"

TABLE 2 – NET ASSETS, CONTINUED

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total</u> <u>% Change</u>
	<u>06/30/11</u>	<u>06/30/10</u>	<u>06/30/11</u>	<u>06/30/10</u>	<u>Primary Government</u> <u>06/30/11</u>	<u>06/30/10</u>	
Program Expenses:							
General Government	96,615	104,961	0	0	96,615	104,961	-8.0%
Fire Protection	72,502	60,901	0	0	72,502	60,901	19.0%
CDBG Grant	0	2,212	0	0	0	2,212	-100.0%
Water	0	0	180,150	149,259	180,150	149,259	20%7
Total Expenses	<u>169,117</u>	<u>168,074</u>	<u>180,150</u>	<u>149,259</u>	<u>349,267</u>	<u>317,333</u>	<u>10.1%</u>
Excess Before							
Contributions, Etc.	62,659	187,122	(21,969)	1,128	40,690	188,250	-78.48%
Transfers	(2,223)	8,475	2,223	(8,475)	0	0	0.0%
Change in Net Assets	<u>\$ 60,436</u>	<u>\$ 195,597</u>	<u>\$(19,746)</u>	<u>\$(7,347)</u>	<u>\$ 40,690</u>	<u>\$ 188,250</u>	<u>-78.4%</u>

Governmental Activities

Table 3 presents the cost of each of the Town's programs, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

TABLE 3 – GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>06/30/11</u>	<u>06/30/10</u>	<u>% Change</u>	<u>06/30/11</u>	<u>06/30/10</u>	<u>% Change</u>
General Government	\$ 96,615	\$ 104,961	-8.0%	\$(34,382)	\$(51,900)	-33.8%
Fire Protection	72,502	60,901	19.0%	(6,943)	(24,287)	-71.4%
CDBG Grant	0	2,212	-100.0%	36,014	111,445	-67.7%
Total	<u>\$ 169,117</u>	<u>\$ 168,074</u>	<u>0.6%</u>	<u>\$(5,311)</u>	<u>\$ 35,258</u>	<u>-115.1%</u>

The cost of all governmental activities this year was \$169,117 compared to \$168,074 last year (an increase of \$1,043). Some of the costs were paid by those who directly benefited from the program. Additionally, grant expenses were fully funded by federal grants. Ultimately, the taxpayers financed approximately 94% of the cost.

THE TOWN'S FUNDS

Business-Type Activities

Revenues of the Town's business type activities increased by 5.2% (\$158,181 in 2011 compared to \$150,387 in 2010) and expenses increased by 20.7% (\$180,150 in 2011 compared to \$149,259 in 2010). The increase in revenues and expenses is primarily due to the increase in costs of services provided and billed to customers.

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

"UNAUDITED"

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund equity of \$164,313 which is an increase of \$10,196 (6.6%) above last years total of \$154,117.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town Trustees revised the budget several times. The budget revisions were to transfer appropriations and meet new funding needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the Town had approximately \$2.6 million invested in capital assets, including land, buildings, vehicles and equipment, and water and sewer lines. (See table below). Capital asset acquisitions during 2011 were composed of miscellaneous equipment/fixtures and remaining construction for a new fire station. Business-type activity acquisitions were comprised of equipment.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 40,700	\$ 40,700	\$ 0	\$ 0	\$ 40,700	\$ 40,700
Building and Improvements	480,552	236,072	0	0	480,552	236,072
Water and Sewer Improvements	0	0	1,511,882	1,511,882	1,511,882	1,511,882
Vehicles and Equipment	427,730	424,493	114,394	69,165	542,124	493,658
Furniture & Fixtures	31,175	28,757	0	0	31,175	28,757
Construction in Progress	0	146,650	0	0	0	146,650
Total	<u>\$ 980,157</u>	<u>\$ 876,672</u>	<u>\$ 1,626,276</u>	<u>\$ 1,581,047</u>	<u>\$ 2,606,433</u>	<u>\$ 2,457,719</u>

More detailed information about the Town's capital assets is presented in Note A and Note E of the financial statements.

Debt

At year-end, the Town had \$172,876 in outstanding notes compared to \$147,173 last year. That is an increase of 17.5% as shown in the following table.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Note Obligations	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 172,876</u>	<u>\$ 147,173</u>	<u>\$ 172,876</u>	<u>\$ 147,173</u>

More detailed information about the Town's long-term debt is presented in Note F to the financial statements.

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

"UNAUDITED"

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town anticipates consistent financial conditions in the upcoming year. The Town's elected officials considered many factors when setting the FY 2012 budget, with only a slight increase projected for the upcoming year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Town Hall at 102 North 2nd, Ravia, Oklahoma.

Clarence Victor-Love
Mayor

BASIC FINANCIAL STATEMENTS

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 158,906	\$ 104,397	\$ 263,303
Accounts Receivable - Utility Fees	0	13,358	13,358
Total Current Assets	158,906	117,755	276,661
Non-Current Assets:			
Restricted Cash - Water Deposits	0	20,565	20,565
Restricted Cash - Reserve Account	6,293	15,267	21,560
Property, Plant and Equipment:			
Land	40,700	0	40,700
Buildings and Improvements	480,552	0	480,552
Water and Sewer Improvements	0	1,511,882	1,511,882
Vehicles and Equipment	427,730	114,394	542,124
Furniture and Fixtures	31,175	0	31,175
Less: Accumulated Depreciation	(483,486)	(1,042,479)	(1,525,965)
Total Non-Current Assets	502,964	619,629	1,122,593
TOTAL ASSETS	\$ 661,870	\$ 737,384	\$ 1,399,254
LIABILITIES AND NET ASSETS			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 0	\$ 907	\$ 907
Customer Deposits	0	20,565	20,565
Other Payables	886	774	1,660
Current Portion - Long-Term Debt	0	20,717	20,717
Total Current Liabilities	886	42,963	43,849
Non-Current Liabilities:			
Long-Term Debt (Net of Current Portion)	0	152,159	152,159
Total Non-Current Liabilities	0	152,159	152,159
Total Liabilities	886	195,122	196,008
Net Assets:			
Invested in Capital Assets, Net of Related Debt	496,671	410,921	907,592
Restricted	8,450	15,267	23,717
Unrestricted	155,863	116,074	271,937
Total Net Assets	660,984	542,262	1,203,246
TOTAL LIABILITIES AND NET ASSETS	\$ 661,870	\$ 737,384	\$ 1,399,254

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF ACTIVITIES

For the Year Ended June, 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business Type Activities
PRIMARY GOVERNMENT:						
Governmental Activities:						
General Government	\$ 96,615	\$ 62,233	\$ 0	\$ 0	\$ (34,382)	\$ (34,382)
Fire Protection	72,502	5,571	10,000	49,988	(6,943)	(6,943)
CDBG Grant	0	0	0	36,014	36,014	36,014
Total Governmental Activities	<u>169,117</u>	<u>67,804</u>	<u>10,000</u>	<u>86,002</u>	<u>(5,311)</u>	<u>(5,311)</u>
Business-Type Activities:						
Water	180,150	153,133	0	0	(27,017)	(27,017)
Total Business-Type Activities	<u>180,150</u>	<u>153,133</u>	<u>0</u>	<u>0</u>	<u>(27,017)</u>	<u>(27,017)</u>
TOTAL PRIMARY GOVERNMENT	\$ 349,267	\$ 220,937	\$ 10,000	\$ 86,002	(5,311)	(32,328)
General Revenues:						
Taxes:						
Franchise Taxes					13,562	13,562
Public Service Taxes					52,543	52,543
Unrestricted Investment Earnings					92	316
Miscellaneous					1,773	6,693
Transfers					(2,223)	0
Total General Revenues, Special Items and Transfers					<u>65,747</u>	<u>73,018</u>
Change in Net Assets					60,436	40,690
Net Assets, June 30, 2010					600,548	1,162,556
Net Assets, June 30, 2011					<u>\$ 660,984</u>	<u>\$ 1,203,246</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 147,453	\$ 11,453	\$ 0	\$ 158,906
Grant Receivable	0	0	0	0
Total Current Assets	<u>147,453</u>	<u>11,453</u>	<u>0</u>	<u>158,906</u>
Restricted Assets:				
Cash - Restricted	0	0	6,293	6,293
Total Restricted Assets	<u>0</u>	<u>0</u>	<u>6,293</u>	<u>6,293</u>
TOTAL ASSETS	<u>\$ 147,453</u>	<u>\$ 11,453</u>	<u>\$ 6,293</u>	<u>\$ 165,199</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Current Liabilities:				
Accrued Expenditures	\$ 703	183	0	886
Total Current Liabilities	<u>703</u>	<u>183</u>	<u>0</u>	<u>886</u>
Total Liabilities	<u>703</u>	<u>183</u>	<u>0</u>	<u>886</u>
Fund Balances:				
Nonspendable	0	0	6,293	6,293
Restricted For:				
Street and Alleys	1,377	0	0	1,377
Special Projects	780	0	0	780
Committed For:				
Cemetery Operations	22,251	0	0	22,251
Building Maintenance	2,917	0	0	2,917
Fire Protection	0	11,270	0	11,270
Assigned	65,590	0	0	65,590
Unassigned	53,835	0	0	53,835
Total Fund Balances	<u>146,750</u>	<u>11,270</u>	<u>6,293</u>	<u>164,313</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 147,453</u>	<u>\$ 11,453</u>	<u>\$ 6,293</u>	<u>\$ 165,199</u>
Fund Equity - Total Governmental Funds				\$ 164,313
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 funds.				
				<u>496,671</u>
Net Assets of Governmental Activities				<u>\$ 660,984</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	<u>General</u> <u>Fund</u>	<u>Fire</u> <u>Fund</u>	<u>CDBG</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>REVENUES</u>					
Sales Tax	\$ 27,625	\$ 13,812	\$ 0	\$ 0	\$ 41,437
Gas Tax	504	0	0	0	504
Alcohol Tax	5,332	0	0	0	5,332
Cigarette Tax	589	0	0	0	589
Motor Vehicle Tax	3,111	0	0	0	3,111
Trash Service	56,103	0	0	0	56,103
Franchise Tax	13,562	0	0	0	13,562
Interest	80	5	0	7	92
Use Tax	1,570	0	0	0	1,570
Building Permits	150	0	0	0	150
Business Licenses	490	0	0	0	490
Cemetery Fees	4,804	0	0	686	5,490
Fire Subscription Revenue	0	4,415	0	0	4,415
Fire Runs	0	1,156	0	0	1,156
Grant Revenue	0	59,988	36,014	0	96,002
Miscellaneous	1,117	656	0	0	1,773
Total Revenues	<u>115,037</u>	<u>80,032</u>	<u>36,014</u>	<u>693</u>	<u>231,776</u>
<u>EXPENDITURES</u>					
Personnel Services	15,593	4,096	0	0	19,689
Maintenance and Operation	69,843	11,857	0	0	81,700
Capital Outlay	20,269	1,697	0	0	21,966
Grant Expenditures	0	59,988	36,014	0	96,002
Total Expenditures	<u>105,705</u>	<u>77,638</u>	<u>36,014</u>	<u>0</u>	<u>219,357</u>
Excess of Revenues Over (Under) Expenditures	<u>9,332</u>	<u>2,394</u>	<u>0</u>	<u>693</u>	<u>12,419</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating Transfers In (Out)	(76)	(2,223)	0	76	(2,223)
Total Other Financing Sources (Uses)	<u>(76)</u>	<u>(2,223)</u>	<u>0</u>	<u>76</u>	<u>(2,223)</u>
Excess Revenues and Other Sources Over (Under)					
Revenues and Other Uses	9,256	171	0	769	10,196
Fund Balance, Beginning	<u>137,494</u>	<u>11,099</u>	<u>0</u>	<u>5,524</u>	<u>154,117</u>
FUND BALANCE, ENDING	<u>\$ 146,750</u>	<u>\$ 11,270</u>	<u>\$ 0</u>	<u>\$ 6,293</u>	<u>\$ 164,313</u>
Net Change in Fund Balances - Total Governmental Funds				\$ 10,196	
Amounts reported for governmental activities in the statement of activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation (\$53,245) was exceeded by capital outlays (\$103,485) in the current period					
					<u>50,240</u>
Change in Net Assets of Governmental Activities				\$ 60,436	

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2011

	<u>Public Works Authority</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 104,397
Accounts Receivable	13,358
Total Current Assets	<u>117,755</u>
Restricted Assets:	
Cash - Water Deposits	20,565
Reserve Account	15,267
Total Restricted Assets	<u>35,832</u>
Property, Plant and Equipment - Note B:	
Water and Sewer System	1,511,882
Vehicles and Equipment	114,394
Total Property, Plant and Equipment	1,626,276
Less Accumulated Depreciation	<u>(1,042,479)</u>
Net Property, Plant and Equipment	<u>583,797</u>
 TOTAL ASSETS	 \$ <u><u>737,384</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Customer Deposits	\$ 20,565
Accounts Payable	907
Payroll Liabilities	774
Current Portion of Long Term Liabilities	20,717
Total Current Liabilities	<u>42,963</u>
Long Term Liabilities:	
Promissory Notes Payable (Net of Current Portion)	152,159
Total Long-Term Liabilities	<u>152,159</u>
Total Liabilities	<u>195,122</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	410,921
Restricted for Debt Service	15,267
Unrestricted	116,074
Total Net Assets	<u>542,262</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>737,384</u></u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS

PROPRIETARY FUND

For the Year Ended June 30, 2011

	<u>Public Works Authority</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 153,133
Lease Revenue	<u>4,920</u>
Total Operating Revenues	<u>158,053</u>
<u>Operating Expenses</u>	
Personnel Services	80,853
Maintenance and Operation	43,376
Capital Outlay	2,862
Depreciation	<u>44,513</u>
Total Operating Expenses	<u>171,604</u>
Operating Income (Loss)	<u>(13,551)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	128
Interest Expense	<u>(8,546)</u>
Total Non-Operating Revenues (Expenses)	<u>(8,418)</u>
Income (Loss) Before Other Financing Sources (Uses)	(21,969)
<u>Other Financing Sources (Uses)</u>	
Operating Transfers In (Out)	<u>2,223</u>
Total Other Sources (Uses)	<u>2,223</u>
Net Income (Loss)	(19,746)
Net Assets, Beginning	<u>562,008</u>
NET ASSETS, ENDING	<u>\$ 542,262</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	<u>Public Works Authority</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts From Customers	\$ 154,335
Payments to Suppliers	(46,238)
Payments to Employees	(77,869)
Other Receipts (Payments)	4,920
Net Cash Provided (Used) by Operating Activities	<u>35,148</u>
<u>Cash Flows From Non-Capital Financing Activities:</u>	
Operating Transfers (To) From Other Funds	<u>2,223</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>2,223</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Purchases of Capital Assets	(45,229)
Principal Paid on Capital Debt	(28,967)
Proceeds From New Debt	46,380
Interest Paid on Capital Debt	(8,546)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(36,362)</u>
<u>Cash Flows Provided by Investing Activities:</u>	
Interest	<u>128</u>
Net Cash Provided (Used) by Investing Activities	<u>128</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,137
Cash and Cash Equivalents, June 30, 2010	<u>139,092</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2011	<u>\$ 140,229</u>
<u>Cash Consists of:</u>	
Demand Deposits	\$ 104,397
Restricted Deposits	<u>35,832</u>
TOTAL CASH, END OF YEAR	<u>\$ 140,229</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (13,551)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	44,513
<u>Change in Assets and Liabilities:</u>	
Receivables, Net	(4,439)
Accounts and Other Payables	<u>8,625</u>
Net Cash Provided by Operating Activities	<u>\$ 35,148</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ravia was formed in accordance with the laws of the State of Oklahoma. Its formation was in accordance with Oklahoma Statute 11 O.S. Section 12-101, Town form of government. The town is governed by a Board of Trustees who elect among each other a Mayor.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (*Statements and Interpretations*). Governments are also required to follow the pronouncements of the *Financial Accounting Standards Board (FASB)* issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies in GAAP and used by the Town are discussed in subsequent sections.

Reporting Entity - For financial reporting purposes, the Town complies with Governmental Accounting Standards Board (GASB) Cod. Sec. 2100, in defining the Town's financial reporting entity. All of the officials and activities described above are included in the Town's reporting entity. The public trust listed below was determined to be part of the Town of Ravia's reporting entity based on the degree of oversight responsibility which includes, but is not limited to (1) selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, (4) accountability for fiscal matters and (5) scope of public service.

Ravia Public Works Authority - Pursuant to Title 60 of Oklahoma Statutes, the Town provides utility services through the Ravia Public Works Authority. The Authority is a public trust with the Town of Ravia as beneficiary. The members of the Board of Trustees of the Town of Ravia serve as trustees of the Authority.

Due to the significance of the scope of public service and the relationship of the governing body of the Authority to the Town Board of Trustees, the Public Works Authority is considered a component unit of the Town's reporting entity and is included in this financial report.

Basic Financial Statements – Government-Wide Statements - The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's general government, fire protection, trash service, street and alley, cemetery, building maintenance, and grant funds are classified as governmental activities. The Town's water service is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public works, etc.). The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, street & alley, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grant.

The net costs (by function or business-type activity) are normally covered by general revenue (sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Town.

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Town's Enterprise Fund is the Public Works Authority.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. Non-major funds by category are summarized into a single column. *GASB Statement No. 34* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

Basis of Accounting - Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Both governmental and business-type activities in the governmental-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town typically classifies investments held for resale, inventories, and prepaid items are not expected to be converted to cash or are not expected to be converted to cash within the short term. The Town classified cash restricted by law for perpetual cemetery care as nonspendable resources as of June 30 2011.
- Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributions, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified residual cash balances from grantors and the fund balance of activities for streets and alleys which are financed with public funds in the form of taxes.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the governing body of the Town. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town classified fund balances specifically designated for cemetery, building maintenance, and fire protection as committed fund balances for the year ended June 30, 2011.
- Assigned – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town or through the governing body delegating this responsibility to the Town manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

Financial Statement Amounts:

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the enterprise fund considers all highly liquid investments (including restricted assets) to be cash equivalents. All certificates of deposit, other time deposits and investments are considered cash equivalents.

Interfund Transactions – During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions, which are normal and recurring between funds, are recorded as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Revenues – Substantially all governmental revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures – Expenditures are recognized when the related fund liability is incurred.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets – Capital assets purchased or acquired with a useful life in excess of one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings and Improvements	15 - 40 years
Water and Sewer System	25 years
Furniture and Fixtures	5 – 10 years
Vehicles and Equipment	5 – 7 years

GASB Statement 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required; therefore, the Town has elected to report infrastructure assets prospectively.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for specific future use. The amounts reported by the Town of Ravia as Reserves represent resources, which have been set aside by the Ravia Public Works Authority in compliance with requirements of the promissory notes held by Berkadia. At June 30, 2011, minimum reserve requirements had been attained.

Compensated Absences

The organization does not accrue a liability for compensated absences, but it is not believed that the amount would be material to the financial statements as a whole.

NOTE B: BUDGETARY ACCOUNTING AND CONTROL

The Town operates under the Oklahoma Municipal Budget Act of 1979 (the "Budget Act") utilizing the purpose-based budget method. The budget, as adopted by the governing body, is filed with the State of Oklahoma Office of the Auditor and Inspector and with the County Excise Board.

The Town uses the following procedures in establishing the budgetary data:

- a. Prior to June 1, the Board of Trustees develop a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE B: BUDGETARY ACCOUNTING AND CONTROL, CONTINUED

- b. Public hearings are conducted as regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings, but no later than seven days prior to July 1, the budget is legally enacted through the passage of a motion by the governing body.

Formal budgetary integration is employed as a management control device during the year for all fund types. The Town prepares its budget on a basis different from the cash basis. The primary difference between the budget basis and the cash basis is that the budget basis treats encumbrances as expenditures.

The level of control, at which expenditures may not legally exceed appropriations, is at the purpose level for each legally adopted fiscal operating budget.

NOTE C: DEPOSITS, INVESTMENTS AND COLLATERAL

- A. Oklahoma State Law, Title 62, Section 348.1 allows for investment of Town funds in the following:
 1. Direct obligations of the United States Government to the payment of which the full faith and credit and the Government of the United States or of the State of Oklahoma is pledged.
 2. Certificates of deposit of savings and loan associations, banks, and trust companies when the certificates of deposit are secured by acceptable collateral as in the deposit of other public monies.
 3. Savings accounts or savings certificates of savings and loan associations, banks and trust companies, to the extent that the accounts or certificates are fully insured.
 4. Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments specified in previous paragraphs 1 through 3, where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account.
- B. There are no statutory limitations on the investment of funds of the Town's Public Works Authority, which is reported as the Town's enterprise fund in the combined financial statements.
- C. According to State Law, Title 62, Section 516.3, collateral to secure deposits of public funds must be:
 1. U. S. Treasury bonds, notes or certificates payable by the Treasurer of the United States, issued by an agency of the United States under authority of an Act of Congress where the full faith and credit of the United states is pledged to the payment.
 2. State of Oklahoma bonds, notes or certificates payable by the State Treasurer, issued by an agency of the State under authority of an act of the legislature where full faith and credit is pledged to the payment.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE C: DEPOSITS, INVESTMENTS AND COLLATERAL, CONTINUED

3. Bonds issued by any county in Oklahoma.
4. Bonds issued by any school district or board of education in Oklahoma.
5. Bonds issued by any Town or town where an ad valorem tax levy is pledged to the payment, with certain restrictions of sinking fund indebtedness of the issuing Town or town.
6. A surety bond.

NOTE D: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are carried at cost. Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization.

Unreconciled

<u>Category</u>	<u>Balance Per Bank</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 250,000
2) Collateralized with securities held by the pledging financial institution's trust department.	60,192
3) Uncollateralized.	0
TOTAL	<u>\$ 376,756</u>

NOTE E: CAPITAL ASSETS

Governmental Activities:

	<u>Primary Government</u>			<u>Balance June 30, 2011</u>
	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 40,700	\$ 0	\$ 0	\$ 40,700
Construction in Progress	146,650	97,830	(244,480)	0
Total Capital Assets not being Depreciated	<u>187,350</u>	<u>97,830</u>	<u>(244,480)</u>	<u>40,700</u>
<u>Other Capital Assets:</u>				
Buildings & Improvements	236,072	244,480	0	480,552
Vehicles & Equipment	424,493	3,237	0	427,730
Furniture & Fixtures	28,757	2,418	0	31,175
Total Other Capital Assets at Historical Costs	<u>689,322</u>	<u>250,135</u>	<u>0</u>	<u>939,457</u>

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE E: CAPITAL ASSETS, CONTINUED

Governmental Activities:

	Primary Government			
	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
<u>Less Accumulated Depreciation for:</u>				
Buildings & Improvements	(120,376)	(7,683)	0	(128,059)
Vehicles & Equipment	(292,816)	(44,157)	0	(336,973)
Furniture & Fixtures	(17,049)	(1,418)	0	(18,454)
Total Accumulated Depreciation	(430,241)	(53,245)	0	(483,486)
Other Capital Assets, Net	259,081	196,890	0	455,971
Governmental Activities Capital Assets, Net	\$ 446,431	\$ 294,720	\$(244,480)	\$ 496,671

Business-Type Activities:

<u>Other Capital Assets:</u>				
Water & Sewer Improvements	\$ 1,511,882	\$ 0	\$ 0	\$ 1,511,882
Vehicles & Equipment	69,165	46,124	(895)	114,394
Total Other Assets at Historical Cost	1,581,047	46,124	(895)	1,626,276
<u>Less Accumulated Depreciation for:</u>				
Water & Sewer Improvements	(969,083)	(28,053)	0	(997,136)
Vehicles & Equipment	(29,778)	(16,460)	895	(45,343)
Total Accumulated Depreciation	(998,861)	(44,513)	895	(1,042,479)
Other Capital Assets, Net	582,186	1,611	0	583,797
Business-Type Activities Capital Assets, Net	\$ 582,186	\$ 1,611	\$ 0	\$ 583,797

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 5,022
Fire Protection	48,223
Total Governmental Activities Depreciation Expense	\$ 53,245

Business-Type Activities:

Water & Sewer	\$ 44,513
Total Business-Type Activities Depreciation Expense	\$ 44,513

NOTE F: LONG TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business type activities.

Governmental Activities:

The Town currently has no governmental activity long-term debt.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE F: LONG TERM DEBT, CONTINUED

Business-Type Activities:

Berkadia Commercial Mortgage, LLC:

\$100,000 for water and sewer system. Due in monthly installments of \$491 through 2020, interest rate of 5%. \$ 40,118

\$90,000 for water and sewer system. Due in monthly installments of \$442 through 2020, interest rate of 5%. 35,952

\$51,000 for town hall building. Due in monthly installments of \$247 through 2022, interest rate of 5%. 23,535

Landmark Bank of Tishomingo, Oklahoma

\$55,142 for remodeling of community center. Due in monthly installments of \$395 through 2019, variable interest rate. 21,346

\$24,158 for 2007 Chevy Silverado. Due in 60 monthly installments of \$474.71 through February 2013, interest rate of 6.68%. 8,561

\$46,124 for sewer maintenance equipment. Due in 120 monthly installments of \$485 through September 2020, at an interest rate of 4.75% 43,364

Total 172,876

Less: Current Portion of Long-Term Debt (20,717)

TOTAL LONG-TERM DEBT \$ 152,159

Changes in long-term debt for the fiscal year ended June 30 2011 were as follows:

	Principal Balance <u>06/30/10</u>	Additions	Retirements	Principal Balance <u>06/30/11</u>	Amounts Due Within <u>One Year</u>
Berkadia #1 – Water & Sewer	\$ 43,906	\$ 0	\$ 3,788	\$ 40,118	\$ 3,779
Berkadia #2 – Water & Sewer	39,371	0	3,419	35,952	3,401
Berkadia #3 – Town Hall	25,250	0	1,715	23,535	1,744
Landmark – Center	25,142	0	3,796	21,346	3,019
Landmark – Chevrolet Silverado	13,504	0	4,943	8,561	5,286
Landmark – Sewer Equipment	<u>0</u>	<u>46,124</u>	<u>2,760</u>	<u>43,364</u>	<u>3,488</u>
Total	<u>\$ 147,173</u>	<u>\$ 46,124</u>	<u>\$ 20,421</u>	<u>\$ 172,876</u>	<u>\$ 20,717</u>

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE F: LONG TERM DEBT, CONTINUED

Maturities of principal and interest on these loans for future years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,717	\$ 9,129	\$ 29,846
2013	19,895	7,962	27,857
2014	17,494	7,016	24,510
2015	18,414	5,996	24,410
2016	19,382	5,128	24,510
2017- 2021	75,497	10,085	85,582
2022	<u>1,477</u>	<u>78</u>	<u>1,555</u>
	<u>\$ 172,876</u>	<u>\$ 45,394</u>	<u>\$ 218,270</u>

The loan agreement with Berkadia requires a reserve fund of \$11,200. At June 30, 2011, minimum reserve requirements had been met. Actual reserve at June 30, 2011 was \$15,267 and is reflected as restricted cash in the accompanying financial statements.

NOTE G: SALES TAX RESTRICTIONS

The Town is currently receiving a three cent sales tax. One cent of this three cent sales tax is restricted for the fire department fund for operations of the fire department. The remaining two cent sales tax is deposited in and used for operations of the general fund of the Town.

NOTE H: 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 for which the Town purchases commercial insurance.

During the year ended June 30, 2011, the Town did not reduce insurance coverages from coverage levels in place as of June 30, 2010. No settlements have exceeded coverage levels in place in any of the past three years.

NOTE I: CONTINGENT LIABILITY

The Town of Ravia currently does not have records of interments or records of promises of plots in the Town cemetery. The potential legal ramifications are not known at this time.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2011

NOTE J: TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between the functional areas of the primary government were as follows for the year ended June 30, 2011.

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>Fire Protection</u>	<u>ODS (Refuse Svc)</u>	<u>Cemetery Operating</u>	
Ravia Public Works	\$ 2,223	\$ 0	\$ 0	\$ 2,223
General Fund	0	16,832	0	16,832
Cemetery Perpetual Care	0	0	76	76
Total	<u>\$ 2,223</u>	<u>\$ 16,832</u>	<u>\$ 76</u>	<u>\$ 19,131</u>

Internal transfers are made between accounts at the organizational level to appropriately track cash balances by function, even though the activities may be presented in the financial statements as part of the same fund. The activity presented above for the year ended June 30, 2011 gives an indication of the transfers between the functional areas of services provided by the primary government and the corresponding activities benefited by the transfers.

NOTE K: RECEIVABLES AND PAYABLES

Receivables

	<u>Utility Fees</u>	<u>Total</u>
Business-Type Activities:		
Water and Sewer	\$ 13,358	\$ 13,358

Payables

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 0	\$ 886	\$ 0	\$ 886
Total Governmental Activities	<u>\$ 0</u>	<u>\$ 886</u>	<u>\$ 0</u>	<u>\$ 886</u>
Business-Type Activities:				
Water and Sewer	\$ 907	\$ 774	\$ 20,565	\$ 22,246
Total Business-Type Activities	<u>\$ 907</u>	<u>\$ 774</u>	<u>\$ 20,565</u>	<u>\$ 22,246</u>

NOTE L: SUBSEQUENT EVENTS

Date of Management Evaluation – Management of the Town of Ravia has evaluated subsequent events through January 30, 2012, the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S 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

Honorable Mayor and Board of Trustees
The Town of Ravia, Oklahoma
Ravia, Oklahoma

We have audited the financial statements of the Town of Ravia, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated January 30, 2012. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Ravia, Oklahoma'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 Ravia, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ravia, 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.

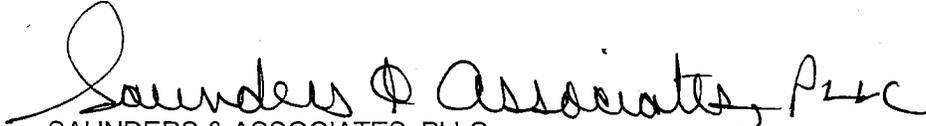
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 08-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town of Ravia, Oklahoma'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 10-1 and 11-1.

The organization'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 Ravia, Oklahoma's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the organization, 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.


SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

January 30, 2012

SUPPLEMENTAL INFORMATION

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis (See Note 1)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2010	\$ 163,533	\$ 163,533	\$ 163,533	\$ 0
<u>Resources (Inflows):</u>				
Taxes	36,590	36,590	35,117	(1,473)
Franchise Tax	13,818	13,818	13,562	(256)
Street and Alley	3,958	3,958	3,615	(343)
Garbage Collection	57,710	57,710	56,103	(1,607)
Cemetery Fees	6,412	6,412	4,804	(1,608)
Interest	10	10	80	70
Donations	649	649	0	(649)
Miscellaneous Income	536	536	1,756	1,220
Other Revenue	2,906	2,906	0	(2,906)
Grant Revenue	42,650	42,650	0	(42,650)
Amounts Available for Appropriation	<u>328,772</u>	<u>328,772</u>	<u>278,570</u>	<u>(50,202)</u>
<u>Charges to Appropriations (Outflows):</u>				
Administration	13,509	13,909	13,216	693
Trustees	2,253	2,953	2,588	365
Community Center	3,742	2,742	2,686	56
Street and Alley	8,714	8,714	7,570	1,144
Legal	4,179	4,779	3,546	1,233
Materials and Supplies	8,012	9,012	7,707	1,305
Security Lighting (Cemetery)	1,210	1,210	1,193	17
Headstones (Cemetery)	665	665	0	665
Operations	45,794	45,794	41,360	4,434
Other Services and Charges	7,290	5,590	5,571	19
Capital Outlay	5,310	15,310	20,268	(4,958)
Total Charges to Appropriations	<u>100,678</u>	<u>110,678</u>	<u>105,705</u>	<u>4,973</u>
 FUND BALANCE, JUNE 30, 2011	 <u>\$ 228,094</u>	 <u>\$ 218,094</u>	 <u>\$ 172,865</u>	 <u>\$ 45,229</u>

Note 1 - Explanation of Differences Between Inflows and GAAP Revenues and Expenditures

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	\$ 278,570
Adjustments:	
The fund balance at the beginning of the year is a budgetary resource but is not a current -year revenue for GAAP reporting.	<u>(163,533)</u>
Total Revenues for general fund on a GAAP basis of accounting	<u>\$ 115,037</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FIRE FUND

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis (See Note 1)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2010	\$ 21,099	\$ 21,099	\$ 21,099	\$ 0
<u>Resources (Inflows):</u>				
Sales Tax	14,260	14,260	13,812	(448)
Miscellaneous Income	450	450	661	211
Fire Subscriptions	4,025	4,025	4,415	390
Fire Runs	1,770	1,770	1,156	(614)
Grant Revenue	50,000	40,000	59,988	19,988
Transfers In	5,000	5,000	0	(5,000)
Amounts Available for Appropriation	<u>96,604</u>	<u>86,604</u>	<u>101,131</u>	<u>14,527</u>
<u>Charges to Appropriations (Outflows):</u>				
Personnel Services	3,820	3,520	4,096	(576)
Operations	18,620	16,732	11,856	4,876
Capital Outlay	13,065	15,253	1,697	13,556
Grant Expenses	50,000	40,000	59,988	(19,988)
Total Charges to Appropriations	<u>85,505</u>	<u>75,505</u>	<u>77,637</u>	<u>(2,132)</u>
 FUND BALANCE, JUNE 30, 2011	 <u>\$ 11,099</u>	 <u>\$ 11,099</u>	 <u>\$ 23,494</u>	 <u>\$ 12,395</u>

Note 1 - Explanation of Differences Between Inflows and GAAP Revenues and Expenditures

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	\$ 101,131
Adjustments:	
The fund balance at the beginning of the year is a budgetary resource but is not a current -year revenue for GAAP reporting.	<u>(21,099)</u>
Total Revenues for general fund on a GAAP basis of accounting	<u>\$ 80,032</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

CDBG FUND

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2010	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows):				
Grant Revenue	42,650	42,650	36,014	\$ (6,636)
Amount Available for Appropriation	42,650	42,650	36,014	(6,636)
Charges to Appropriations (Outflows):				
Grant Expenses	42,650	42,650	36,014	6,636
Total Charges to Appropriations	42,650	42,650	36,014	6,636
FUND BALANCE, JUNE 30, 2011	\$ 0	\$ 0	\$ 0	\$ 0

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

COMBINING GOVERNMENTAL FUNDS BALANCE SHEET
OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

June 30, 2011

	<u>Cemetery Perpetual Care Fund</u>	<u>Total Other Governmental Funds</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 0	\$ 0
Total Current Assets	0	0
Restricted Assets:		
Cash - Restricted	6,293	6,293
Total Restricted Assets	6,293	6,293
 TOTAL ASSETS	\$ 6,293	\$ 6,293
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Current Liabilities:		
Accrued Expenditures	\$ 0	\$ 0
Total Current Liabilities	0	0
 Total Liabilities	0	0
 Fund Balances:		
Nonspendable	6,293	6,293
Restricted For:		
Street and Alley	0	0
Special Projects	0	0
Committed For:		
Cemetery Operations	0	0
Building Maintenance	0	0
Assigned	0	0
Unassigned	0	0
Total Fund Balances	6,293	6,293
 TOTAL LIABILITIES AND FUND BALANCES	\$ 6,293	\$ 6,293

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2011

	<u>Cemetery Perpetual Care Fund</u>	<u>Total Other Governmental Funds</u>
<u>REVENUES</u>		
Sales Tax	\$ 0	\$ 0
Gas Tax	0	0
Alcoholic Beverage Tax	0	0
Motor Vehicle Tax	0	0
Trash Service	0	0
Franchise Tax	0	0
Interest	7	7
Use Tax	0	0
Building Permits	0	0
Business Licenses	0	0
Cemetery Fees	686	686
Fire Subscription Revenue	0	0
Fire Runs	0	0
Grant Revenue	0	0
Miscellaneous	0	0
Total Revenues	693	693
<u>EXPENDITURES</u>		
Personnel Services	0	0
Maintenance and Operation	0	0
Capital Outlay	0	0
Grant Expenses	0	0
Total Expenditures	0	0
Excess of Revenues Over (Under) Expenditures	693	693
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)	76	76
Total Other Financing Sources (Uses)	76	76
Excess Revenues and Other Sources Over (Under) Revenues and Other Uses	769	769
Fund Balance, Beginning	5,524	5,524
FUND BALANCE, ENDING	\$ 6,293	\$ 6,293

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF GRANT ACTIVITY

13588 CDBG 08

For the Year Ended June 30, 2011

HUD Community Development Block Grant (CDBG), CFDA No. 14.288
Passed Through Oklahoma Department of Commerce
Funding Period June 4, 2009 through June 4, 2011

	<u>Budget</u>	<u>Contract-to- Date Activity 06/30/10</u>	<u>Contract-to- Date Activity 06/30/11</u>	<u>Total</u>	<u>Over (Under) Budget</u>
Project Costs	\$ 147,459	\$ 111,445	\$ 36,014	\$ 147,459	\$ 0
Administration	8,847	2,212	0	2,212	(6,635)
Matchng Funds	<u>143,272</u>	<u>35,205</u>	<u>61,815</u>	<u>97,020</u>	<u>(46,252)</u>
TOTAL PROJECT COSTS	\$ <u>299,578</u>	\$ <u>148,862</u>	\$ <u>97,829</u>	\$ <u>246,691</u>	\$ <u>(52,887)</u>

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2011

08-1 SEGREGATION OF DUTIES

Condition: Due to the limited number of personnel involved in the operation of the fiscal office, most of those aspects of internal control which rely upon a adequate segregation of duties are, for all practical purposes, missing in the organization.

Current Status: See current audit finding 08-1.

10-1 BUDGET AND APPROPRIATIONS

Condition: Ravia's expenditures in certain departments and accounts within departments exceeded the budget appropriation for the year.

Current Status: See Current audit finding 10-1.

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2011

08-1 SEGREGATION OF DUTIES

Criteria: Adequate segregation of duties is a critical factor within an organization's internal control to separate custody, recording and reporting functions of the financial process.

Condition: Due to the limited number of personnel involved in the operation of the fiscal office, most of those aspects of internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the organization.

Recommendation: We recognize that the organization's administration is not large enough to make the employment of additional persons, for the purpose of segregating duties, practical from a cost-benefit standpoint. However, SAUNDERS & ASSOCIATES, PLLC recommends, at minimum, increased oversight by Town Trustees to minimize the effects of separation of duties issues.

Reply: The Town has hired a part-time office employee to assist with the segregation of duties.

10-1 BUDGET AND APPROPRIATIONS

Criteria: Oklahoma Statutes, Title 62, Section 17-215 states "No encumbrance or expenditure may be authorized or made by any officer or employee, which exceeds the available appropriation for each classification level defined by Section 17-213..."

Condition: Ravia's expenditures in certain departments and accounts within departments exceeded the budget appropriation for the year.

Cause/Effect: Illegal expenditures can be made when budget appropriations are exceeded.

Recommendation: SAUNDERS & ASSOCIATES recommends Ravia make adjustments to budget appropriation accounts to ensure that all expenditures are made within the available appropriations.

Reply: The Council will be more diligent in their oversight of the finances and in adhering to compliance with regulations.

* The accompanying notes are an integral part of the financial statements.

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2011

11-1 NON-COMPLIANCE WITH PROVISIONS OF DAVIS-BACON ACT

Criteria: Federal regulations require compliance with the Davis-Bacon Act for construction activities in excess of \$2,000 financed by federal assistance funds.

Condition: The Town had construction activities during the audit period in the CDBG program that exceeded the \$2,000 threshold. The bid solicitation issued for these activities specified that the construction activities were subject to the Davis-Bacon Act. It does not appear that certified payrolls were obtained on the activities, nor could documentation be provided confirming that site interviews were conducted.

Cause/Effect: The Town could potentially be out of compliance with the Davis-Bacon Act on their construction activities.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends that the Town enhance procedures to ensure that not only the Davis-Bacon Act is complied with on all appropriate construction activities, but also that the appropriate documentation is obtained and can be easily retrieved.

Reply: The Council will be more diligent in their oversight of the finances and in adhering to compliance with the Act.

* The accompanying notes are an integral part of the financial statements.