

***Town of Ravia, Oklahoma***

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

*For the Year Ended June 30, 2013*

***SAUNDERS & ASSOCIATES, PLLC***  
***Certified Public Accountants***

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TOWN OF RAVIA, OKLAHOMA

AUDIT REPORT

June 30, 2013

BOARD OF TRUSTEES

Clarence Victor-Love

Mayor

Ricky Kreger

Vice-Mayor

Terry McSwain

Trustee

J. D. Lane

Trustee

Angie Oxley

Town Clerk/Trust Clerk

TOWN OF RAVIA, OKLAHOMA

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June 30, 2013

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# Saunders & Associates, PLLC

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Ravia's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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 29 through 31 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ravia, Oklahoma's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014 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* in considering the Town of Ravia, Oklahoma's internal control over financial reporting and compliance.

*Saunders & Associates, PLLC*

SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

February 10, 2014

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2013

“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, 2013. 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 Position 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 Position 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, deferred inflows, liabilities and deferred outflows 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 position and changes in them. You can think of the Town's net position – the difference between assets, deferred inflows, liabilities and deferred outflows – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is 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 tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position 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, 2013

“UNAUDITED”

Reporting the Town’s Most Significant Funds

Our analysis of the Town’s major funds begins on page 6. 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 Position 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 Position and the Statement of Activities. Additional detail, such as cash flows is provided for the enterprise funds.

**THE TOWN AS A WHOLE**

Net Position

For the year ended June 30, 2013, the Town’s combined net position changed as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Net Position	\$ 624,175	\$ 522,483	\$ 1,146,658
Increase (Decrease) in Net Position	<u>( 43,942)</u>	<u>( 20,413)</u>	<u>( 64,355)</u>
Ending Net Position	<u>\$ 580,233</u>	<u>\$ 502,070</u>	<u>\$ 1,082,303</u>

This reflects a decrease of 5.6% overall. In comparison, last years combined net position decreased 4.7%. Looking at the net position 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, 2013

"UNAUDITED"

TABLE 1 – NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>06/30/13</u>	<u>06/30/12</u>	<u>06/30/13</u>	<u>06/30/12</u>	<u>Primary Government</u>	<u>06/30/12</u>	
Capital Assets	\$ 470,986	\$ 461,817	\$ 510,170	\$ 551,512	\$ 981,156	\$ 1,013,329	-3.2%
Current and Other Assets	115,260	161,880	146,557	143,324	261,817	305,204	-14.3%
Total Assets	<u>\$ 586,246</u>	<u>\$ 623,697</u>	<u>\$ 656,727</u>	<u>\$ 694,836</u>	<u>\$ 1,242,973</u>	<u>\$ 1,318,533</u>	<u>-5.7%</u>
Long-Term Liabilities	\$ 0	\$ 0	\$ 111,896	\$ 130,485	\$ 111,896	\$ 130,485	-14.2%
Other Liabilities	6,013	( 478)	42,761	41,868	48,774	41,390	-17.8%
Total Liabilities	<u>\$ 6,013</u>	<u>\$ ( 478)</u>	<u>\$ 154,657</u>	<u>\$ 172,353</u>	<u>\$ 160,670</u>	<u>\$ 171,875</u>	<u>-6.5%</u>
<b>Net Position</b>							
<b>Net Investment in</b>							
Capital Assets	\$ 470,986	\$ 461,817	\$ 380,780	\$ 401,110	\$ 851,766	\$ 862,927	-1.3%
Restricted	8,195	7,687	15,289	15,282	23,484	22,969	2.2%
Unrestricted	101,052	154,671	106,001	106,091	207,053	260,762	-20.6%
Total Net Position	<u>\$ 580,233</u>	<u>\$ 624,175</u>	<u>\$ 502,070</u>	<u>\$ 522,483</u>	<u>\$ 1,082,303</u>	<u>\$ 1,146,658</u>	<u>-5.6%</u>

Net position of the Town's governmental activities decreased by 7.0% (from \$624,175 to \$580,233). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by 34.7% from \$154,671 to \$101,052.

The net position of our business-type activities decreased by 3.9% from \$522,483 to \$502,070.

Changes in Net Position

The Town's total revenues (including special items) increased by 2.9% (\$9,270). Table 2 and the narrative that follows considers the operations of governmental and business-type activities separately.

TABLE 2 – CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>06/30/13</u>	<u>06/30/12</u>	<u>06/30/13</u>	<u>06/30/12</u>	<u>Primary Government</u>	<u>06/30/12</u>	
<b>Program Revenues:</b>							
Charges for Services	\$ 70,385	\$ 69,027	\$ 150,460	\$ 160,768	\$ 220,845	\$ 229,795	-3.9%
Operating Grants/ Contributions	13,000	11,000	0	0	13,000	11,000	18.2%
Capital Grants/ Contributions	22,103	6,635	0	0	22,103	6,635	233.1%
<b>General Revenues</b>							
Franchise Taxes	13,551	14,313	0	0	13,551	14,313	-5.3%
Public Service Taxes	56,321	55,209	0	0	56,321	55,209	2.0%
Interest	22	47	27	57	49	104	-52.9%
Miscellaneous	1,957	2,123	5,690	5,067	7,647	7,190	6.4%
Total Revenues	<u>177,339</u>	<u>158,354</u>	<u>156,177</u>	<u>165,892</u>	<u>333,516</u>	<u>324,246</u>	<u>2.9%</u>

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2013

"UNAUDITED"

TABLE 2 – CHANGES IN NET POSITION, CONTINUED

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>06/30/13</u>	<u>06/30/12</u>	<u>06/30/13</u>	<u>06/30/12</u>	<u>Primary Government</u>	<u>06/30/12</u>	
Program Expenses:							
General Government	166,596	118,367	0	0	166,596	118,367	40.7%
Fire Protection	54,685	70,161	0	0	54,685	70,161	-22.1%
CDBG Grant	0	6,635	0	0	0	6,635	100.0%
Water	0	0	176,590	185,671	176,590	185,671	-4.9%
Total Expenses	<u>221,281</u>	<u>195,163</u>	<u>176,590</u>	<u>185,671</u>	<u>397,871</u>	<u>380,834</u>	<u>4.5%</u>
Excess Before							
Contributions, Etc.	( 43,942)	( 36,809)	( 20,413)	( 19,779)	( 64,355)	( 56,588)	13.7%
Transfers	0	0	0	0	0	0	0.0%
Change in Net Position	<u>\$( 43,942)</u>	<u>\$( 36,809)</u>	<u>\$( 20,413)</u>	<u>\$( 19,779)</u>	<u>\$( 64,355)</u>	<u>\$( 56,588)</u>	<u>13.7%</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>06/30/13</u>	<u>06/30/12</u>	<u>% Change</u>	<u>06/30/13</u>	<u>06/30/12</u>	<u>% Change</u>
General Government	\$ 166,596	\$ 118,367	40.7%	\$( 89,433)	\$( 36,390)	145.8%
Fire Protection	54,685	70,161	-22.1%	( 48,463)	( 65,476)	-26.0%
CDBG Grant	0	6,635	-100.0%	22,103	( 6,635)	-433.1%
Total	<u>\$ 221,281</u>	<u>\$ 195,163</u>	<u>13.4%</u>	<u>\$( 115,793)</u>	<u>\$( 108,501)</u>	<u>6.7%</u>

The cost of all governmental activities this year was \$221,281 compared to \$195,163 last year, an increase of \$26,118. Some of the costs were paid by those who directly benefited from the program. Additionally, grant expenses were fully funded by grants. Ultimately, the taxpayers financed approximately 95% of the cost.

**THE TOWN'S FUNDS**

Business-Type Activities

Revenues of the Town's business type activities decreased by 5.9% (\$156,177 in 2013 compared to \$165,892 in 2012) and expenses decreased by 4.9% (\$176,590 in 2013 compared to \$185,671 in 2012). The decrease in revenues and expenses is primarily due to the decrease in costs of services provided and billed to customers.

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2013

"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 balance of \$109,247 which is a decrease of \$53,111 (32.7%) from last year's total of \$162,358.

**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, 2013, the Town had approximately \$2.7 million invested in capital assets, including land, buildings, vehicles and equipment, and water and sewer lines. (See table below). Capital asset acquisitions during 2013 were composed of miscellaneous equipment/fixtures and construction for an animal shelter. Business-type activity acquisitions were comprised of equipment.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 40,700	\$ 40,700	\$ 0	\$ 0	\$ 40,700	\$ 40,700
Building and Improvements	493,481	493,481	0	0	493,481	493,481
Construction in Progress	10,729	0	0	0	10,729	0
Water and Sewer Improvements	0	0	1,521,432	1,521,432	1,521,432	1,521,432
Vehicles and Equipment	458,144	435,454	116,261	114,394	574,405	549,848
Furniture & Fixtures	38,794	33,425	0	0	38,794	33,425
<b>Total</b>	<b>\$ 1,041,848</b>	<b>\$ 1,003,060</b>	<b>\$ 1,637,693</b>	<b>\$ 1,635,826</b>	<b>\$ 2,679,241</b>	<b>\$ 2,638,886</b>

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

Debt

At year-end, the Town had \$129,390 in outstanding notes compared to \$150,402 last year. That is a decrease of 14.0% as shown in the following table.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Note Obligations	\$ 0	\$ 0	\$ 129,390	\$ 150,402	\$ 129,390	\$ 150,402

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, 2013

"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 2014 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 POSITION

June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 102,913	\$ 94,182	\$ 197,095
Accounts Receivable	5,132	14,116	19,248
Total Current Assets	<u>108,045</u>	<u>108,298</u>	<u>216,343</u>
Non-Current Assets:			
Restricted Cash	7,215	38,259	45,474
Property, Plant and Equipment:			
Land	40,700	0	40,700
Buildings and Improvements	493,481	0	493,481
Construction in Progress	10,729	0	10,729
Water and Sewer Improvements	0	1,521,432	1,521,432
Vehicles and Equipment	458,144	116,261	574,405
Furniture and Fixtures	38,794	0	38,794
Less: Accumulated Depreciation	(570,862)	(1,127,523)	(1,698,385)
Total Non-Current Assets	<u>478,201</u>	<u>548,429</u>	<u>1,026,630</u>
Total Assets	<u>586,246</u>	<u>656,727</u>	<u>1,242,973</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>0</u>	<u>0</u>	<u>0</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable & Accrued Expenses	6,013	2,627	8,640
Customer Deposits	0	22,640	22,640
Current Portion - Long-Term Debt	0	17,494	17,494
Total Current Liabilities	<u>6,013</u>	<u>42,761</u>	<u>48,774</u>
Non-Current Liabilities:			
Long-Term Debt (Net of Current Portion)	0	111,896	111,896
Total Non-Current Liabilities	<u>0</u>	<u>111,896</u>	<u>111,896</u>
Total Liabilities	<u>6,013</u>	<u>154,657</u>	<u>160,670</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	470,986	380,780	851,766
Restricted for:			
Special Projects	780	0	780
Cemetery Perpetual Care	7,415	0	7,415
Debt Service	0	15,289	15,289
Unrestricted	<u>101,052</u>	<u>106,001</u>	<u>207,053</u>
Total Net Position	<u>\$ 580,233</u>	<u>\$ 502,070</u>	<u>\$ 1,082,303</u>

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

TOWN OF RAVIA, OKLAHOMA  
STATEMENT OF ACTIVITIES

For the Year Ended June, 30, 2013

PRIMARY GOVERNMENT: Governmental Activities: General Government Fire Protection Grant Fund Total Governmental Activities Business-Type Activities: Water Total Business-Type Activities  TOTAL PRIMARY GOVERNMENT	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business Type Activities	
\$ 166,596 \$ 64,163 \$ 13,000 \$ 0 \$				(89,433)	\$	(89,433)	
54,685 6,222 0 0				(48,463)		(48,463)	
0 0 0 22,103			22,103	22,103		22,103	
221,281 70,385 13,000 22,103			22,103	(115,793)		(115,793)	
176,590 150,460 0 0				(26,130)		(26,130)	
176,590 150,460 0 0				(26,130)		(26,130)	
\$ 397,871 \$ 220,845 \$ 13,000 \$ 22,103			22,103	(115,793)		(141,923)	
General Revenues: Taxes: Franchise Taxes Public Service Taxes Unrestricted Investment Earnings Miscellaneous Total General Revenues, Special Items and Transfers				13,551 56,321 22 1,957 71,851	0 0 27 5,690 5,717	13,551 56,321 49 7,647 77,568	
Change in Net Position				(43,942)	(20,413)	(64,355)	
Net Position June 30, 2012				624,175	522,483	1,146,658	
Net Position June 30, 2013				\$ 580,233	\$ 502,070	\$ 1,082,303	

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

TOWN OF RAVIA, OKLAHOMA

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2013

	Major Funds			Other Govern- mental Funds	Total Govern- mental Funds
	General Fund	Fire Protection Fund	Grant Fund		
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 95,767	\$ 7,143	\$ 3	\$ 0	\$ 102,913
Due From Other Funds	0	114	0	200	314
Accounts Receivable	5,132	0	0	0	5,132
Total Current Assets	<u>100,899</u>	<u>7,257</u>	<u>3</u>	<u>200</u>	<u>108,359</u>
Restricted Assets:					
Cash - Restricted	0	0	0	7,215	7,215
Total Restricted Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,215</u>	<u>7,215</u>
Total Assets	<u>100,899</u>	<u>7,257</u>	<u>3</u>	<u>7,415</u>	<u>115,574</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accrued Expenditures	5,324	689	0	0	6,013
Due To Other Funds	314	0	0	0	314
Total Current Liabilities	<u>5,638</u>	<u>689</u>	<u>0</u>	<u>0</u>	<u>6,327</u>
Total Liabilities	<u>5,638</u>	<u>689</u>	<u>0</u>	<u>0</u>	<u>6,327</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>					
Nonspendable	0	0	0	0	0
Restricted For:					
Special Projects	777	0	3	0	780
Cemetery Perpetual Care	0	0	0	7,415	7,415
Committed For:					
Cemetery Operations	7,722	0	0	0	7,722
Fire Protection	0	6,568	0	0	6,568
Assigned	23,043	0	0	0	23,043
Unassigned	63,719	0	0	0	63,719
Total Fund Balances	<u>\$ 95,261</u>	<u>\$ 6,568</u>	<u>\$ 3</u>	<u>\$ 7,415</u>	<u>\$ 109,247</u>

Fund Balance - Total Governmental Funds \$ 109,247

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.

470,986

Net Postion of Governmental Activities \$ 580,233

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

TOWN OF RAVIA, OKLAHOMA

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

For the Year Ended June 30, 2013

	General Fund	Fire Fund	Grant Fund	Other Govern- mental Funds	Total Govern- mental Funds
<b>REVENUES</b>					
Sales Tax	\$ 26,994	\$ 13,477	\$ 0	\$ 0	\$ 40,471
Gas Tax	991	0	0	0	991
Alcohol Tax	8,529	0	0	0	8,529
Cigarette Tax	528	0	0	0	528
Motor Vehicle Tax	3,549	0	0	0	3,549
Trash Service	62,108	0	0	0	62,108
Franchise Tax	13,551	0	0	0	13,551
Interest	18	1	0	3	22
Use Tax	2,253	0	0	0	2,253
Building Permits	213	0	0	0	213
Business Licenses	373	0	0	0	373
Cemetery Fees	1,750	0	0	305	2,055
Fire Subscription Revenue	0	3,210	0	0	3,210
Fire Runs	0	3,012	0	0	3,012
Grant Revenue	13,000	0	22,103	0	35,103
Miscellaneous	1,217	154	0	0	1,371
Total Revenues	<u>135,074</u>	<u>19,854</u>	<u>22,103</u>	<u>308</u>	<u>177,339</u>
<b>EXPENDITURES</b>					
Personnel Services	27,304	4,650	0	0	31,954
Maintenance and Operation	122,152	28,336	0	0	150,488
Capital Outlay	12,558	0	0	0	12,558
Grant Expenditures	13,347	0	22,103	0	35,450
Total Expenditures	<u>175,361</u>	<u>32,986</u>	<u>22,103</u>	<u>0</u>	<u>230,450</u>
Excess of Revenues Over (Under) Expenditures	<u>(40,287)</u>	<u>(13,132)</u>	<u>0</u>	<u>308</u>	<u>(53,111)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In (Out)	(10,200)	10,000	0	200	0
Total Other Financing Sources (Uses)	<u>(10,200)</u>	<u>10,000</u>	<u>0</u>	<u>200</u>	<u>0</u>
Excess Revenues and Other Sources Over (Under)					
Revenues and Other Uses	(50,487)	(3,132)	0	508	(53,111)
Fund Balance, Beginning	145,748	9,700	3	6,907	162,358
<b>FUND BALANCE, ENDING</b>	<u>\$ 95,261</u>	<u>\$ 6,568</u>	<u>\$ 3</u>	<u>\$ 7,415</u>	<u>\$ 109,247</u>
Net Change in Fund Balances - Total Governmental Funds					\$ (53,111)
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 (\$29,619) exceeded capital outlays (\$38,788) in the					
current period.					
					<u>9,169</u>
Change in Net Position of Governmental Activities					<u>\$ (43,942)</u>

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

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2013

	<u>Public Works Authority</u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 94,182
Accounts Receivable	14,116
Total Current Assets	<u>108,298</u>
Noncurrent Assets:	
Cash - Water Deposits	22,970
Reserve Account	15,289
Total Restricted Assets	<u>38,259</u>
Property, Plant and Equipment - Note B:	
Water and Sewer System	1,521,432
Vehicles and Equipment	116,261
Total Property, Plant and Equipment	<u>1,637,693</u>
Less Accumulated Depreciation	<u>(1,127,523)</u>
Net Property, Plant and Equipment	<u>510,170</u>
Total Noncurrent Assets	
Total Assets	<u>656,727</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u>0</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Customer Deposits	22,640
Accounts Payable	1,439
Payroll Liabilities	1,188
Current Portion of Long Term Liabilities	17,494
Total Current Liabilities	<u>42,761</u>
Long Term Liabilities:	
Promissory Notes Payable (Net of Current Portion)	<u>111,896</u>
Total Long-Term Liabilities	<u>111,896</u>
Total Liabilities	<u>154,657</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>0</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	380,780
Restricted for Debt Service	15,289
Unrestricted	<u>106,001</u>
TOTAL NET POSITION	<u>\$ 502,070</u>

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

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2013

	<u>Public Works Authority</u>
<b>Operating Revenues</b>	
Charges for Services	\$ 150,460
Lease Revenue	<u>5,690</u>
Total Operating Revenues	<u>156,150</u>
<b>Operating Expenses</b>	
Personnel Services	75,120
Maintenance and Operation	46,258
Capital Outlay	4,869
Depreciation	<u>43,208</u>
Total Operating Expenses	<u>169,455</u>
Operating Income (Loss)	<u>(13,305)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	27
Interest Expense	<u>(7,135)</u>
Total Non-Operating Revenues (Expenses)	<u>(7,108)</u>
Income (Loss) Before Other Financing Sources (Uses)	(20,413)
<b>Other Financing Sources (Uses)</b>	
Operating Transfers In (Out)	<u>0</u>
Total Other Sources (Uses)	<u>0</u>
Net Income (Loss)	(20,413)
Net Position Beginning	<u>522,483</u>
<b>NET POSITION ENDING</b>	<u>\$ 502,070</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, 2013

	<u>Public Works Authority</u>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 153,399
Payments to Suppliers	(50,595)
Payments to Employees	(75,277)
Other Receipts (Payments)	5,690
Net Cash Provided (Used) by Operating Activities	<u>33,217</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>0</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchases of Capital Assets	(1,866)
Principal Paid on Capital Debt	(21,010)
Interest Paid on Capital Debt	(7,135)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(30,011)</u>
<b>Cash Flows Provided by Investing Activities</b>	
Interest	<u>27</u>
Net Cash Provided (Used) by Investing Activities	<u>27</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,233
Cash and Cash Equivalents, June 30, 2012	<u>129,208</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2013</b>	<b><u>\$ 132,441</u></b>
<u>Cash Consists of:</u>	
Demand Deposits	\$ 94,182
Restricted Deposits	<u>38,259</u>
<b>TOTAL CASH, END OF YEAR</b>	<b><u>\$ 132,441</u></b>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (13,305)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	43,208
Change in Assets and Liabilities:	
Increase in Accounts Payable	530
Increase in Customer Deposits Payable	2,939
Decrease in Payroll Liabilities	<u>(155)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 33,217</u></b>

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

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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*). 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 public works services are classified as a business-type activity.

In the government-wide Statement of Net Position, 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 position is reported in three parts: net investments in capital assets, restricted and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

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.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 position 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, deferred inflows, liabilities, deferred outflows, reserves, fund balances, 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 position, 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 Ravia Public Works Authority.

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.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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:

- Non-spendable - Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact. The Town has no items meeting this classification at June 30, 2013.
- Restricted - Amounts that can be spent only for specific purposes because city ordinance, state or federal laws, or externally imposed conditions by grantors or creditors. The Town has restricted 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. Additionally, the Town classified cash maintained by law for perpetual cemetery care as restricted resources at June 30, 2013.
- Committed: Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution of the town council. The Town classified fund balances specifically designated for cemetery operations and fire protections as committed fund balances for the year ended June 30, 2013.
- Assigned - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the council. The Town classifies its savings account balance and reserve for community center operations as assigned at June 30, 2013.
- Unassigned - All amounts not included in other spendable classifications.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Deferred Inflows/Outflows of Resources – In addition to assets, the statement of net position and governmental fund balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Additionally, that statement of net position and governmental fund balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Town has no items that qualified for reporting in these categories.

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 may be 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.

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

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2013, 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.
- 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.

For the year ended June 30, 2013, expenditures exceed appropriations in the General Fund and the Fire Protection special revenue fund in various departments.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

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.

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TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

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.
  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.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

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.	0
3) Uncollateralized.	<u>2,536</u>
TOTAL	\$ <u>252,536</u>

NOTE E: CAPITAL ASSETS

Governmental Activities:

	<u>Primary Government</u>			
	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 40,700	\$ 0	\$ 0	\$ 40,700
Construction in Progress	<u>0</u>	<u>10,729</u>	<u>0</u>	<u>10,729</u>
Total Capital Assets not being Depreciated	<u>40,700</u>	<u>10,729</u>	<u>0</u>	<u>51,429</u>
<u>Other Capital Assets:</u>				
Buildings & Improvements	493,481	0	0	493,481
Vehicles & Equipment	435,454	22,690	0	458,144
Furniture & Fixtures	<u>33,425</u>	<u>5,369</u>	<u>0</u>	<u>38,794</u>
Total Other Capital Assets at Historical Costs	<u>962,360</u>	<u>38,788</u>	<u>0</u>	<u>1,041,848</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings & Improvements	( 139,229)	( 11,601)	0	( 150,830)
Vehicles & Equipment	( 381,965)	( 16,220)	0	( 398,185)
Furniture & Fixtures	<u>( 20,049)</u>	<u>( 1,798)</u>	<u>0</u>	<u>( 21,847)</u>
Total Accumulated Depreciation	<u>( 541,243)</u>	<u>( 29,619)</u>	<u>0</u>	<u>( 570,862)</u>
Other Capital Assets, Net	<u>421,117</u>	<u>9,169</u>	<u>0</u>	<u>470,986</u>
Governmental Activities Capital Assets, Net	\$ <u>461,817</u>	\$ <u>( 19,898)</u>	\$ <u>0</u>	\$ <u>522,415</u>

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

NOTE E: CAPITAL ASSETS, CONTINUED

**Business-Type Activities:**

	<b>Primary Government</b>			
	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
<u>Other Capital Assets:</u>				
Water & Sewer Improvements	\$ 1,521,432	\$ 0	\$ 0	\$ 1,521,432
Vehicles & Equipment	114,394	1,867	0	116,261
Total Other Assets at Historical Cost	1,635,826	1,867	0	1,637,693
<u>Less Accumulated Depreciation for:</u>				
Water & Sewer Improvements	( 1,026,554)	( 20,136)	0	( 1,046,690)
Vehicles & Equipment	( 57,761)	( 23,072)	0	( 80,833)
Total Accumulated Depreciation	( 1,084,315)	( 43,208)	0	( 1,127,523)
Other Capital Assets, Net	551,511	( 41,341)	0	510,170
Business-Type Activities Capital Assets, Net	\$ 551,511	\$( 41,341)	\$ 0	\$ 510,170

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 7,920
Fire Protection	21,699
Total Governmental Activities Depreciation Expense	\$ 29,619

Business-Type Activities:

Water & Sewer	\$ 43,208
Total Business-Type Activities Depreciation Expense	\$ 43,208

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, 2013

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%. \$ 31,983

\$90,000 for water and sewer system. Due in monthly installments of \$442 through 2020, interest rate of 5%. 28,611

\$51,000 for town hall building. Due in monthly installments of \$247 through 2022, interest rate of 5%. 19,943

Landmark Bank of Tishomingo, Oklahoma

\$55,142 for remodeling of community center. Due in monthly installments of \$395 through 2019, variable interest rate. 13,262

\$24,158 for 2007 Chevy Silverado. Due in 60 monthly installments of \$474.71 through February 2013, interest rate of 6.68%. 0

\$46,124 for sewer maintenance equipment. Due in 120 monthly installments of \$485 through September 2020, at an interest rate of 4.75% 35,591

Total 129,390

Less: Current Portion of Long-Term Debt ( 17,494)

TOTAL LONG-TERM DEBT \$ 111,896

Changes in long-term debt for the fiscal year ended June 30, 2013 were as follows:

	Principal Balance <u>06/30/12</u>	<u>Additions</u>	<u>Retirements</u>	Principal Balance <u>06/30/13</u>	Amounts Due Within <u>One Year</u>
Berkadia #1 – Water & Sewer	\$ 36,168	\$ 0	\$ 4,185	\$ 31,983	\$ 4,176
Berkadia #2 – Water & Sewer	32,388	0	3,777	28,611	3,758
Berkadia #3 – Town Hall	21,696	0	1,753	19,943	1,927
Landmark – Center	17,380	0	4,118	13,262	3,403
Landmark – Chevrolet Silverado	3,297	0	3,297	0	0
Landmark – Sewer Equipment	<u>39,473</u>	<u>0</u>	<u>3,882</u>	<u>35,591</u>	<u>4,230</u>
Total	<u>\$ 150,402</u>	<u>\$ 0</u>	<u>\$ 21,012</u>	<u>\$ 129,390</u>	<u>\$ 17,494</u>

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

NOTE F: LONG TERM DEBT, CONTINUED

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 17,494	\$ 7,016	\$ 24,510
2015	18,414	5,996	24,410
2016	19,382	5,128	24,510
2017	18,740	4,038	22,778
2018	17,152	3,034	20,186
2019-2023	<u>38,208</u>	<u>2,942</u>	<u>41,150</u>
	<u>\$ 129,390</u>	<u>\$ 28,154</u>	<u>\$ 157,544</u>

The loan agreement with Berkadia requires a reserve fund of \$11,200. At June 30, 2013, minimum reserve requirements had been met. Actual reserve at June 30, 2013 was \$15,289 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, 2013, the Town did not reduce insurance coverages from coverage levels in place as of June 30, 2012. 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.

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

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2013

NOTE J: TRANSFERS, CONTINUED

with budgetary authorizations. Transfers between the functional areas of the primary government were as follows for the year ended June 30, 2013.

<u>Transfer To</u>	<u>Transfer From</u> General Fund
Ravia Fire Protection Fund	\$ 10,000
Cemetery Perpetual Care Fund	<u>200</u>
	<u>\$ 10,200</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, 2013 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>Other</u>	<u>Utility Fees</u>	<u>Total</u>
Governmental Activities:			
Garbage Collection Fees	\$ 5,132	\$ 0	\$ 5,132
Business-Type Activities:			
Water and Sewer	<u>0</u>	<u>14,116</u>	<u>14,116</u>
Total Receivables	<u>\$ 5,132</u>	<u>\$ 14,116</u>	<u>\$ 19,248</u>

**Payables**

	<u>Vendors</u>	<u>Salaries Taxes &amp; Benefits</u>	<u>Customer Water Deposits</u>	<u>Total</u>
Governmental Activities:				
General	<u>\$ 3,779</u>	<u>\$ 2,234</u>	<u>\$ 0</u>	<u>\$ 6,013</u>
Business-Type Activities:				
Water and Sewer	<u>\$ 1,439</u>	<u>\$ 1,188</u>	<u>\$ 22,640</u>	<u>\$ 25,267</u>

NOTE L: LEASE AGREEMENT

During the year ended June 30, 2013, the Town entered into a 99 year lease for \$1 per year for land to be used for the animal shelter.

NOTE M: SUBSEQUENT EVENTS

Date of Management Evaluation – Management of the Town of Ravia has evaluated subsequent events through February 10, 2014, the date the financial statements were available to be issued.

# Saunders & Associates, PLLC

Certified Public Accountants

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Website: [www.saunderscpas.com](http://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

To the Board of Trustees  
Ravia, Oklahoma

We have audited the 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, 2013, which collectively comprise the Town of Ravia, Oklahoma's basic financial statements and have issued our report thereon dated February 10, 2014. We also have audited the financial statements of each of the Town of Ravia, Oklahoma's non-major governmental, funds presented as supplementary information in the accompanying combining fund financial statements of and for the year ended June 30, 2013, as listed in the table of contents. 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 of the financial statements, we considered Town of Ravia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Ravia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Ravia's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitation, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 08-1, 13-2 that we consider to be significant deficiencies.

However, we noted certain other matters that we reported to management of Town of Ravia in a separate letter dated February 10, 2014.

### **Compliance and Other Matters**

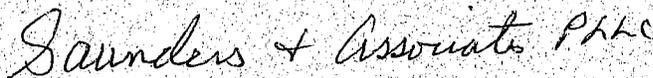
As part of obtaining reasonable assurance about whether Town of Ravia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 13-1 and 13-3.

### **Town of Ravia's Response to Findings**

The organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Ravia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

February 10, 2014

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, 2013

	<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, 2012	\$ 78,823	\$ 78,823	\$ 78,823	\$ 0
<u>Resources (Inflows):</u>				
Taxes	36,370	36,370	38,304	1,934
Franchise Tax	14,020	14,020	13,551	(469)
Street and Alley	4,410	4,410	4,540	130
Garbage Collection	58,820	58,820	62,108	3,288
Cemetery Fees	4,805	4,805	1,750	(3,055)
Interest	0	0	18	18
Donations	0	0	0	0
Miscellaneous Income	300	300	586	286
Other Revenue	1,170	1,170	1,217	47
Grant Revenue	0	0	13,000	13,000
Amounts Available for Appropriation	<u>198,718</u>	<u>198,718</u>	<u>213,897</u>	<u>15,179</u>
<u>Charges to Appropriations (Outflows):</u>				
Administration/Trustees	22,150	22,150	26,303	(4,153)
Community Center	4,882	4,882	2,139	2,743
Street and Alley	41,580	56,580	50,760	5,820
Legal	4,280	4,280	4,015	265
Materials and Supplies	16,560	16,560	11,990	4,570
Security Lighting (Cemetery)	1,230	1,230	1,379	(149)
Sanitation	41,445	41,445	54,800	(13,355)
Operations	19,076	19,076	6,550	12,526
Other Services and Charges	14,675	14,675	14,720	(45)
Capital Outlay	32,840	17,840	12,905	4,935
Total Charges to Appropriations	<u>198,718</u>	<u>198,718</u>	<u>185,561</u>	<u>13,157</u>
 FUND BALANCE, JUNE 30, 2013	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 28,336</u>	 <u>\$ (28,336)</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.	\$ 213,897
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>(78,823)</u>
Total Revenues for general fund on a GAAP basis of accounting	<u>\$ 135,074</u>

TOWN OF RAVIA, OKLAHOMA

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

FIRE FUND

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 2,000	\$ 2,000	\$ 2,000	\$ 0
<u>Resources (Inflows):</u>				
Sales Tax	14,420	14,420	13,477	(943)
Donations	295	295	154	(141)
Interest Income	0	0	1	
Fire Subscriptions	4,285	4,285	3,210	(1,075)
Fire Runs	810	810	3,012	2,202
Transfers In	10,000	10,000	10,000	0
Amounts Available for Appropriation	31,810	31,810	31,854	44
<u>Charges to Appropriations (Outflows):</u>				
Personnel Services	6,255	6,255	4,650	1,605
Other Services & Good	22,555	22,555	28,336	(5,781)
Grant	0	3,000	0	
Capital Outlay	3,000	0	0	0
Total Charges to Appropriations	31,810	31,810	32,986	(1,176)
 FUND BALANCE, JUNE 30, 2013	 \$ 0	 \$ 0	 \$ (1,132)	 \$ (1,132)

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

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	\$ 31,854
<u>Adjustments:</u>	
The fund balance at the beginning of the year is a budgetary resource but is not a current -year revenue for GAAP reporting.	(2,000)
Transfers shown as an other financing source for governmental funds	(10,000)
 Total revenues for fire protection fund on a GAAP basis of accounting	 \$ 19,854

TOWN OF RAVIA, OKLAHOMA

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

GRANT FUND

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows):				
Grant Revenue	22,103	22,103	22,103	
Transfer in from other funds	347	347	0	\$ (347)
Amount Available for Appropriation	22,450	22,450	22,103	(347)
Charges to Appropriations (Outflows):				
Grant Expenses	22,450	22,450	22,103	347
Total Charges to Appropriations	22,450	22,450	22,103	347
<b>FUND BALANCE, JUNE 30, 2013</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

TOWN OF RAVIA, OKLAHOMA

COMBINING GOVERNMENTAL FUNDS BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS - NON-MAJOR SPECIAL REVENUE FUND

June 30, 2013

	<u>Cemetery Perpetual Care Fund</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 0	\$ 0
Due From Other Funds	200	200
Accounts Receivable	0	0
Total Current Assets	<u>200</u>	<u>200</u>
Restricted Assets:		
Cash - Restricted	<u>7,215</u>	<u>7,215</u>
Total Restricted Assets	<u>7,215</u>	<u>7,215</u>
Total Assets	<u>7,415</u>	<u>7,415</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>0</u>	 <u>0</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accrued Expenditures	0	0
Due To Other Funds	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>0</u>	 <u>0</u>
<b>FUND BALANCES</b>		
Nonspendable	0	0
Restricted	7,415	7,415
Committed	0	0
Assigned	0	0
Unassigned	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 7,415</u>	<u>\$ 7,415</u>

TOWN OF RAVIA, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

OTHER GOVERNMENTAL FUNDS - NON-MAJOR SPECIAL REVENUE FUND

For the Year Ended June 30, 2013

	<u>Cemetery Perpetual Care Fund</u>	<u>Total Other Governmental Funds</u>
<b>REVENUES</b>		
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	3	3
Use Tax	0	0
Building Permits	0	0
Business Licenses	0	0
Cemetery Fees	305	305
Fire Subscription Revenue	0	0
Fire Runs	0	0
Grant Revenue	0	0
Miscellaneous	0	0
Total Revenues	308	308
<b>EXPENDITURES</b>		
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	308	308
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating Transfers In (Out)	200	200
Total Other Financing Sources (Uses)	200	200
Excess Revenues and Other Sources Over (Under) Revenues and Other Uses	508	508
Fund Balance, Beginning	6,907	6,907
<b>FUND BALANCE, ENDING</b>	\$ 7,415	\$ 7,415

TOWN OF RAVIA, OKLAHOMA

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2013

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.

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2013

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.

13-1 CASH BALANCES

Criteria: It is the responsibility of the organization to safeguard public funds and ensure cash in banks is adequately protected. Oklahoma Statutes, Title 62, Section 511-516 states deposits may not exceed the federal insurance limit unless secured by acceptable collateral. Currently, the Federal deposit Insurance Corporation (FDIC) insures balances up to \$250,000.

Condition: During our examination, we tested the periods of April through June 2013 and noted the unreconciled bank balances exceeded the FDIC maximum insured limits for each of the three months tested.

Cause/Effect: Ravia is in violation of State law with exposure of public funds in the amounts where the bank balance exceeded the available FDIC coverage.

Recommendation: We recommend Ravia obtain collateral to fully protect balances in excess of FDIC coverage.

Reply: The Town has contacted our bank and is working on this issue.

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2013

13-2 CONSISTENT AND COMPLETE USE OF PURCHASE ORDERS

Criteria: Oklahoma Statutes, Title 62, Section 310.1-310.9 states unless otherwise provided by ordinance, municipalities are required to follow the provisions of this Act (use of purchase orders) when acquiring goods and services. Purchase orders are to be signed by the clerk, signifying written approval, have all supporting documentation attached and signed by the governing body to signify approval for payment of the invoice and amount to be disbursed.

Purchase orders are required in all instances except where a resolution of the governing body states otherwise or for regular periodic billings for any municipal utility or public utility. Additionally, blanket purchase orders for recurring purchases, approved by the governing body, may be used. However, before transacting the purchase pursuant to a blanket purchase order, the order shall be submitted to the governing body for approval.

Condition: During our examination of town disbursements, we noted inconsistencies when purchase orders were prepared and also in the approval of purchase orders by governing body.

Cause/Effect: Written policies do not exist for the Town that document what disbursements require purchase orders or what items could benefit from the approval of a blanket purchase order. All purchase orders should be approved by the governing body as required by law.

Recommendation: We recommend Ravia update policies to identify circumstances in which purchase orders are required for disbursements. Additionally, invoices should not be paid until the purchase order (if applicable) is approved by all required parties.

Reply: We are working on Blanket Purchase Orders with Policies to correct issues.

13-3 BUDGET AND APPROPRIATIONS

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

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

Cause/Effect: Inadequate planning and control over budgeting allowed budgeted appropriations to be exceeded.

Recommendation: We recommend Ravia adequately plan and design activities to accommodate the annual budget and institute budgetary controls to ensure expenditures are made within the available appropriations.

Reply: The Town is working with CPA to correct issue.

*Memorandum of Suggestions on Accounting  
Procedures and System of Internal Controls*

*Town of Ravia, Oklahoma*

*For the Year Ended June 30, 2013*

*Contact Person  
G. B. Saunders*

*February 10, 2014*

**SAUNDERS & ASSOCIATES, PLLC**

*Certified Public Accountants*

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To the Board of Trustees  
Town of Ravia, Oklahoma

The accompanying Management Letter includes suggestions for improvement of accounting procedures and internal accounting controls that came to our attention as a result of our examination of the financial statements of the Town of Ravia, Oklahoma, for the year ended June 30, 2013. The matters discussed herein were considered by us during our examination and do not modify the opinion expressed in our auditor's report dated February 10, 2014 on such financial statements.

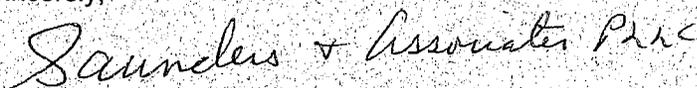
In accordance with auditing standards generally accepted in the United States of America, we made a review of Town of Ravia, Oklahoma's system of internal accounting controls for the purpose of providing a basis for reliance thereon, in determining the nature, timing and extent of substantive testing of the June 30, 2013 financial statements. While certain matters that came to our attention during the review are presented in the accompanying Management Letter for the consideration of the Board, our review did not encompass all control procedures and techniques and was not designed for the purpose of making detailed recommendations.

The accompanying Management Letter also includes comments and suggestions with respect to other financial and administrative matters that came to our attention during the course of our examination. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting control and other financial and administrative practices and procedures.

This Management Letter is intended solely for the benefit of management and the board of trustees, and is not to be used for any other purpose.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these suggestions and comments in greater detail or otherwise assist in their implementation.

Sincerely,



SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

February 10, 2014

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT LETTER

June 30, 2013

1. INTERNAL CONTROLS RELATED TO CREDIT CARDS

Sound internal controls require supporting documentation be present for all expenditures. During our examination of credit accounts, we noted charges which were not supported with an original receipt for the purchase.

The Town's use of credit is limited to vendor cards for fuel and supplies. Original receipts must accompany the statement to document the charges as legitimate, business-related disbursements. Receipts should be signed by the individual initiating the charge, Also, the reason for the purchase should be clearly identified on the face of the receipt if not already apparent.

Once the statement is received, all charges should be matched with the corresponding original receipt; any charges on the statement that are unable to be supported by an original receipt should be identified to the purchaser for reimbursement.

2. FORMALIZATION OF ACCOUNTS RECEIVABLE COLLECTION AND BAD DEBT WRITE-OFF PROCEDURES FOR UTILITY BILLINGS

Our examination of the year-end aged receivables listing indicated some accounts were greater than 90 days past due, and some accounts older. Some of these accounts are no longer collectible. The following formal collection and write-off procedures should be established:

- Accounts should be continuously monitored for old and slow-paying accounts
- The development and implementation of formalized procedures for contacting delinquent accounts for payment; a detailed plan to follow before all options are exhausted and account is deemed uncollectable.
- The development and implementation of formalized bad debt write-offs. The procedures should include an approval process to write off any account.

Once these procedures are established, the number of delinquent accounts should decrease and provide an improved cash flow.

3. FORMALIZATION OF POLICIES FOR CREDITS AND ADJUSTMENTS TO UTILITY BILLINGS

During our examination of the customer billing processes, we noted no formal policies exist for credits and adjustment to utility billings. Policies/procedures should be developed requiring any credits for adjustments to a customer's account be approved prior to any adjustment or credit being completed. Establishing these controls will help in preventing unauthorized alterations to customers accounts.

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April 7, 2014

Office of the State Auditor and Inspector  
State of Oklahoma

We have compiled the accompanying 2012/2013 annual survey of City and Town finances (SA&I Form 2643), of the City/Town of Ravia, Oklahoma included in the accompanying prescribed form in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, which is a basis of accounting other than generally accepted accounting principles.

Our compilation was limited to presenting, in the form prescribed by the Oklahoma State Auditor and Inspector, information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the Oklahoma State Auditor and Inspector, which differ from generally accepted accounting principles. Management has elected to omit all of the disclosures ordinarily included in financial statements. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City/Town of Ravia, Oklahoma's assets, liabilities, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

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