

Town of Ravia, Oklahoma

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

For the Year Ended June 30, 2012

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

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TOWN OF RAVIA, OKLAHOMA

AUDIT REPORT

June 30, 2012

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

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June 30, 2012

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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, 2012, 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 fund types presented as supplementary information in the accompanying combining fund financial statements as of and for the year ended June 30, 2012, 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, 2012, 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. 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 fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. 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 Ravia, Oklahoma, as of June 30, 2012, and the respective changes in financial position 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 3, 2013 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 29 through 30 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 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

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

January 3, 2013

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2012

“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, 2012. 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, 2012

“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 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, 2012, the Town's combined net assets changed as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Net Assets	\$ 660,984	\$ 542,262	\$ 1,203,246
Increase (Decrease) in Net Assets	(36,809)	(19,779)	(56,588)
Ending Net Assets	<u>\$ 624,175</u>	<u>\$ 522,483</u>	<u>\$ 1,146,658</u>

This reflects an decrease of 4.7% overall. In comparison, last years combined net assets increased 3.5%. The 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, 2012

"UNAUDITED"

TABLE 1 – NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total</u>
	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>% Change</u>
Capital Assets	\$ 461,817	\$ 496,671	\$ 551,512	\$ 583,797	\$ 1,013,329	\$ 1,080,468	-6.2%
Current and Other Assets	161,880	165,199	143,324	153,587	305,204	318,986	-4.3%
Total Assets	<u>\$ 623,697</u>	<u>\$ 661,870</u>	<u>\$ 694,836</u>	<u>\$ 737,384</u>	<u>\$ 1,318,533</u>	<u>\$ 1,399,454</u>	<u>-5.8%</u>
Long-Term Liabilities	\$ 0	\$ 0	\$ 130,485	\$ 152,159	\$ 130,485	\$ 152,159	-14.2%
Other Liabilities	(478)	886	41,868	42,963	41,390	43,849	-5.6%
Total Liabilities	<u>\$ (478)</u>	<u>\$ 886</u>	<u>\$ 172,353</u>	<u>\$ 195,122</u>	<u>\$ 171,875</u>	<u>\$ 196,008</u>	<u>-12.3%</u>
Net Assets							
Invested in Capital Assets Net of Related Debt	\$ 461,817	\$ 496,671	\$ 401,110	\$ 410,921	\$ 862,927	\$ 907,592	-4.9%
Restricted	7,687	8,450	15,282	15,267	22,969	23,717	-3.2%
Unrestricted	154,671	155,863	106,091	116,074	260,762	271,937	-4.1%
Total Net Assets	<u>\$ 624,175</u>	<u>\$ 660,984</u>	<u>\$ 522,483</u>	<u>\$ 542,262</u>	<u>\$ 1,146,658</u>	<u>\$ 1,203,246</u>	<u>-4.7%</u>

Net assets of the Town's governmental activities decreased by 5.6% (from \$660,984 to \$624,175). 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, decreased by 0.7% from \$155,863 to \$154,671.

The net assets of our business-type activities decreased by 3.6% from \$542,262 to \$522,483.

Changes in Net Assets

The Town's total revenues (including special items) decreased by 16.9% (\$65,711). 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</u>
	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>% Change</u>
Program Revenues:							
Charges for Services	\$ 69,027	\$ 67,804	\$ 160,768	\$ 153,133	\$ 229,795	\$ 220,937	4.0%
Operating Grants/Contributions	11,000	10,000	0	0	11,000	10,000	10.0%
Capital Grants Contributions	6,635	86,002	0	0	6,635	86,002	-92.3%
General Revenues:							
Franchise Taxes	14,313	13,562	0	0	14,313	13,562	5.5%
Public Service Taxes	55,209	52,543	0	0	55,209	52,543	5.1%
Interest	47	92	57	128	104	220	-52.7%
Miscellaneous	2,123	1,773	5,067	4,920	7,190	6,693	7.4%
Total Revenues	<u>158,354</u>	<u>231,776</u>	<u>165,892</u>	<u>158,181</u>	<u>324,246</u>	<u>389,957</u>	<u>-16.9%</u>

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2012

“UNAUDITED”

TABLE 2 – NET ASSETS, CONTINUED

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total % Change</u>
	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/11</u>	
Program Expenses:							
General Government	118,367	96,615	0	0	118,367	96,615	22.5%
Fire Protection	70,161	72,502	0	0	70,161	72,502	-3.2%
CDBG Grant	6,635	0	0	0	6,635	0	100.0%
Water	0	0	185,671	180,150	185,671	180,150	3.1%
Total Expenses	<u>195,163</u>	<u>169,117</u>	<u>185,671</u>	<u>180,150</u>	<u>380,834</u>	<u>349,267</u>	<u>9.0%</u>
Excess Before							
Contributions, Etc.	(36,809)	62,659	(19,779)	(21,969)	(56,588)	40,690	-239.1%
Transfers	0	(2,223)	0	2,223	0	0	0.0%
Change in Net Assets	<u>\$(36,809)</u>	<u>\$ 60,436</u>	<u>\$(19,779)</u>	<u>\$(19,746)</u>	<u>\$(56,588)</u>	<u>\$ 40,690</u>	<u>-239.1%</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>06/30/12</u>	<u>06/30/11</u>	<u>% Change</u>	<u>06/30/12</u>	<u>06/30/11</u>	<u>% Change</u>
General Government	\$ 118,367	\$ 96,615	22.5%	\$(36,390)	\$(34,382)	5.8%
Fire Protection	70,161	72,502	-3.2%	(65,476)	(6,943)	843.1%
CDBG Grant	6,635	0	100.0%	(6,635)	36,014	-118.4%
Total	<u>\$ 195,163</u>	<u>\$ 169,117</u>	<u>15.4%</u>	<u>\$(108,501)</u>	<u>\$(5,311)</u>	<u>1942.9%</u>

The cost of all governmental activities this year was \$195,163 compared to \$169,117 last year, an increase of \$26,046. 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 97% of the cost.

THE TOWN’S FUNDS

Business-Type Activities

Revenues of the Town’s business type activities increased by 4.9% (\$165,892 in 2012 compared to \$158,181 in 2011) and expenses increased by 3.1% (\$185,671 in 2012 compared to \$180,150 in 2011). 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, 2012

“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 \$162,358 which is an decrease of \$1,955 (1.2%) from last years total of \$164,313.

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, 2012, 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 2012 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 40,700	\$ 40,700	\$ 0	\$ 0	\$ 40,700	\$ 40,700
Building and Improvements	493,481	480,552	0	0	493,481	480,552
Water and Sewer Improvements	0	0	1,521,432	1,511,882	1,521,432	1,511,882
Vehicles and Equipment	435,454	427,730	114,394	114,394	549,848	542,124
Furniture & Fixtures	<u>33,425</u>	<u>31,175</u>	<u>0</u>	<u>0</u>	<u>33,425</u>	<u>31,175</u>
Total	<u>\$ 1,003,060</u>	<u>\$ 980,157</u>	<u>\$ 1,635,826</u>	<u>\$ 1,626,276</u>	<u>\$ 2,638,886</u>	<u>\$ 2,606,433</u>

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 \$150,402 in outstanding notes compared to \$172,876 last year. That is a decrease of 13.0% as shown in the following table.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Note Obligations	\$ <u>0</u>	\$ <u>0</u>	\$ <u>150,402</u>	\$ <u>172,876</u>	\$ <u>150,402</u>	\$ <u>172,876</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, 2012

“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 2013 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, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 154,973	\$ 92,467	\$ 247,440
Accounts Receivable	200	14,116	14,316
Total Current Assets	155,173	106,583	261,756
Non-Current Assets:			
Restricted Cash - Water Deposits	0	21,459	21,459
Restricted Cash - Reserve Account	6,707	15,282	21,989
Property, Plant and Equipment:			
Land	40,700	0	40,700
Buildings and Improvements	493,481	0	493,481
Water and Sewer Improvements	0	1,521,432	1,521,432
Vehicles and Equipment	435,454	114,394	549,848
Furniture and Fixtures	33,425	0	33,425
Less: Accumulated Depreciation	(541,243)	(1,084,314)	(1,625,557)
Total Non-Current Assets	468,524	588,253	1,056,777
TOTAL ASSETS	\$ 623,697	\$ 694,836	\$ 1,318,533
<u>LIABILITIES AND NET ASSETS</u>			
<u>Liabilities:</u>			
Current Liabilities:			
Accounts Payable	\$ 0	\$ 907	\$ 907
Customer Deposits	0	19,701	19,701
Other Payables	(478)	1,343	865
Current Portion - Long-Term Debt	0	19,917	19,917
Total Current Liabilities	(478)	41,868	41,390
Non-Current Liabilities:			
Long-Term Debt (Net of Current Portion)	0	130,485	130,485
Total Non-Current Liabilities	0	130,485	130,485
Total Liabilities	(478)	172,353	171,875
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	461,817	401,110	862,927
Restricted	7,687	15,282	22,969
Unrestricted	154,671	106,091	260,762
Total Net Assets	624,175	522,483	1,146,658
TOTAL LIABILITIES AND NET ASSETS	\$ 623,697	\$ 694,836	\$ 1,318,533

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

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF ACTIVITIES

For the Year Ended June, 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
PRIMARY GOVERNMENT:						
Governmental Activities:						
General Government	\$ 118,367	\$ 11,000	\$ 0	\$ (43,025)		\$ (43,025)
Fire Protection	70,161	0	0	(65,476)		(65,476)
CDBG Grant	6,635	0	6,635	0		0
Total Governmental Activities	195,163	11,000	6,635	(108,501)		(108,501)
Business-Type Activities:						
Water	185,671	0	0	(24,903)		(24,903)
Total Business-Type Activities	185,671	0	0	(24,903)		(24,903)
TOTAL PRIMARY GOVERNMENT	\$ 380,834	\$ 11,000	\$ 6,635	(108,501)	(24,903)	(133,404)
General Revenues:						
Taxes:						
Franchise Taxes				14,313	0	14,313
Public Service Taxes				55,209	0	55,209
Unrestricted Investment Earnings				47	57	104
Miscellaneous				2,123	5,067	7,190
Total General Revenues, Special Items and Transfers				71,692	5,124	76,816
Change in Net Assets				(36,809)	(19,779)	(56,588)
Net Assets, June 30, 2011				660,984	542,262	1,203,246
Net Assets, June 30, 2012	\$ 624,175	\$ 522,483	\$ 1,146,658	\$ 624,175	\$ 522,483	\$ 1,146,658

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

TOWN OF RAVIA, OKLAHOMA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS				
Current Assets:				
Cash	\$ 145,076	\$ 9,897	\$ 0	\$ 154,973
Accounts Receivable	<u>0</u>	<u>0</u>	<u>200</u>	<u>200</u>
Total Current Assets	<u>145,076</u>	<u>9,897</u>	<u>200</u>	<u>155,173</u>
Restricted Assets:				
Cash - Restricted	<u>0</u>	<u>0</u>	<u>6,707</u>	<u>6,707</u>
Total Restricted Assets	<u>0</u>	<u>0</u>	<u>6,707</u>	<u>6,707</u>
TOTAL ASSETS	<u>\$ 145,076</u>	<u>\$ 9,897</u>	<u>\$ 6,907</u>	<u>\$ 161,880</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current Liabilities:				
Accrued Expenditures	\$ <u>(675)</u>	\$ <u>197</u>	\$ <u>0</u>	\$ <u>(478)</u>
Total Current Liabilities	<u>(675)</u>	<u>197</u>	<u>0</u>	<u>(478)</u>
Total Liabilities	<u>(675)</u>	<u>197</u>	<u>0</u>	<u>(478)</u>
Fund Balances:				
Nonspendable	0	0	6,907	6,907
Restricted For:				
Special Projects	780	0	0	780
Comitted For:				
Cemetery Operations	17,536	0	0	17,536
Fire Protection	0	9,700	0	9,700
Assigned	21,348	0	0	21,348
Unassigned	<u>106,087</u>	<u>0</u>	<u>0</u>	<u>106,087</u>
Total Fund Balances	<u>145,751</u>	<u>9,700</u>	<u>6,907</u>	<u>162,358</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 145,076</u>	<u>\$ 9,897</u>	<u>\$ 6,907</u>	<u>\$ 161,880</u>
Fund Equity - Total Governmental Funds				\$ 162,358
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>461,817</u>
Net Assets of Governmental Activities				<u>\$ 624,175</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, 2012

	General Fund	Fire Fund	Other Govern- mental Funds	Total Govern- mental Funds
REVENUES				
Sales Tax	\$ 28,698	\$ 14,358	\$ 0	\$ 43,056
Gas Tax	1,309	0	0	1,309
Alcohol Tax	5,620	0	0	5,620
Cigarette Tax	650	0	0	650
Motor Vehicle Tax	3,064	0	0	3,064
Trash Service	59,162	0	0	59,162
Franchise Tax	14,313	0	0	14,313
Interest	40	3	4	47
Use Tax	1,510	0	0	1,510
Building Permits	0	0	0	0
Business Licenses	300	0	0	300
Cemetery Fees	4,270	0	610	4,880
Fire Subscription Revenue	0	3,710	0	3,710
Fire Runs	0	975	0	975
Grant Revenue	11,000	0	6,635	17,635
Miscellaneous	1,728	395	0	2,123
Total Revenues	131,664	19,441	7,249	158,354
EXPENDITURES				
Personnel Services	22,541	4,609	0	27,150
Maintenance and Operation	74,686	13,678	0	88,364
Capital Outlay	30,436	7,724	0	38,160
Grant Expenditures	0	0	6,635	6,635
Total Expenditures	127,663	26,011	6,635	160,309
Excess of Revenues Over (Under) Expenditures	4,001	(6,570)	614	(1,955)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)	(5,000)	5,000	0	0
Total Other Financing Sources (Uses)	(5,000)	5,000	0	0
Excess Revenues and Other Sources Over (Under)				
Revenues and Other Uses	(999)	(1,570)	614	(1,955)
Fund Balance, Beginning	146,750	11,270	6,293	164,313
FUND BALANCE, ENDING	\$ 145,751	\$ 9,700	\$ 6,907	\$ 162,358

Net Change in Fund Balances - Total Governmental Funds \$ (1,955)

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 (\$57,757) exceeded capital outlays (\$22,903) in the current period	(34,854)
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Change in Net Assets of Governmental Activities \$ (36,809)

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

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2012

	<u>Public Works Authority</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 92,467
Accounts Receivable	14,116
Total Current Assets	<u>106,583</u>
Restricted Assets:	
Cash - Water Deposits	21,459
Reserve Account	15,282
Total Restricted Assets	<u>36,741</u>
Property, Plant and Equipment - Note B:	
Water and Sewer System	1,521,432
Vehicles and Equipment	114,394
Total Property, Plant and Equipment	<u>1,635,826</u>
Less Accumulated Depreciation	<u>(1,084,314)</u>
Net Property, Plant and Equipment	<u>551,512</u>
TOTAL ASSETS	\$ <u>694,836</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Customer Deposits	\$ 19,701
Accounts Payable	907
Payroll Liabilities	1,343
Current Portion of Long Term Liabilities	19,917
Total Current Liabilities	<u>41,868</u>
Long Term Liabilities:	
Promissory Notes Payable (Net of Current Portion)	<u>130,485</u>
Total Long-Term Liabilities	<u>130,485</u>
Total Liabilities	<u>172,353</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	401,110
Restricted for Debt Service	15,282
Unrestricted	106,091
Total Net Assets	<u>522,483</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>694,836</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, 2012

	<u>Public Works Authority</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 160,768
Lease Revenue	<u>5,067</u>
Total Operating Revenues	<u>165,835</u>
<u>Operating Expenses</u>	
Personnel Services	74,187
Maintenance and Operation	40,748
Capital Outlay	20,951
Depreciation	<u>41,836</u>
Total Operating Expenses	<u>177,722</u>
Operating Income (Loss)	<u>(11,887)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	57
Interest Expense	<u>(7,949)</u>
Total Non-Operating Revenues (Expenses)	<u>(7,892)</u>
Income (Loss) Before Other Financing Sources (Uses)	(19,779)
<u>Other Financing Sources (Uses)</u>	
Operating Transfers In (Out)	<u>0</u>
Total Other Sources (Uses)	<u>0</u>
Net Income (Loss)	(19,779)
Net Assets, Beginning	<u>542,262</u>
NET ASSETS, ENDING	<u>\$ 522,483</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, 2012

	<u>Public Works Authority</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts From Customers	\$ 159,145
Payments to Suppliers	(61,699)
Payments to Employees	(73,618)
Other Receipts (Payments)	5,067
Net Cash Provided (Used) by Operating Activities	<u>28,895</u>
<u>Cash Flows From Non-Capital Financing Activities:</u>	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>0</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Purchases of Capital Assets	(9,550)
Principal Paid on Capital Debt	(22,474)
Interest Paid on Capital Debt	(7,949)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(39,973)</u>
<u>Cash Flows Provided by Investing Activities:</u>	
Interest	<u>57</u>
Net Cash Provided (Used) by Investing Activities	<u>57</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,021)
Cash and Cash Equivalents, June 30, 2011	<u>140,229</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	<u>\$ 129,208</u>
<u>Cash Consists of:</u>	
Demand Deposits	\$ 92,467
Restricted Deposits	<u>36,741</u>
TOTAL CASH, END OF YEAR	<u>\$ 129,208</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (11,887)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	41,836
Change in Assets and Liabilities:	
Receivables, Net	(759)
Accounts and Other Payables	<u>(295)</u>
Net Cash Provided by Operating Activities	<u>\$ 28,895</u>

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

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012

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, 2012

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:

- 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 classified cash restricted by law for perpetual cemetery care as non-spendable resources at June 30, 2012.
- 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.
- 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 care and fire protections as committed fund balances for the year ended June 30, 2012.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- 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.
- Unassigned – All amounts not included in other spendable classifications.

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.

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, 2012

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, 2012, 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.

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2012

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, 2012

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>46,163</u>
TOTAL	<u>\$ 296,163</u>

NOTE E: CAPITAL ASSETS

Governmental Activities:

	<u>Primary Government</u>			<u>Balance June 30, 2012</u>
	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 40,700	\$ 0	\$ 0	\$ 40,700
Total Capital Assets not being Depreciated	<u>40,700</u>	<u>0</u>	<u>0</u>	<u>40,700</u>
<u>Other Capital Assets:</u>				
Buildings & Improvements	480,552	12,929	0	493,481
Vehicles & Equipment	427,730	7,724	0	435,454
Furniture & Fixtures	<u>31,175</u>	<u>2,250</u>	<u>0</u>	<u>33,425</u>
Total Other Capital Assets at Historical Costs	<u>939,457</u>	<u>22,903</u>	<u>0</u>	<u>962,360</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings & Improvements	(128,059)	(11,170)	0	(139,229)
Vehicles & Equipment	(336,973)	(44,992)	0	(381,965)
Furniture & Fixtures	(18,454)	(1,595)	0	(20,049)
Total Accumulated Depreciation	<u>(483,486)</u>	<u>(57,757)</u>	<u>0</u>	<u>(541,243)</u>
Other Capital Assets, Net	<u>455,971</u>	<u>(34,854)</u>	<u>0</u>	<u>421,117</u>
Governmental Activities Capital Assets, Net	<u>\$ 496,671</u>	<u>\$(34,854)</u>	<u>\$ 0</u>	<u>\$ 461,817</u>

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2012

NOTE E: CAPITAL ASSETS, CONTINUED

<u>Business-Type Activities:</u>	<u>Primary Government</u>			<u>Balance</u> <u>June 30, 2012</u>
	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	
<u>Other Capital Assets:</u>				
Water & Sewer Improvements	\$ 1,511,882	\$ 9,550	\$ 0	\$ 1,521,432
Vehicles & Equipment	<u>114,394</u>	<u>0</u>	<u>0</u>	<u>114,394</u>
Total Other Assets at Historical Cost	<u>1,626,276</u>	<u>9,550</u>	<u>0</u>	<u>1,635,826</u>
<u>Less Accumulated Depreciation for:</u>				
Water & Sewer Improvements	(997,135)	(29,418)	0	(1,026,553)
Vehicles & Equipment	(45,343)	(12,418)	0	(57,761)
Total Accumulated Depreciation	<u>(1,042,478)</u>	<u>(41,836)</u>	<u>0</u>	<u>(1,084,314)</u>
Other Capital Assets, Net	<u>583,798</u>	<u>(32,286)</u>	<u>0</u>	<u>551,512</u>
Business-Type Activities Capital Assets, Net	<u>\$ 583,796</u>	<u>\$(32,286)</u>	<u>\$ 0</u>	<u>\$ 551,512</u>

Depreciation was charged to functions as follows:

<u>Governmental Activities:</u>		
General Government		\$ 5,883
Fire Protection		<u>51,874</u>
Total Governmental Activities Depreciation Expense		<u>\$ 57,757</u>
<u>Business-Type Activities:</u>		
Water & Sewer		<u>\$ 41,836</u>
Total Business-Type Activities Depreciation Expense		<u>\$ 41,836</u>

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, 2012

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%. \$ 36,168

\$90,000 for water and sewer system. Due in monthly installments of \$442 through 2020, interest rate of 5%. 32,388

\$51,000 for town hall building. Due in monthly installments of \$247 through 2022, interest rate of 5%. 21,696

Landmark Bank of Tishomingo, Oklahoma

\$55,142 for remodeling of community center. Due in monthly installments of \$395 through 2019, variable interest rate. 17,380

\$24,158 for 2007 Chevy Silverado. Due in 60 monthly installments of \$474.71 through February 2013, interest rate of 6.68%. 3,297

\$46,124 for sewer maintenance equipment. Due in 120 monthly installments of \$485 through September 2020, at an interest rate of 4.75% 39,473

Total 150,402

Less: Current Portion of Long-Term Debt (19,917)

TOTAL LONG-TERM DEBT \$ 130,485

Changes in long-term debt for the fiscal year ended June 30 2012 were as follows:

	Principal Balance <u>06/30/11</u>	<u>Additions</u>	<u>Retirements</u>	Principal Balance <u>06/30/12</u>	Amounts Due Within <u>One Year</u>
Berkadia #1 – Water & Sewer	\$ 40,118	\$ 0	\$ 3,950	\$ 36,168	\$ 3,972
Berkadia #2 – Water & Sewer	35,952	0	3,564	32,388	3,575
Berkadia #3 – Town Hall	23,535	0	1,839	21,696	1,834
Landmark – Center	21,346	0	3,966	17,380	3,205
Landmark – Chevrolet Silverado	8,561	0	5,264	3,297	3,297
Landmark – Sewer Equipment	<u>43,364</u>	<u>0</u>	<u>3,891</u>	<u>39,473</u>	<u>4,034</u>
Total	<u>\$ 172,876</u>	<u>\$ 0</u>	<u>\$ 22,474</u>	<u>\$ 150,402</u>	<u>\$ 19,917</u>

TOWN OF RAVIA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONT'D

June 30, 2012

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>
2013	\$ 19,917	\$ 7,962	\$ 27,879
2014	17,494	7,016	24,510
2015	18,414	5,996	24,410
2016	19,382	5,128	24,510
2017	19,653	4,038	23,691
2018-2022	<u>55,542</u>	<u>5,976</u>	<u>61,518</u>
	<u>\$ 150,402</u>	<u>\$ 36,116</u>	<u>\$ 186,518</u>

The loan agreement with Berkadia requires a reserve fund of \$11,200. At June 30, 2012, minimum reserve requirements had been met. Actual reserve at June 30, 2012 was \$15,282 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, 2012, the Town did not reduce insurance coverages from coverage levels in place as of June 30, 2011. 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, 2012

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, 2012.

<u>Transfer To</u>	<u>Transfer From</u>	
	<u>General Fund</u>	<u>Total</u>
Ravia Fire Protection Fund	\$ <u>5,000</u>	\$ <u>5,000</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, 2012 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:			
Other/Miscellaneous Receivables	\$ 200	\$ 0	\$ 0
Business-Type Activities:			
Water and Sewer	<u>0</u>	<u>14,116</u>	<u>14,316</u>
Total Receivables	<u>\$ 200</u>	<u>\$ 14,116</u>	<u>\$ 14,316</u>

Payables

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ <u>0</u>	\$(<u>478</u>)	\$ <u>0</u>	\$(<u>478</u>)
Total Governmental Activities	<u>\$ 0</u>	<u>\$(478)</u>	<u>\$ 0</u>	<u>\$(478)</u>
Business-Type Activities:				
Water and Sewer	<u>\$ 907</u>	<u>\$ 1,343</u>	<u>\$ 19,701</u>	<u>\$ 21,951</u>
Total Business-Type Activities	<u>\$ 907</u>	<u>\$ 1,343</u>	<u>\$ 19,701</u>	<u>\$ 21,951</u>

NOTE L: SUBSEQUENT EVENTS

Date of Management Evaluation – Management of the Town of Ravia has evaluated subsequent events through January 3, 2013, the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

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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
Ravia, Oklahoma

We have audited the financial statements of the Town of Ravia, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated January 3, 2013. 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 a significant deficiency 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 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 3, 2013

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, 2012

	<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, 2011	\$ 172,865	\$ 172,865	\$ 172,865	\$ 0
<u>Resources (Inflows):</u>				
Taxes	35,401	35,401	36,478	1,077
Franchise Tax	14,192	14,192	14,308	116
Street and Alley	3,694	3,694	4,372	678
Garbage Collection	55,318	55,318	59,162	3,844
Cemetery Fees	5,399	5,399	4,270	(1,129)
Donations	0	0	600	600
Miscellaneous Income	676	676	524	(152)
Other Revenue	6,244	6,244	11,950	5,706
Amounts Available for Appropriation	<u>293,789</u>	<u>293,789</u>	<u>304,529</u>	<u>10,740</u>
<u>Charges to Appropriations (Outflows):</u>				
Administration	22,332	23,332	20,322	3,010
Trustees	2,389	2,389	2,120	269
Community Center	2,565	3,165	2,772	393
Street and Alley	7,900	34,900	6,533	28,367
Legal	3,995	4,195	3,366	829
Materials and Supplies	10,985	28,985	14,206	14,779
Operations	53,129	53,129	45,799	7,330
Other Services and Charges	40,247	30,147	17,112	13,035
Capital Outlay	29,000	30,000	15,433	14,567
Total Charges to Appropriations	<u>172,542</u>	<u>210,242</u>	<u>127,663</u>	<u>82,579</u>
 FUND BALANCE, JUNE 30, 2012	 <u>\$ 121,247</u>	 <u>\$ 83,547</u>	 <u>\$ 176,866</u>	 <u>\$ (93,319)</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.	\$ 304,529
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>(172,865)</u>
Total Revenues for general fund on a GAAP basis of accounting	<u>\$ 131,664</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, 2012

	<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, 2011	\$ 23,494	\$ 23,494	\$ 23,494	\$ 0
<u>Resources (Inflows):</u>				
Sales Tax	13,641	13,641	14,358	717
Miscellaneous Income	6	6	398	392
Fire Subscriptions	5,214	5,214	3,710	(1,504)
Fire Runs	1,387	1,387	975	(412)
Transfers In	5,000	5,000	5,000	0
Amounts Available for Appropriation	<u>48,742</u>	<u>48,742</u>	<u>47,935</u>	<u>(807)</u>
<u>Charges to Appropriations (Outflows):</u>				
Personnel Services	9,032	6,532	4,609	1,923
Materials and Supplies	14,055	16,055	13,678	2,377
Capital Outlay	5,000	8,000	7,724	276
Grant Expenses	2,500	0	0	0
Total Charges to Appropriations	<u>30,587</u>	<u>30,587</u>	<u>26,011</u>	<u>4,576</u>
 FUND BALANCE, JUNE 30, 2012	 <u>\$ 18,155</u>	 <u>\$ 18,155</u>	 <u>\$ 21,924</u>	 <u>\$ 3,769</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.	\$ 47,935
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>(23,494)</u>
Total Revenues for general fund on a GAAP basis of accounting	<u>\$ 24,441</u>

TOWN OF RAVIA, OKLAHOMA

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

June 30, 2012

	<u>Cemetery Perpetual Care Fund</u>	<u>Total Other Governmental Funds</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 0	\$ 0
Accounts Receivable	200	200
Total Current Assets	200	200
Restricted Assets:		
Cash - Restricted	6,707	6,707
Total Restricted Assets	6,707	6,707
TOTAL ASSETS	\$ 6,907	\$ 6,907
<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	6,907	6,907
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	6,907	6,907
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,907	\$ 6,907

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, 2012

	<u>CDBG Grant Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Other Governmental Funds</u>
<u>REVENUES</u>			
Sales Tax	\$ 0	\$ 0	\$ 0
Gas Tax	0	0	0
Alcoholic Beverage Tax	0	0	0
Motor Vehicle Tax	0	0	0
Trash Service	0	0	0
Franchise Tax	0	0	0
Interest	0	4	4
Use Tax	0	0	0
Building Permits	0	0	0
Business Licenses	0	0	0
Cemetery Fees	0	610	610
Fire Subscription Revenue	0	0	0
Fire Runs	0	0	0
Grant Revenue	6,635	0	6,635
Miscellaneous	0	0	0
Total Revenues	6,635	614	7,249
<u>EXPENDITURES</u>			
Personnel Services	0	0	0
Maintenance and Operation	0	0	0
Capital Outlay	0	0	0
Grant Expenses	6,635	0	6,635
Total Expenditures	6,635	0	6,635
Excess of Revenues Over (Under) Expenditures	0	614	614
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess Revenues and Other Sources Over (Under) Revenues and Other Uses	0	614	614
Fund Balance, Beginning	0	6,293	6,293
FUND BALANCE, ENDING	\$ 0	\$ 6,907	\$ 6,907

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF GRANT ACTIVITY

13588 CDBG 08

For the Year Ended June 30, 2012

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 06/30/11</u>	<u>Contract Activity 06/30/12</u>	<u>Total</u>	<u>Over (Under) Budget</u>
Project Costs	\$ 147,459	\$ 147,459	\$ 0	\$ 147,459	\$ 0
Administration	8,847	2,212	6,635	8,847	0
Matchng Funds	<u>143,272</u>	<u>97,020</u>	<u>0</u>	<u>97,020</u>	<u>(46,252)</u>
TOTAL PROJECT COSTS	\$ <u>299,578</u>	\$ <u>246,691</u>	\$ <u>6,635</u>	\$ <u>253,326</u>	\$ <u>(46,252)</u>

* Final administration draw to SODA was not accrued as of the end of the contract period. The final payment was made on August 5, 2011.

TOWN OF RAVIA, OKLAHOMA
STATUS OF PRIOR AUDIT FINDINGS

June 30, 2012

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: This finding can be cleared.

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

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.

Current Status: This finding can be cleared.

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2012

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.