

Town of Ravia, Oklahoma

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

For the Year Ended June 30, 2015

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

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TOWN OF RAVIA, OKLAHOMA

AUDIT REPORT

June 30, 2015

BOARD OF TRUSTEES

Darvin Nanney

Mayor

(Vacant)

Vice-Mayor

Renneta Nanney

Trustee

Mathew Cravatt

Trustee

J. D. Lane

Trustee

Angie Oxley

Town Clerk/Trust Clerk

TOWN OF RAVIA, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of 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, 2015, 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, 2015, 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 35 through 36 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 nonmajor 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 May 20, 2016 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

May 20, 2016

TOWN OF RAVIA, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2015

“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, 2015. 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, 2015

“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, 2015, the Town’s combined net position changed as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Net Position	\$ 591,235	\$ 475,782	\$ 1,067,017
Prior Period Adjustment (Note M)	(18,388)	0	(18,388)
Increase (Decrease) in Net Position	<u>(24,828)</u>	<u>(22,395)</u>	<u>(47,223)</u>
Ending Net Position	<u>\$ 548,019</u>	<u>\$ 453,387</u>	<u>\$ 1,001,406</u>

This reflects a decrease of 6.1% overall (a decrease of 4.4% before the prior period adjustment). In comparison, last years combined net position decreased 1.4%. Looking at the net position and net expenses of governmental and business-type activities separately, however, two different stories emerge. See the following (Table 1).

TOWN OF RAVIA, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2015

“UNAUDITED”

TABLE 1 – NET POSITION

	Governmental Activities		Business-Type Activities		Total		Total % Change
	06/30/15	06/30/14	06/30/15	06/30/14	Primary Government 06/30/15	06/30/14	
Capital Assets	\$ 419,590	\$ 447,271	\$ 428,217	\$ 467,462	\$ 847,807	\$ 914,733	-7.3%
Current Assets	145,381	145,917	105,481	103,202	250,862	249,119	0.7%
Other Assets	8,209	7,287	38,513	37,403	46,722	44,690	4.5%
Total Assets	<u>573,180</u>	<u>600,475</u>	<u>572,211</u>	<u>608,067</u>	<u>1,145,391</u>	<u>1,208,542</u>	<u>-5.2%</u>
Deferred Outflows of Resources	<u>1,053</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,053</u>	<u>0</u>	<u>100.0%</u>
Long-Term Liabilities	16,509	0	76,146	92,276	92,655	92,276	0.4%
Other Liabilities	<u>7,206</u>	<u>9,840</u>	<u>42,678</u>	<u>40,009</u>	<u>49,884</u>	<u>49,849</u>	<u>0.1%</u>
Total Liabilities	<u>23,715</u>	<u>9,840</u>	<u>118,824</u>	<u>132,285</u>	<u>142,539</u>	<u>142,125</u>	<u>0.3%</u>
Deferred Inflows of Resources	<u>2,499</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,499</u>	<u>0</u>	<u>100.0%</u>
Net Position							
Net Investment in							
Capital Assets	419,590	447,271	334,634	356,772	754,224	804,043	-6.2%
Restricted	8,282	8,017	15,304	15,297	23,586	23,314	1.2%
Unrestricted	<u>120,147</u>	<u>135,947</u>	<u>103,449</u>	<u>103,713</u>	<u>223,596</u>	<u>239,660</u>	<u>-6.7%</u>
Total Net Position	<u>\$ 548,019</u>	<u>\$ 591,235</u>	<u>\$ 453,387</u>	<u>\$ 475,782</u>	<u>\$ 1,001,406</u>	<u>\$ 1,067,017</u>	<u>-6.1%</u>

Net position of the Town's governmental activities decreased 7.3% (from \$591,235 to \$548,019). 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 11.6% (from \$135,947 to \$120,147).

The net position the Town's business-type activities decreased 4.7% (from \$475,782 to \$453,387). Unrestricted net position for business-type activities decreased 0.3% (from \$103,713 to \$103,449).

TOWN OF RAVIA, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2015

“UNAUDITED”

Changes in Net Position

The Town’s total revenues (including special items) decreased by 11.4% (\$40,318). Table 2 and the narrative that follows consider 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>06/30/15</u>	<u>06/30/14</u>	<u>06/30/15</u>	<u>06/30/14</u>	<u>06/30/15</u>	<u>06/30/14</u>	
Program Revenues:							
Charges for Services	\$ 76,249	\$ 68,179	\$ 149,641	\$ 153,143	\$ 225,890	\$ 221,322	2.1%
Operating Grants/ Contributions	0	51,907	0	0	0	51,907	-100.0%
General Revenues							
Franchise Taxes	13,987	14,161	0	0	13,987	14,161	-1.2%
Public Service Taxes	61,567	54,428	0	0	61,567	54,428	13.1%
Interest	10	10	29	29	39	39	0.0%
All Other	<u>6,675</u>	<u>6,115</u>	<u>5,980</u>	<u>6,484</u>	<u>12,655</u>	<u>12,599</u>	<u>0.4%</u>
Total Revenues	<u>158,488</u>	<u>194,800</u>	<u>155,650</u>	<u>159,656</u>	<u>314,138</u>	<u>354,456</u>	<u>-11.4%</u>
Program Expenses:							
General Government	141,026	142,692	0	0	141,026	142,692	-1.2%
Fire Protection	47,009	41,106	0	0	47,009	41,106	14.4%
Water	<u>0</u>	<u>0</u>	<u>173,326</u>	<u>185,944</u>	<u>173,326</u>	<u>185,944</u>	<u>-6.8%</u>
Total Expenses	<u>188,035</u>	<u>183,798</u>	<u>173,326</u>	<u>185,944</u>	<u>361,361</u>	<u>369,742</u>	<u>-2.3%</u>
Excess Before							
Contributions, Etc.	(29,547)	11,002	(17,676)	(26,288)	(47,223)	(15,286)	208.9%
Transfers	<u>4,719</u>	<u>0</u>	<u>(4,719)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Change in Net Position	<u>\$(24,828)</u>	<u>\$ 11,002</u>	<u>\$(22,395)</u>	<u>\$(26,288)</u>	<u>\$(47,223)</u>	<u>\$(15,286)</u>	<u>208.9%</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>06/30/15</u>	<u>06/30/14</u>	<u>% Change</u>	<u>06/30/15</u>	<u>06/30/14</u>	<u>% Change</u>
General Government	\$ 141,026	\$ 142,692	-1.2%	\$(70,787)	\$(29,137)	-142.9%
Fire Protection	<u>47,009</u>	<u>41,106</u>	<u>14.4%</u>	<u>(40,999)</u>	<u>(34,575)</u>	<u>-18.6%</u>
Total	<u>\$ 188,035</u>	<u>\$ 183,798</u>	<u>2.3%</u>	<u>\$(111,786)</u>	<u>\$(63,712)</u>	<u>-75.5%</u>

The cost of all governmental activities this year was \$188,035 compared to \$183,798 last year, an increase of \$4,237. Some of the costs were paid by those who directly benefited from the program. Ultimately, the taxpayers financed approximately 40% of the costs.

TOWN OF RAVIA, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2015

“UNAUDITED”

THE TOWN’S FUNDS

Business-Type Activities

Revenues of the Town’s business type activities decreased by 2.5% (\$155,650 in 2015 compared to \$159,656 in 2014) and expenses decreased by 6.8% (\$173,326 in 2015 compared to \$185,944 in 2014). The decrease in revenues and expenses is primarily due to the decrease in costs of services provided and billed to customers.

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 \$146,384 which is an increase of \$2,240 (1.7%) from last year’s total of \$143,964.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town may amend the budget by vote of the Trustees. No budget amendments were proposed for the year ended June 30, 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, 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 2015 were composed of vehicles and equipment.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 40,700	\$ 40,700	\$ 0	\$ 0	\$ 40,700	\$ 40,700
Building and Improvements	507,197	493,481	0	0	507,197	493,481
Construction in Progress	0	13,716	0	0	0	13,716
Water and Sewer Improvements	0	0	1,521,432	1,521,432	1,521,432	1,521,432
Vehicles and Equipment	455,863	461,863	121,364	116,864	577,227	578,727
Furniture & Fixtures	38,794	38,794	0	0	38,794	38,794
Total	<u>\$ 1,042,554</u>	<u>\$ 1,048,554</u>	<u>\$ 1,642,796</u>	<u>\$ 1,638,296</u>	<u>\$ 2,685,350</u>	<u>\$ 2,686,850</u>

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

TOWN OF RAVIA, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2015

“UNAUDITED”

Debt Administration

At June 30, 2015, the Town’s debt was comprised of secured long-term notes payable and pension obligations.

Long-Term Liabilities – Notes Payable

At year-end, the Town had \$93,583 in outstanding notes payable compared to \$110,690 last year, a decrease of \$17,107 (15.5%) as shown in the following table.

<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>93,583</u>	\$ <u>110,690</u>	\$ <u>93,583</u>	\$ <u>110,690</u>

More detailed information about the Town’s notes payable is presented in Note F to the financial statements.

Long-Term Liabilities – Net Pension Obligation

At the end of June 30, 2015 the Town had \$16,509 in long-term liabilities for the Town’s proportionate share of the Firefighters Pension Plan net pension obligation. (See table below.)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Pension Obligation	\$ <u>16,509</u>	\$ <u>0</u>	\$ <u>16,509</u>

The fiscal year ended June 30, 2015 is the first year the net pension obligation is displayed in the financial statements. More detailed information about the Town’s pension plan for firefighter’s is presented in Note A, Note M and Note N of the financial statements.

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 2016 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.

Darvin Nanney
Mayor

BASIC FINANCIAL STATEMENTS

TOWN OF RAVIA, OKLAHOMA

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 140,239	\$ 88,386	\$ 228,625
Accounts Receivable	5,142	17,095	22,237
Total Current Assets	<u>145,381</u>	<u>105,481</u>	<u>250,862</u>
Other Non-Current Assets:			
Restricted Cash	8,209	38,513	46,722
Total Other Non-Current Assets	<u>8,209</u>	<u>38,513</u>	<u>46,722</u>
Property, Plant and Equipment:			
Land	40,700	0	40,700
Buildings and Improvements	507,197	0	507,197
Water and Sewer Improvements	0	1,521,432	1,521,432
Vehicles and Equipment	455,863	121,364	577,227
Furniture and Fixtures	38,794	0	38,794
Total Property, Plant and Equipment	<u>1,042,554</u>	<u>1,642,796</u>	<u>2,685,350</u>
Accumulated Depreciation	<u>(622,964)</u>	<u>(1,214,579)</u>	<u>(1,837,543)</u>
Net Property, Plant and Equipment	<u>419,590</u>	<u>428,217</u>	<u>847,807</u>
Total Assets	<u>573,180</u>	<u>572,211</u>	<u>1,145,391</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Activities	<u>1,053</u>	<u>0</u>	<u>1,053</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable & Accrued Expenses	7,206	4,535	11,741
Customer Deposits	0	20,706	20,706
Notes Payable - Current Portion	0	17,437	17,437
Total Current Liabilities	<u>7,206</u>	<u>42,678</u>	<u>49,884</u>
Non-Current Liabilities:			
Notes Payable (Net of Current Portion)	0	76,146	76,146
Net Pension Liability	16,509	0	16,509
Total Non-Current Liabilities	<u>16,509</u>	<u>76,146</u>	<u>92,655</u>
Total Liabilities	<u>23,715</u>	<u>118,824</u>	<u>142,539</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Activities	<u>2,499</u>	<u>0</u>	<u>2,499</u>
NET POSITION			
Net Investment in Capital Assets	419,590	334,634	754,224
Restricted for:			
Cemetery Perpetual Care	8,282	0	8,282
Debt Service	0	15,304	15,304
Unrestricted	<u>120,147</u>	<u>103,449</u>	<u>223,596</u>
Total Net Position	<u>\$ 548,019</u>	<u>\$ 453,387</u>	<u>\$ 1,001,406</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, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 141,026	\$ 70,239	\$ 0	\$ 0	\$ (70,787)		\$ (70,787)
Fire Protection	47,009	6,010	0	0	(40,999)		(40,999)
Total Governmental Activities	<u>188,035</u>	<u>76,249</u>	<u>0</u>	<u>0</u>	<u>(111,786)</u>		<u>(111,786)</u>
Business-Type Activities:							
Water	173,326	149,641	0	0		(23,685)	(23,685)
Total Business-Type Activities	<u>173,326</u>	<u>149,641</u>	<u>0</u>	<u>0</u>		<u>(23,685)</u>	<u>(23,685)</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>361,361</u>	\$ <u>225,890</u>	\$ <u>0</u>	\$ <u>0</u>	(111,786)	(23,685)	(135,471)
General Revenues:							
Taxes:							
Franchise Taxes					13,987	0	13,987
Public Service Taxes					61,567	0	61,567
Unrestricted Investment Earnings					10	29	39
Non-Employer Pension Contribution					1,256	0	1,256
Lease Revenue					1,050	4,610	5,660
Donations					585	0	585
Other					3,784	1,370	5,154
Transfers					4,719	(4,719)	0
Total General Revenues, Special Items and Transfers					<u>86,958</u>	<u>1,290</u>	<u>88,248</u>
Change in Net Position					(24,828)	(22,395)	(47,223)
Net Position June 30, 2014, as restated					<u>572,847</u>	<u>475,782</u>	<u>1,048,629</u>
Net Position June 30, 2015					<u>\$ 548,019</u>	<u>\$ 453,387</u>	<u>\$ 1,001,406</u>

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

TOWN OF RAVIA, OKLAHOMA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund		
ASSETS				
Current Assets:				
Cash	\$ 129,956	\$ 10,283	\$ 0	\$ 140,239
Due From Other Funds	0	4,631	73	4,704
Accounts Receivable	5,142	0	0	5,142
Total Current Assets	<u>135,098</u>	<u>14,914</u>	<u>73</u>	<u>150,085</u>
Restricted Assets:				
Cash - Restricted	0	0	8,209	8,209
Total Restricted Assets	<u>0</u>	<u>0</u>	<u>8,209</u>	<u>8,209</u>
Total Assets	<u>135,098</u>	<u>14,914</u>	<u>8,282</u>	<u>158,294</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 135,098</u>	<u>\$ 14,914</u>	<u>\$ 8,282</u>	<u>\$ 158,294</u>
LIABILITIES				
Current Liabilities:				
Accrued Expenditures	\$ 6,889	\$ 317	\$ 0	\$ 7,206
Due To Other Funds	4,704	0	0	4,704
Total Current Liabilities	<u>11,593</u>	<u>317</u>	<u>0</u>	<u>11,910</u>
Total Liabilities	<u>11,593</u>	<u>317</u>	<u>0</u>	<u>11,910</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND EQUITY				
Fund Balances:				
Restricted For:				
Cemetery Perpetual Care	0	0	8,282	8,282
Committed For:				
Cemetery Operations	49,616	0	0	49,616
Fire Protection	0	14,597	0	14,597
Assigned	23,505	0	0	23,505
Unassigned	50,384	0	0	50,384
Total Fund Equity	<u>123,505</u>	<u>14,597</u>	<u>8,282</u>	<u>146,384</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	<u>\$ 135,098</u>	<u>\$ 14,914</u>	<u>\$ 8,282</u>	<u>\$ 158,294</u>

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

TOWN OF RAVIA, OKLAHOMA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

Fund Equity - Total Governmental Funds	\$ 146,384
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	419,590
The net pension liability for governmental activities is not due and payable in the current period and therefore is not reported in the funds.	(16,509)
Deferred outflows of resources - pension activities, applies to future periods and therefore not reported in the funds.	1,053
Deferred inflows of resources - pension activities, applies to future periods and therefore not reported in the funds.	<u>(2,499)</u>
Net Postion of Governmental Activities	<u>\$ 548,019</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, 2015

	Major Funds		Other	Total
	General Fund	Fire Fund	Non-Major Governmental Funds	Governmental Funds
REVENUES				
Sales Tax	\$ 30,417	\$ 15,209	\$ 0	\$ 45,626
Gas Tax	607	0	0	607
Alcohol Tax	11,546	0	0	11,546
Cigarette Tax	529	0	0	529
Trash Service	63,304	0	0	63,304
Franchise Tax	13,987	0	0	13,987
Interest	8	1	1	10
Use Tax	3,259	0	0	3,259
Business Permits	171	0	0	171
Business Licenses	270	0	0	270
Cemetery Fees	6,068	0	867	6,935
Fire Subscription Revenue	0	2,670	0	2,670
Fire Runs	0	3,340	0	3,340
Lease Revenue	1,050	0	0	1,050
Donations	350	235	0	585
Miscellaneous	1,875	1,467	0	3,342
Total Revenues	<u>133,441</u>	<u>22,922</u>	<u>868</u>	<u>157,231</u>
EXPENDITURES				
Personnel Services	35,388	3,315	0	38,703
Maintenance and Operation	94,742	23,811	0	118,553
Capital Outlay	2,274	0	0	2,274
Total Expenditures	<u>132,404</u>	<u>27,126</u>	<u>0</u>	<u>159,530</u>
Excess of Revenues Over (Under) Expenditures	<u>1,037</u>	<u>(4,204)</u>	<u>868</u>	<u>(2,299)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)	<u>(6,100)</u>	<u>11,422</u>	<u>(603)</u>	<u>4,719</u>
Total Other Financing Sources (Uses)	<u>(6,100)</u>	<u>11,422</u>	<u>(603)</u>	<u>4,719</u>
Excess Revenues and Other Sources Over (Under)				
Revenues and Other Uses	(5,063)	7,218	265	2,420
Fund Balance, Beginning	<u>128,568</u>	<u>7,379</u>	<u>8,017</u>	<u>143,964</u>
FUND BALANCE, ENDING	<u>\$ 123,505</u>	<u>\$ 14,597</u>	<u>\$ 8,282</u>	<u>\$ 146,384</u>
Net Change in Fund Balances - Total Governmental Funds				\$ 2,420
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 (\$27,682) exceeded capital outlays (\$0) in the current period.				(27,682)
The pension obligation is not reported in the funds. This amount represents the current year difference in pension expenses and non-employer contributions in the statement of activities.				434
Change in Net Position of Governmental Activities				<u>\$ (24,828)</u>

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

TOWN OF RAVIA, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	<u>Public Works Authority</u>
ASSETS	
Current Assets:	
Cash	\$ 88,386
Accounts Receivable	17,095
Total Current Assets	<u>105,481</u>
Noncurrent Assets:	
Cash - Water Deposits	23,209
Reserve Account	15,304
Total Restricted Assets	<u>38,513</u>
Property, Plant and Equipment	
Water and Sewer System	1,521,432
Vehicles and Equipment	121,364
Total Property, Plant and Equipment	1,642,796
Less Accumulated Depreciation	<u>(1,214,579)</u>
Net Property, Plant and Equipment	<u>428,217</u>
Total Noncurrent Assets	<u>466,730</u>
Total Assets	<u>572,211</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>
LIABILITIES	
Current Liabilities:	
Customer Deposits	20,706
Accounts Payable	4,535
Current Portion of Long Term Liabilities	17,437
Total Current Liabilities	<u>42,678</u>
Long Term Liabilities:	
Promissory Notes Payable (Net of Current Portion)	76,146
Total Long-Term Liabilities	<u>76,146</u>
Total Liabilities	<u>118,824</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>
NET POSITION	
Net Investment in Capital Assets	334,634
Restricted for Debt Service	15,304
Unrestricted	<u>103,449</u>
TOTAL NET POSITION	<u>\$ 453,387</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, 2015

	<u>Public Works Authority</u>
Operating Revenues	
Charges for Services	\$ 149,641
Lease Revenue	4,610
Other	<u>1,370</u>
Total Operating Revenues	<u>155,621</u>
Operating Expenses	
Personnel Services	74,500
Maintenance and Operation	43,726
Capital Outlay	6,386
Interest	4,969
Depreciation	<u>43,745</u>
Total Operating Expenses	<u>173,326</u>
Operating Income (Loss)	<u>(17,705)</u>
Non-Operating Revenues (Expenses)	
Interest Income	<u>29</u>
Total Non-Operating Revenues (Expenses)	<u>29</u>
Income (Loss) Before Other Financing Sources (Uses)	(17,676)
Other Financing Sources (Uses)	
Operating Transfers In (Out)	<u>(4,719)</u>
Total Other Sources (Uses)	<u>(4,719)</u>
Change in Net Position	(22,395)
Net Position Beginning	<u>475,782</u>
NET POSITION ENDING	<u><u>\$ 453,387</u></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, 2015

	<u>Public Works Authority</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 147,902
Payments to Suppliers	(52,537)
Payments to Employees	(75,115)
Other Receipts (Payments)	5,980
Net Cash Provided (Used) by Operating Activities	<u>26,230</u>
Cash Flows From Non-Capital Financing Activities	
Cash Transfers In (Out)	(4,719)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(4,719)</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of Capital Assets	(4,500)
Principal Paid on Capital Debt	(17,107)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(21,607)</u>
Cash Flows Provided by Investing Activities	
Interest	29
Net Cash Provided (Used) by Investing Activities	<u>29</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(67)
Cash and Cash Equivalents, June 30, 2014	<u>126,966</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	<u>\$ 126,899</u>
<u>Cash Consists of:</u>	
Demand Deposits	\$ 88,386
Restricted Deposits	<u>38,513</u>
TOTAL CASH, END OF YEAR	<u>\$ 126,899</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (17,705)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	43,745
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(3,456)
Increase in Accrued Expenses	1,929
Increase in Customer Deposits Payable	<u>1,717</u>
Net Cash Provided by Operating Activities	<u>\$ 26,230</u>

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

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 and Fund Financial Statements

Government-Wide Financial 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

June 30, 2015

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.

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 - 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 - 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 - 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

June 30, 2015

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.

Financial Statement Amounts

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

Current Receivables and Payables – Receivables and payables at June 30, 2015 are more fully described in Note K.

Deferred Inflows/Outflows of Resources – In addition to assets, the statements of net position and governmental fund balance sheet 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, the statements of net position and governmental fund balance sheet 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 only deferred outflows of resources and deferred inflows of resources reported in this year’s financial statements are related to pension activities. See related Note N – Pension Plan – Volunteer Firefighters for the components of deferred inflows/outflows of resources related to pension activities.

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.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Proprietary Fund Operating Revenues and Expenses – Operating revenues and expenses consist of charges for services and the cost of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

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.

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 is 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

Previous period adoption of *GASB Statement 34* requires the Town to report and depreciate new infrastructure assets. 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 Commercial Mortgage, LLC. At June 30, 2015, minimum reserve requirements were attained.

Government-Wide and Proprietary Fund Net Position – Government-wide and proprietary fund net position are divided into three components:

- Net Investment in Capital Assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – consists of assets that are restricted by the Town’s creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the Town less related liabilities and deferred inflows of resources).
- Unrestricted – all other net position is reported in this category.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Equity – 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, 2015.
- 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 classified cash maintained by law for perpetual cemetery care as restricted resources at June 30, 2015.
- 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, 2015.
- 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 classified its general savings and reserve for community center operations as assigned at June 30, 2015.
- 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.

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.

Recent Accounting Pronouncements – In June 2012, GASB issued *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB 68)*. The objective of GASB 68 is to improve accounting and financial reporting for pensions by state and local governments and to improve information where support for pensions has been provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses. For defined benefit pensions, it identifies methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their present value and attribute that value to periods of employee service. The Town adopted this statement effective July 1, 2014.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015, expenditures exceed appropriations in the Fire Protection special revenue fund.

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.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C: DEPOSITS, INVESTMENTS AND COLLATERAL, CONTINUED

- 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.

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>25,639</u>
 TOTAL	 \$ <u>275,639</u>

Restricted cash shown on the statement of net position includes the following:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
Cemetery Perpetual Care	\$ <u>8,209</u>	Loan Reserves	\$ 15,304
		Water Deposit Cash	<u>23,209</u>
			<u>\$ 38,513</u>

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS

Governmental Activities

	Primary Government			Balance June 30, 2015
	Balance June 30, 2014	Additions	Retirements	
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 40,700	\$ 0	\$ 0	\$ 40,700
Construction in Progress	13,716	0	(13,716)	0
Total Capital Assets not being Depreciated	54,416	0	(13,716)	40,700
<u>Other Capital Assets:</u>				
Buildings & Improvements	493,481	13,716	0	507,197
Vehicles & Equipment	461,863	0	(6,000)	455,863
Furniture & Fixtures	38,794	0	0	38,794
Total Other Capital Assets at Historical Costs	994,138	13,716	(6,000)	1,001,854
<u>Less Accumulated Depreciation for:</u>				
Buildings & Improvements	(162,430)	(11,601)	0	(174,031)
Vehicles & Equipment	(414,760)	(13,778)	6,000	(422,538)
Furniture & Fixtures	(24,092)	(2,303)	0	(26,395)
Total Accumulated Depreciation	(601,282)	(27,682)	6,000	(622,964)
Other Capital Assets, Net	392,856	(13,966)	0	378,890
 Governmental Activities Capital Assets, Net	 \$ 447,272	\$(13,966)	\$ (13,716)	\$ 419,590

Business-Type Activities

	Primary Government			Balance June 30, 2015
	Balance June 30, 2014	Additions	Retirements	
<u>Other Capital Assets:</u>				
Water & Sewer Improvements	\$ 1,521,432	\$ 0	\$ 0	\$ 1,521,432
Vehicles & Equipment	116,864	4,500	0	121,364
Total Other Assets at Historical Cost	1,638,296	4,500	0	1,642,796
<u>Less Accumulated Depreciation for:</u>				
Water & Sewer Improvements	(1,073,646)	(20,136)	0	(1,093,782)
Vehicles & Equipment	(97,188)	(23,609)	0	(120,797)
Total Accumulated Depreciation	(1,170,834)	(43,745)	0	(1,214,579)
Other Capital Assets, Net	467,462	(39,245)	0	428,217
 Business-Type Activities Capital Assets, Net	 \$ 467,462	\$(39,245)	\$ 0	\$ 428,217

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS, CONTINUED

Depreciation was charged to functions as follows:

<u>Governmental Activities:</u>	
General Government	\$ 8,622
Fire Protection	<u>19,060</u>
Total Governmental Activities Depreciation Expense	<u>\$ 27,682</u>
 <u>Business-Type Activities:</u>	
Water & Sewer	<u>\$ 43,745</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 43,745</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

At the end of June 30, 2015 the Town had \$16,509 in long-term liabilities for the Town's proportionate share of the Firefighter's Pension Plan net pension obligation as follows:

	<u>Governmental Activities</u>	<u>Total</u>
Net Pension Obligation	<u>\$ 16,509</u>	<u>\$ 16,509</u>

More detailed information about the Town's pension plan for firefighters is presented in Note N.

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%.	\$ 22,978
\$90,000 for water and sewer system. Due in monthly installments of \$442 through 2020, interest rate of 5%.	20,492
\$51,000 for town hall building. Due in monthly installments of \$247 through 2022, interest rate of 5%.	15,625

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG TERM DEBT, CONTINUED

Business-Type Activities, Continued

Landmark Bank of Tishomingo, Oklahoma

\$55,142 for remodeling of community center. Due in monthly installments of \$395 through 2019, variable interest rate. 7,566

\$46,124 for sewer maintenance equipment. Due in 120 monthly installments of \$485 through September 2020, at an interest rate of 4.75% 26,922

Total 93,583

Less: Current Portion of Long-Term Debt (17,437)

Total Long-Term Debt, Business-Type Activities \$ 76,146

Changes in long-term debt for the fiscal year ended June 30, 2015 were as follows:

	Principal Balance <u>06/30/14</u>	<u>Additions</u>	<u>Retirements</u>	Principal Balance <u>06/30/15</u>	Amounts Due Within <u>One Year</u>
Berkadia #1 – Water & Sewer	\$ 27,591	\$ 0	\$ 4,613	\$ 22,978	\$ 4,614
Berkadia #2 – Water & Sewer	24,656	0	4,164	20,492	4,153
Berkadia #3 – Town Hall	17,752	0	2,127	15,625	2,129
Landmark – Center	9,397	0	1,831	7,566	1,890
Landmark – Sewer Equipment	<u>31,294</u>	<u>0</u>	<u>4,372</u>	<u>26,922</u>	<u>4,651</u>
Total	<u>\$ 110,690</u>	<u>\$ 0</u>	<u>\$ 17,107</u>	<u>\$ 93,583</u>	<u>\$ 17,437</u>

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>
2016	\$ 17,437	\$ 4,424	\$ 21,861
2017	18,276	3,514	21,790
2018	19,159	2,701	21,860
2019	19,738	1,806	21,544
2020	13,844	855	14,699
2021-2024	<u>5,129</u>	<u>304</u>	<u>5,433</u>
	<u>\$ 93,583</u>	<u>\$ 13,604</u>	<u>\$ 107,187</u>

The loan agreements with Berkadia Commercial Mortgage, LLC require a reserve fund of \$11,200. At June 30, 2015, minimum reserve requirements had been met. Actual reserve at June 30, 2015 was \$15,304 and is included with restricted cash in the accompanying proprietary fund statement of net position.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015, the Town did not reduce insurance coverages from coverage levels in place as of June 30, 2014. 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 with budgetary authorizations. Transfers between the functional areas of the primary government were as follows for the year ended June 30, 2015.

	TRANSFER FROM				
	Governmental Funds			Proprietary Funds	
	General	Cemetery Perpetual Care	Fire	Ravia PWA	
T Governmental Funds:					
R General	\$(6,103)	\$ 0	\$ 3,422	\$ 3,281	
A Cemetery Perpetual					
N Care	0	(600)	0	0	
F Fire Protection	0	0	8,000	0	
E					
R Proprietary Funds:					
Ravia PWA	0	0	0	(8,000)	
T					
O Total	\$(6,103)	\$(600)	\$ 11,422	\$(4,719)	\$ 0

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, 2015 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.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K: RECEIVABLES AND PAYABLES

At June 30, 2015, the Town's current accounts receivable and accounts payable as reported on the statement of net position, shown disaggregated, were as follows:

Receivables

	<u>Other</u>	<u>Utility Fees</u>	<u>Total</u>
Governmental Activities:			
Garbage Collection Fees	\$ 5,142	\$ 0	\$ 5,142
Business-Type Activities:			
Water and Sewer	<u>0</u>	<u>17,095</u>	<u>17,095</u>
Total Receivables	<u>\$ 5,142</u>	<u>\$ 17,095</u>	<u>\$ 22,237</u>

Payables

	<u>Vendors</u>	<u>Customer Water Deposits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 7,206	\$ 0	\$ 7,206
Business-Type Activities:			
Water and Sewer	<u>4,535</u>	<u>20,706</u>	<u>25,241</u>
Total Payables	<u>\$ 11,741</u>	<u>\$ 20,706</u>	<u>\$ 32,447</u>

NOTE L: LEASES

Town as Lessee:

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.

Town as Lessor:

The Town entered into an agreement during April 2014 as lessor to provide space for a mobile restaurant at a charge of \$150 per month. The terms of the agreement expired March 31, 2015, and were not subsequently renewed. The town recorded lease revenue of \$1,050 for the year ended June 30, 2015.

The Town entered into an agreement with a local communications company during September 2011 for five years to provide land for the company's radio tower. Monthly lease payments are subject to annual increases of 3%, and were approximately \$450 per month through August 2014 and \$464 per month through August 2015. The town recorded lease revenue of approximately \$4,610 for the year ended June 30, 2015.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE M: CHANGES IN BEGINNING NET POSITION

The adoption of GASB 68 resulted in prior period adjustment to reflect beginning net pension obligation and deferred inflows and outflows of resources related to future pension obligations (see related Note A – Recent Accounting Pronouncements).

Net Pension Liability, June 30, 2014	\$(18,988)
Deferred Outflows of Resources – Pension Activities, June 30, 2014	<u>600</u>
 Prior Period Adjustment	 \$(<u>18,388</u>)

Beginning net position of Governmental Activities was restated to reflect this prior period adjustment as follows:

Net Position, June 30, 2014, as previously stated	\$ 591,235
Decrease due to adoption of GASB 68	<u>(18,388)</u>
 Net Assets, June 30, 2014, as restated	 \$ <u>572,847</u>

NOTE N: PENSION PLAN – VOLUNTEER FIREFIGHTERS

Plan Description – The Town contributes to the Oklahoma Firefighters Pension and Retirement Plan (“Plan”) which is a cost sharing multiple employer defined benefit pension plan covering members who have actively participated in firefighting activities. The plan is administered by the Oklahoma Firefighters Pension and Retirement System. The Plan provides defined retirement benefits based on member’s final average compensation, age, and term of service; benefits upon disability, and survivor’s benefits upon death of eligible members. The Plan benefits are established and amended by State statute. The Plan issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414.

Contributions – The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The Town is required by State statute to contribute annually \$60 per volunteer firefighter. The Town’s contributions to the Plan for the year ended June 30, 2015 were \$660 which represents 100% of required contributions for the current fiscal year. Additionally, the State, a non-employer contributing entity, contributes a portion of the insurance premium tax collected through its taxing authority. For the fiscal year ended June 30, 2015 the Town’s proportionate share of non-employer contributions to the plan were \$1,256.

Net Pension Liability – At June 30, 2015 the Town reported a liability of \$16,509 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015 the Town’s proportion was 0.0016%. The employer allocation percentage represents the portion of the Town’s actual cash contributions divided by the total of all employer contributions for the year.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE N: PENSION PLAN – VOLUNTEER FIREFIGHTERS, CONTINUED

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	3.5% to 9.0% average, including inflation
Investment rate of	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.48%
Domestic equity	9.61%
International equity	9.24%
Real estate	7.76%
Other assets	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at the contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE N: PENSION PLAN – VOLUNTEER FIREFIGHTERS, CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

<u>Discount Rate</u>		<u>Town’s Proportionate Share of Net Pension Liability</u>
1% decrease	6.5%	\$21,485
Current discount rate	7.5%	\$16,509
1% increase	8.5%	\$12,235

Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in a separately issued Oklahoma Firefighters Pension and Retirement Plan financial report.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the fiscal year ended June 30, 2015 the Town recognized pension expense of \$1,483. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual plan experience	\$ 393	\$ 0
Net difference between projected and actual earnings on plan investments	0	2,499
Changes in assumptions	0	0
Changes in proportion and differences between Town’s contributions and proportionate share of contributions	0	0
Town’s contributions subsequent to the measurement date	<u>660</u>	<u>0</u>
Total	<u>\$ 1,053</u>	<u>\$ 2,499</u>

The \$660 of deferred outflows of resources resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in future periods as follows:

Fiscal year ending June 30,	
2016	\$(563)
2017	\$(563)
2018	\$(563)
2019	\$(562)
2020	\$ 62
Thereafter	\$ 83

TOWN OF RAVIA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE O: SUBSEQUENT EVENTS

Date of Management Evaluation – Town of Ravia officials have evaluated subsequent events through May 20, 2016, the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

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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
Town of 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, 2015, which collectively comprise the Town of Ravia, Oklahoma's basic financial statements and have issued our report thereon dated May 20, 2016. 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, 2015, 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 the 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 the Town of Ravia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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, 14-1, and 15-1 that we consider to be significant deficiencies.

We noted certain other matters that we reported to management of the Town of Ravia in a separate letter dated May 20, 2016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 13-3 and 14-1.

Town of Ravia's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Ravia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

May 20, 2016

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, 2015

(Unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2014	\$ 65,000	\$ 65,000	\$ 65,000	\$ 0
<u>Resources (Inflows):</u>				
Taxes	32,000	32,000	34,205	2,205
Franchise Tax	21,980	21,980	13,987	(7,993)
Street and Alley	2,780	2,780	12,153	9,373
Garbage Collection	57,400	57,400	63,304	5,904
Cemetery Fees	2,500	2,500	6,068	3,568
Interest	0	0	8	8
Donations	0	0	350	350
Miscellaneous Income	3,270	3,270	2,316	(954)
Other Revenue	1,300	1,300	1,050	(250)
Amounts Available for Appropriation	<u>186,230</u>	<u>186,230</u>	<u>198,441</u>	<u>12,211</u>
<u>Charges to Appropriations (Outflows):</u>				
Administration/Trustees	39,390	39,390	35,388	4,002
Community Center	2,280	2,280	1,976	304
Street and Alley	31,180	31,180	7,373	23,807
Legal	6,280	6,280	4,430	1,850
Materials and Supplies	22,430	22,430	16,384	6,046
Sanitation	45,000	45,000	44,268	732
Other Services and Charges	32,990	32,990	19,439	13,551
Capital Outlay	6,680	6,680	3,146	3,534
Total Charges to Appropriations	<u>186,230</u>	<u>186,230</u>	<u>132,404</u>	<u>53,826</u>
FUND BALANCE, JUNE 30, 2015	\$ <u>0</u>	\$ <u>0</u>	\$ <u>66,037</u>	\$ <u>(66,037)</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.	\$ 198,441
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>(65,000)</u>
Total Revenues for general fund on a GAAP basis of accounting	\$ <u>133,441</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, 2015

(Unaudited)

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2014	\$ 1,500	\$ 1,500	\$ 1,500	\$ 0
<u>Resources (Inflows):</u>				
Sales Tax	10,180	10,180	15,209	5,029
Donations	1,530	1,530	235	(1,295)
Interest Income	0	0	1	1
Fire Subscriptions	3,290	3,290	2,670	(620)
Fire Runs	2,270	2,270	3,340	1,070
Miscellaneous	1,230	1,230	1,467	237
Other	1,150	1,150	0	(1,150)
Transfers In	1,440	1,440	11,422	9,982
Amounts Available for Appropriation	<u>22,590</u>	<u>22,590</u>	<u>35,844</u>	<u>13,254</u>
<u>Charges to Appropriations (Outflows):</u>				
Personnel Services	3,660	3,660	3,315	345
Other Services & Charges	17,600	17,600	12,446	5,154
Materials & Supplies	1,330	1,330	11,365	(10,035)
Capital Outlay	0	0	0	0
Total Charges to Appropriations	<u>22,590</u>	<u>22,590</u>	<u>27,126</u>	<u>(4,536)</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,718</u>	<u>\$ 8,718</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.	\$ 35,844
Adjustments:	
The fund balance at the beginning of the year is a budgetary resource but is not a current -year revenue for GAAP reporting.	(1,500)
Transfers shown as an other financing source for governmental funds	<u>(11,422)</u>
Total revenues for fire protection fund on a GAAP basis of accounting	<u>\$ 22,922</u>

TOWN OF RAVIA, OKLAHOMA

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

June 30, 2015

	Cemetery Perpetual Care Fund	Total Other Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash	\$ 0	\$ 0
Due From Other Funds	73	73
Accounts Receivable	0	0
Total Current Assets	<u>73</u>	<u>73</u>
Restricted Assets:		
Cash - Restricted	8,209	8,209
Total Restricted Assets	<u>8,209</u>	<u>8,209</u>
Total Assets	<u>8,282</u>	<u>8,282</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>0</u>	 <u>0</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ <u>8,282</u>	 \$ <u>8,282</u>
 LIABILITIES	 \$ <u>0</u>	 \$ <u>0</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>0</u>	 <u>0</u>
 FUND EQUITY		
Fund Balances:		
Reistricted	8,282	8,282
Total Fund Equity	<u>8,282</u>	<u>8,282</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	 \$ <u>8,282</u>	 \$ <u>8,282</u>

TOWN OF RAVIA, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

OTHER GOVERNMENTAL FUNDS - NON-MAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2015

	Grant Fund	Cemetery Perpetual Care Fund	Total Other Governmental Funds
REVENUES			
Sales Tax	\$ 0	\$ 0	\$ 0
Gas Tax	0	0	0
Alcoholic Beverage Tax	0	0	0
Trash Service	0	0	0
Franchise Tax	0	0	0
Interest	0	1	1
Use Tax	0	0	0
Business Permits	0	0	0
Business Licenses	0	0	0
Cemetery Fees	0	867	867
Fire Subscription Revenue	0	0	0
Fire Runs	0	0	0
Lease Revenue	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>868</u>	<u>868</u>
EXPENDITURES			
Personnel Services	0	0	0
Maintenance and Operation	0	0	0
Capital Outlay	0	0	0
Grant Expenses	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>0</u>	<u>868</u>	<u>868</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In (Out)	(3)	(600)	(603)
Total Other Financing Sources (Uses)	<u>(3)</u>	<u>(600)</u>	<u>(603)</u>
Excess Revenues and Other Sources Over (Under) Revenues and Other Uses	(3)	268	265
Fund Balance, Beginning	<u>3</u>	<u>8,014</u>	<u>8,017</u>
FUND BALANCE, ENDING	<u>\$ 0</u>	<u>\$ 8,282</u>	<u>\$ 8,282</u>

TOWN OF RAVIA OKLAHOMA
 SCHEDULE OF NET PENSION LIABILITY AND CONTRIBUTIONS - FIREFIGHTER'S PENSION

For the Year Ended June 30, 2015

(Unaudited)

Fiscal Year Ending June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Town's Proportionate Share of Collective Net Pension Liability	\$ 16,509									
Town's Porportion of Collective Net Pension Liability	% 0.0016%									
Plan's Fiduciary Net Position % of Total Pension Liability	% 68.12%									
Required Employer Contributions	\$ 660									
Contributions in relation to Required Contributions	\$ 660									
Contribution Deficiency (Excess)	\$ <u>0</u>									

* Information to present a 10 year history is not readily available.

Notes to Required Supplementary Information

Note 1 - Employer Contributions: Contributions represent the Town's actual contributions received by the Plan between July 1, 2013 and June 30, 2014. Contribution requirements are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The Town is required by statute to contribute annually \$60 per volunteer firefighter.

TOWN OF RAVIA, OKLAHOMA
STATUS OF PRIOR AUDIT FINDINGS

June 30, 2015

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 an adequate segregation of duties are, for all practical purposes, missing in the organization.

Current Status: See current audit finding 08-1.

13-1 CASH BALANCES

Condition: Unreconciled bank balances exceeded the FDIC maximum and accounts were not otherwise collateralized.

Current Status: See current audit finding 13-1.

13-2 CONSISTENT AND COMPLETE USE OF PURCHASE ORDERS

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

Current Status: Cleared.

13-3 BUDGET AND APPROPRIATIONS

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

Current Status: See current audit finding 13-3.

14-1 UNTIMELY PAYROLL TAX REPORTING AND PAYMENT OF TAXES DUE

Condition: Instances were Identified where the Town's payroll tax filings, deposits and contributions were not remitted when due.

Current Status: See current audit finding 14-1.

TOWN OF RAVIA, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

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: Increase oversight of separation of duties by Town Trustees.

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, instances were identified when unreconciled bank balances exceeded the FDIC maximum insured limits for the time period 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: Taking this draft to the bank to correct collateral to full amount of excess coverage.

TOWN OF RAVIA, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
For the Year Ended June 30, 2015

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 in the Fire Protection Fund.

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: Getting training and education on adequate planning and control. CPA to assist.

14-1 UNTIMELY PAYROLL TAX REPORTING AND PAYMENT OF TAXES DUE

Criteria: Federal & state laws require payroll taxes and related reports to be submitted within specified time constraints.

Condition: During our examination of the Town’s governmental and public works payroll tax filings, deposits and contribution, we noted none of the required quarterly federal form 941’s or Oklahoma wage reports had been filed dating back to 2013. Federal and state payroll tax deposits for the year appeared to have been made, with exception of the wages for the firefighters; these wages were not included in tax or unemployment contribution calculations and thus, the related deposit and necessary contributions not timely remitted.

Cause: Based upon our observations and the periods involved, it appears the returns in question were overlooked as a result of deficient training within this area.

Effect: As a result of failing to file the required quarterly payroll tax reports and ensure complete and accurate remittance of tax due, the Town incurred filing penalties and interest charges. When payroll taxes are not paid in a timely manner, the Town is out of compliance with federal and state laws in addition to incurring unnecessary interest and penalties.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends the Town implement procedures that would ensure payroll taxes are paid and the required returns are filed within the specified time requirements.

Reply: Future training and education to be given from CPA.

TOWN OF RAVIA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

For the Year Ended June 30, 2015

15-1 INNEFFECTIVE CONTROLS OVER PROCESSING AND REPORTING FINANCIAL INFORMATION

Criteria: When properly designed and implemented, internal control processes for financial reporting provide reasonable assurance that complete and accurate financial information is readily available and prepared in accordance with applicable standards.

Condition: The lack of emphasis placed on financial reporting by the Town adversely affects recording, processing and reporting financial information to the extent of non-compliance with applicable reporting standards and statutes governing such reporting.

Cause: The training necessary to process transactions and provide financial information necessary to meet reporting and statutory requirements has not been attained.

Effects: The financial information and processing controls used by the Town are incomplete or inaccurate as a result. The Town relies heavily on accurate financial information for planning, budgeting and other various purposes; incomplete or inaccurate financial information combined with limited processing controls does not allow the Town to maintain the financial records necessary to monitor budgets, provide accurate and timely financial information or remain in compliance with applicable reporting standards and statutes governing publicly held funds.

Recommendation: We recognize that the employment of a full-time financial professional would be cost prohibitive for the Town. However, SAUNDERS & ASSOCIATES, PLLC recommends the Town invest in training those responsible for financial and compliance reporting and cross-train employees to prevent any potential non-compliance during unexpected absences. Additionally, the Town should consider retaining the services of a professional to routinely inspect and verify the Town's financial information and compliance reporting is complete, accurate and timely.

Reply: Extra training on financial reporting by CPA.

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

Town of Ravia, Oklahoma

For the Year Ended June 30, 2015

*Contact Person
G. B. Saunders*

May 20, 2016

SAUNDERS & ASSOCIATES, PLLC

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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, 2015. The matters discussed herein were considered by us during our examination and do not modify the opinion expressed in our auditor's report dated May 20, 2016 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, 2015 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

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

May 20, 2016

TOWN OF RAVIA, OKLAHOMA

MANAGEMENT LETTER

June 30, 2015

1. 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.

Rely: Creating policy's for collection and bad debt write-off and also credit and adjustment policy's for utility billings.

2. 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 customer's accounts.