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State Auditor & Inspector

**TOWN OF RAMONA, OKLAHOMA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010**

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Independent Auditor's Report

The Board of Trustees
Town of Ramona
Washington, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities and its major fund of the Town of Ramona, Oklahoma as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Ramona, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

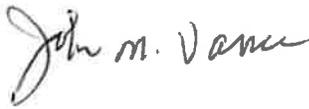
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, its major fund and the aggregate remaining fund information of Town of Ramona, Oklahoma, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2011 on our consideration of the Town of Ramona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Trustees
Town of Ramona, Oklahoma

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The management's discussion and analysis and budgetary comparison information on pages 2 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



John M. Vance
Certified Public Accountant
Tulsa, Oklahoma
August 5, 2011

Town of Ramona
Management's Discussion and Analysis
June 30, 2010

The following discussion and analysis of the Town of Ramona's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. We encourage users to read it in conjunction with the Town's financial statements, which follow this section.

Overview of the Financial Statements

The Town's financial statements have three components: government-wide financial statements, fund financial statements, and the notes to financial statements. This report also contains other supplementary information in addition to the basis financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Town finances as a whole in a manner similar to a private sector business.

The statement of net assets presents information on all the Town's assets and liabilities, with differences between the reported totals as net assets. Increases or decreases in net assets, over time, is an indicator of whether the financial position of the Town is improving or declining.

The statement of activities presents information showing how the Town's assets changed during the past fiscal year. All changes in net assets are reported when the underlying event or transaction occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period such as sales and franchise taxes.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes, governmental activities, from other functions that are intended to cover their costs primarily from user fees and charges and are business-type activities. The governmental activities of the Town include general government, public safety and judiciary, streets and cultural, parks and recreation. The business-type activities, carried on by Ramona Public Works Authority, a component unit, include gas, water, sewer and solid waste collection services.

Fund Financial Statements

Users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on major funds, rather than (the previous financial reporting model's) fund types. The governmental major fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

While the total column on the business-type Fund Financial Statements may be the same as the business-type column at the Government-wide Financial Statement, the governmental major funds total column requires a reconciliation because of the different measurement focused (current financial resources versus total economic resources) which is reflected at the bottom of each statement.

Government-Wide Financial Analysis

Statement of Net Assets

The following table reflects the condensed statement of net assets compared to prior year.

Table 1
Statement of Net Assets
as of June 30, 2010

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$137,845	\$139,496	\$288,160	\$229,924	\$426,005	\$369,420
Capital assets	548,870	578,092	1,643,916	1,527,739	2,192,786	2,105,831
Total assets	686,715	717,588	1,932,076	1,757,663	2,618,791	2,475,251
Current and other liabilities	5,222	2,808	1,051,013	974,999	1,056,235	977,807
Total liabilities	5,222	2,808	1,051,013	974,999	1,056,235	977,807
Net assets:						
Invested in capital assets	548,870	578,092	798,829	724,306	1,347,699	1,302,398
Restricted			45,251	44,611	45,251	44,611
Unrestricted	132,623	136,688	36,983	13,747	169,606	150,435
Total net assets	<u>\$681,493</u>	<u>\$714,780</u>	<u>\$881,063</u>	<u>\$782,664</u>	<u>1,562,556</u>	<u>\$1,497,444</u>

As noted earlier, net assets may serve overtime as a useful indicator of a government's financial position and condition. In the case of the Town, assets exceeded liabilities by \$1,562,556 at the close of the fiscal year for June 30, 2010 compared to \$1,497,444 for the year ended June 30, 2009.

By far the largest portion of the Town's net assets (86.0%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table indicates the changes in net assets for governmental and business-type activities:

Statement of Activities

Table 2
Change in Net Assets
June 30, 2010

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 73,111	\$ 77,522	\$1,152,313	\$1,050,647	\$ 1,225,424	\$1,128,169
Grants	7,400	17,064		272,999	7,400	290,063
General revenues:						
Sales taxes	28,483	33,824			28,483	33,824
Cigarette taxes	399	446			399	446
Alcohol beverages tax	1,501	1,494			1,501	1,494
Franchise tax	9,373	8,876			9,373	8,876
Truck and mileage tax	4,025	4,019			4,025	4,019
Gasoline excise tax	1,106	1,091			1,106	1,091
Investment revenues	444	658	854	1,444	1,298	2,102
Other general revenues	6,018	18,111	9,551	22,908	15,569	41,019
Total revenue	<u>131,860</u>	<u>163,105</u>	<u>1,162,718</u>	<u>1,347,998</u>	<u>1,294,578</u>	<u>1,511,103</u>
<u>Expenses</u>						
Program activities:						
Primary government:						
Government activities:						
General government	60,834	53,634			60,834	53,634
Public safety & jud.	87,294	92,256			87,294	92,256
Culture, park & rec.	17,019	15,416			17,019	15,416
Business-type activities:						
Gas utility			450,829	434,099	450,829	434,099
Water utility			430,323	431,427	430,323	431,427
Sewer service			142,609	98,140	142,609	98,140
Solid waste disposal			39,609	44,350	39,609	44,350
Total expenses	<u>165,147</u>	<u>161,306</u>	<u>1,063,370</u>	<u>1,008,016</u>	<u>1,228,517</u>	<u>1,169,322</u>
Change in net assets	(33,287)	1,799	99,348	339,982	66,061	341,781
Transfers		139,947		(139,947)		
Net assets, beginning	<u>714,780</u>	<u>573,034</u>	<u>781,715</u>	<u>582,629</u>	<u>1,496,495</u>	<u>1,155,663</u>
Net assets, ending	<u>\$681,493</u>	<u>\$714,780</u>	<u>\$881,063</u>	<u>782,664</u>	<u>1,562,556</u>	<u>\$1,497,444</u>

For the year ended June 30, 2010 the Town reported positive balances for net assets for governmental activities and business-type activities. The Town's net assets increased \$65,112 for the year ended June 30, 2010.

Infrastructure Assets

The Town has elected not to retroactively report infrastructure assets but will follow prospective reporting.

Fiscal Year Activity

The Cherokee Nation is expanding their casino which will result in increased sales of gas, water and sewer services to them.

TOWN OF RAMONA
STATEMENT OF NET ASSETS
JUNE 30, 2010

Statement I

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and time deposits	\$ 87,650	\$ 68,825	\$156,475
Sales and franchise taxes receivable	7,698		7,698
Accounts receivable, net		85,612	85,612
Prepaid items		10,916	10,916
Deferred Income		77,556	77,556
Receivable from RPWA	42,497		42,497
Restricted assets: cash, customer meter deposits		45,251	45,251
Construction in progress		106,349	106,349
Capital assets, net of accumulated depreciation	548,870	1,537,567	2,086,437
Total assets	686,715	1,932,076	2,618,791
 <u>LIABILITIES</u>			
Accounts payable	5,222	121,134	126,356
Mortgages and notes payable		845,087	845,087
Due to general fund		42,497	42,497
Customer meter deposits		42,295	42,295
Total liabilities	5,222	1,051,013	1,056,235
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	548,870	798,829	1,347,699
Restricted		45,251	45,251
Unrestricted	132,623	36,983	169,606
Net assets, ending	\$681,493	\$881,063	\$1,562,556

See accompanying notes to financial statements.

TOWN OF RAMONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Statement 2

	Expenses	Charges For Services	Net (Expense) Revenue
<u>FUNCTIONS/PROGRAMS</u>			
Primary government:			
Governmental activities:			
General government:			
Town clerk	\$ 1,800	\$	\$ (1,800)
Town treasurer	14,639		(14,639)
General government	<u>44,395</u>		<u>(44,395)</u>
Total general government	<u>60,834</u>		<u>(60,834)</u>
Public safety:			
Town attorney	5,664		(5,664)
Police	53,991	45,861	(8,130)
Municipal court	2,000		(2,000)
Fire	<u>25,639</u>	<u>11,290</u>	<u>(14,349)</u>
Total public safety and judiciary	<u>87,294</u>	<u>57,151</u>	<u>(30,143)</u>
Cultural, parks & recreation:			
Cemetery	<u>17,019</u>	<u>15,960</u>	<u>(1,059)</u>
Total governmental activities	<u>165,147</u>	<u>73,111</u>	<u>(92,036)</u>
Business-type activities:			
Gas utility	450,829	461,402	10,573
Water utility	430,323	511,418	81,095
Sewer service	142,609	129,235	(13,374)
Solid waste disposal	39,609	36,031	(3,578)
Emergency fund		<u>14,227</u>	<u>14,227</u>
Total business-type activities	<u>1,063,370</u>	<u>1,152,313</u>	<u>88,943</u>
Total primary government	<u>\$1,228,517</u>	<u>\$1,225,424</u>	<u>\$(3,093)</u>
		Primary Government	
	Governmental	Business-Type	Total
Change in net assets:			
Net (expense) revenue	<u>\$(92,036)</u>	<u>\$ 88,943</u>	<u>\$(3,093)</u>
General revenues:			
Taxes:			
Sales taxes	28,483		28,483
Cigarette tax	399		399
Alcohol beverage tax	1,501		1,501
Franchise taxes	9,373		9,373
Truck and mileage tax	4,025		4,025
Gasoline excise tax	1,106		1,106
Grants	7,400		7,400
Investment income	444	854	1,298
Miscellaneous	<u>6,018</u>	<u>9,551</u>	<u>15,569</u>
Total general revenues and transfers	<u>58,749</u>	<u>10,405</u>	<u>69,154</u>
Change in net assets	(33,287)	99,348	66,061
Net assets, beginning	<u>714,780</u>	<u>781,715</u>	<u>1,496,495</u>
Net assets, ending	<u>\$ 681,493</u>	<u>\$ 881,063</u>	<u>\$1,562,556</u>

See accompanying notes to financial statements.

TOWN OF RAMONA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2010

Statement 3

	General Fund
<u>ASSETS</u>	
Cash and time deposits	\$ 87,650
Sales and franchise taxes receivable	7,698
Receivable from RPWA	42,497
Total assets	\$137,845
 <u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 5,222
Total liabilities	5,222
 <u>FUND BALANCES</u>	
Unreserved, reported in general fund	132,623
Total fund balance	132,623
Total liabilities and fund balances	\$137,845

Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets at June 30, 2010:

Total fund balance, governmental fund	\$132,623
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of \$872,680, net of accumulated depreciation of \$323,810 are are not financial resources and, therefore, are not reported in the funds.	548,870
See notes for additional details.	
Net assets of governmental activities	\$681,493

See accompanying notes to financial statements.

TOWN OF RAMONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

Statement 4

	General Fund
<u>REVENUES</u>	
Taxes	\$ 44,886
Charges for services	73,111
Grants – Fire, Building Fund and General Government	7,400
Investment income	444
Miscellaneous	6,020
Total revenue	131,861
<u>EXPENDITURES</u>	
Current:	
General government:	
Town clerk	1,800
Town treasurer	14,639
General government	40,716
Total general government	57,155
Public safety and judiciary:	
Town attorney	5,664
Police	45,771
Municipal court	2,000
Fire	9,116
Total public safety and judiciary	62,551
Cultural, parks and recreation:	
Cemetery	16,220
Total cultural, parks and recreation	16,220
Total expenditures	135,926
Excess of expenditures over revenues	(4,065)
Fund balance, beginning	136,688
Fund balance, ending	\$132,623
Reconciliation of the Statement of Revenues, expenditures, and changes in fund balance of governmental funds at June 30, 2010:	
Net change in fund balance - governmental fund	\$ (4,065)
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 the assets is allocated over their useful lives, and reported as depreciation expense.	
This is the amount by which depreciation (\$36,044) was more than capital outlays of (\$6,822) for the period	
	(29,222)
Change in net assets of governmental activities (Statement 2)	\$ (33,287)

See accompanying notes to financial statements.

TOWN OF RAMONA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2010

Statement 5

	Budget	Actual	Variance
<u>Revenues</u>			
Taxes	\$ 44,775	\$ 44,886	\$ 111
Charges for services	67,244	73,111	5,867
Grants	4,590	7,400	2,810
Miscellaneous	14,405	6,020	(8,385)
Investment income	592	444	(148)
Total revenues	<u>131,606</u>	<u>131,861</u>	<u>255</u>
<u>Expenditures</u>			
General government:			
Town clerk:			
Personal services	1,800	1,800	
Supplies	7,500	7,974	(474)
Other services and charges	28,000	32,742	(4,742)
Town treasurer:			
Personal services	16,800	14,639	2,161
Total general government	<u>54,100</u>	<u>57,155</u>	<u>(3,055)</u>
Public safety and judiciary:			
Town attorney:			
Personal services	6,500	5,664	836
Police:			
Personal services	33,000	31,828	1,172
Supplies	3,000	4,031	(1,031)
Other services and charges	10,000	9,912	88
Municipal court	2,400	2,000	400
Fire:			
Supplies	4,000	2,597	1,403
Other services and charges	5,606	6,519	(913)
Total public safety and judiciary	<u>64,506</u>	<u>62,551</u>	<u>1,955</u>
Cultural, parks and recreation:			
Cemetery:			
Other services and charges	13,000	16,220	(3,220)
Total expenditures	<u>131,606</u>	<u>135,926</u>	<u>(4,320)</u>
Excess (deficiency) of revenues over expenditures	-0-	(4,065)	<u>(4,065)</u>
Fund balance, beginning	52,110	136,688	
Fund balance, ending	<u>\$ 52,110</u>	<u>\$ 132,623</u>	

See accompanying notes to financial statements.

TOWN OF RAMONA
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

Statement 6

	<u>Ramona Public Works Authority</u>
<u>ASSETS</u>	
Current assets:	
Cash and time deposits	\$ 68,825
Accounts receivable, net	85,612
Deferred Income	77,556
Prepaid items	10,916
Total current assets	<u>242,909</u>
Noncurrent assets:	
Restricted assets:	
Cash – customer meter deposits	45,251
Capital assets, net of accumulated depreciation	1,643,916
Total noncurrent assets	<u>1,689,167</u>
Total assets	<u>1,932,076</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	121,134
Due to general fund	42,497
Mortgage payable, Berkadia Commercial Mortgage	778
Note payable, American Bank of Oklahoma	112,272
Total current liabilities	<u>276,681</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Customer meter deposits	42,295
Mortgage and note payable	732,037
Total noncurrent liabilities	<u>774,332</u>
Total liabilities	<u>1,051,013</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	798,829
Unrestricted	36,983
Restricted	45,251
Total net assets	<u><u>881,063</u></u>

See accompanying notes to financial statements.

TOWN OF RAMONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

Statement 7

	Ramona Public Works Authority
Operating revenues:	
Charges for services:	
Pledged as security for mortgage payable:	
Water charges	\$ 511,418
Unpledged revenues:	
Gas charges	461,402
Sewer charges	129,235
Solid waste charges	36,031
Emergency fund	14,227
Total charges for services	1,152,313
Miscellaneous	9,551
Total operating revenue	1,161,864
Operating expenses:	
Cost of goods sold	611,501
Personal services	237,558
Materials and supplies	37,460
Other services and charges	80,374
Depreciation	57,570
Total operating expenses	1,024,463
Operating income	137,401
Non-operating revenue (expenses):	
Interest income	854
Interest expense	(38,907)
Total non-operating revenue	(38,053)
Change in net assets	99,348
Net assets, beginning of year	781,715
Net assets, end of year	\$ 881,063

See accompanying notes to financial statements.

TOWN OF RAMONA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

Statement 8

	Ramona Public Works Authority
<u>Cash flows from operating activities</u>	
Receipts from customers	\$1,084,307
Payments to suppliers	(663,822)
Payments to employees	(237,557)
Fire dues collected	8,627
Receipts of customer meter deposits	7,346
Refunds of customer meter deposits	(7,097)
Net cash provided by operating activities	191,804
<u>Cash flows from capital and related financing activities</u>	
Increase in capital debt	42,388
Interest paid on capital debt	(38,907)
Purchase of capital assets	(168,747)
Net cash used by capital and related financing activities	(165,266)
<u>Cash flows from investing activities</u>	
Interest income	854
Net cash provided by investing activities	854
Net (increase) in cash	27,392
Balance, beginning of year	86,684
Balance, end of year	\$114,076
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>	
Operating income	\$ 137,401
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows provided by other categories:	
Depreciation expense	57,570
Bad debt expense	47,596
Changes in net assets an liabilities:	
Receivables, net	(7,761)
Deferred Income	(77,556)
Prepaid items	885
Accounts payable	37,505
Due to general fund	(4,085)
Customer meter deposits	249
Net cash provided by operating activities	\$ 191,804

See accompanying notes to financial statements.

Town of Ramona, Oklahoma
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies

The accounting policies and financial reporting practices of the Town conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of Town's significant accounting policies:

A. Reporting Entity

The Town operates under the Town form of government and provides the following services as authorized by its charter: general government, public safety, streets, and culture, parks and recreation. Also, the Town, through Ramona Public Works Authority, operates four business-type activities, a gas system, water system, sewer system and solid waste collection system.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments expenditures are recorded only when payment is due.

Sales taxes and other taxes, interest income, and charges for services are susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund uses the accrual basis for accounting which recognizes revenues the period they are earned and are measurable. Expenses are recorded in the accounting period incurred.

The Town applies all applicable FASB pronouncements as well as private-sector standards issued on or before November 30, 1989, to the government-wide financial statements and the proprietary fund, unless these pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to apply private-sector standards issued after November 30, 1989.

Note 2: Bank Deposits

The bank accounts of the Town (\$87,650) and its component unit, Ramona Public Works Authority, \$114,076 at year-end were fully covered by federal depository insurance or collateralized with securities held by the pledging financial institution in the Town's name.

Note 3: Receivables

Receivables as of year-end for the Governmental Fund and the Proprietary Fund are as follows:

	Governmental Fund	Proprietary Fund
Sales and other taxes	\$ 7,698	\$ 137,466
Charges for services		
Less allowance for uncollectibles		(51,854)
Net receivables	<u>\$ 7,698</u>	<u>\$ 85,612</u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2010 follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 5,200	\$	\$	\$ 5,200
Old gas system	35,854			35,854
Total assets not depreciated	<u>41,054</u>			<u>41,054</u>
Capital assets being depreciated:				
Buildings	369,244	3,822		373,066
Improvements	50,635			50,635
Equipment	404,925	3,000		407,925
Total assets being depreciated	<u>824,804</u>	<u>6,822</u>		<u>831,626</u>
Less accumulated depreciation for:				
Buildings	(38,471)	(9,214)		(47,685)
Improvements	(34,836)	(1,164)		(36,000)
Equipment	(214,459)	(25,666)		(240,125)
Total less accumulated	<u>(287,766)</u>	<u>(36,044)</u>		<u>(323,810)</u>

Net capital assets being depreciated	<u>537,038</u>	<u>(29,222)</u>	_____	<u>507,816</u>
Governmental activities:				
Capital assets – net	<u>\$578,092</u>	<u>\$(29,222)</u>	<u>\$</u>	<u>\$548,870</u>
Business-type activities:				
Capital assets not depreciated:				
Construction in progress	\$ 94,452	\$ 11,896	\$	\$106,348
Land	<u>5,500</u>	_____	_____	<u>5,500</u>
Total assets not depreciated	<u>\$ 99,952</u>	<u>11,896</u>	<u>\$</u>	<u>111,848</u>
Capital assets being depreciated:				
Storage building	1,761			1,761
Gas system	72,306			72,306
Water system	1,095,317	26,332		1,121,649
Sewer system	753,183	89,899		843,082
Solid waste disposal	63,868			63,868
Other equipment	<u>57,587</u>	<u>40,619</u>	_____	<u>98,206</u>
Total assets being depreciated	<u>2,044,022</u>	<u>156,850</u>	_____	<u>2,200,872</u>
Less accumulated depreciation for:				
Storage building	(1,056)	(117)		(1,173)
Gas system	(30,971)	(2,863)		(33,834)
Water system	(110,884)	(29,023)		(139,907)
Sewer service	(391,993)	(13,528)		(405,521)
Solid waste disposal	(50,030)	(6,387)		(56,417)
Other equipment	<u>(31,301)</u>	<u>(5,652)</u>	_____	<u>(36,953)</u>
Total less accumulated	<u>(616,235)</u>	<u>(57,570)</u>	_____	<u>(673,805)</u>
Business-type activities				
Capital assets – net	<u>\$1,527,739</u>	<u>\$ 111,176</u>	<u>_____</u>	<u>\$1,638,915</u>

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

Government activities:

General government	
Public safety and judiciary	
Cultural, parks and recreation	
Total depreciation expense governmental activities	

Business-activities:

Gas utility	\$ 5,319
Water utility	31,527
Sewer service	14,161
Solid waste disposal	<u>6,563</u>
Total depreciation expense business-type activities	<u>\$ 57,570</u>

Note 5 – Notes Payable

Note Payable – Berkadia Commercial Mortgage

On April 15, 1980, the Authority secured a loan of \$20,000 from the Farmers Home Administration, United States Department of Agriculture for the purpose of extending the existing sewer system. The loan is evidenced by a promissory note with interest at 5%. The promissory note is secured by a real estate mortgage, a security interest in the waterworks and distribution system and all physical facilities, accessories and equipment appertaining thereto, now owned or to be acquired, constructed or improved by Ramona Public Works Authority and rights in a water purchase contract dated December 2, 1978 between the Authority and Utility Management Company, Inc. In September, 1987, the promissory note was purchased from Farmers Home Administration by GE Capital Corporation and in December, 1997, by GMAC Commercial Mortgage Corporation. In January, 2010 the promissory note was purchased by Berkadia Commercial Mortgage Principal and interest payments are \$99 per month with the final installment due on April 15, 2020.

Maturities of the note payable are as follows:

<u>June 30,</u>	
2011	\$ 778
2012	818
2013	860
2014	904
2015	952
Thereafter	<u>4,241</u>
	<u>\$ 8,553</u>

Interest paid for the year was \$ 354.

Note Payable – American Bank of Oklahoma

On April 1, 2008, the Authority secured a loan of \$750,000 from American Bank of Oklahoma to finance the purchase of water and sewer systems from LeAnn Water, LLC. The loan is evidenced by a promissory note with interest at 4.5%. The promissory note is secured by a Guaranty Agreement executed by LeAnn Water, LLC. During the 4th quarter ended June 30, 2010, additional amounts totaling \$81,893 were added to the Note.

Maturities of the note payable are as follows:

<u>June 30,</u>	
2011	112,272
2012	117,430
2013	122,824
2014	128,467
Thereafter	<u>355,541</u>
	<u>\$836,534</u>

Interest expense paid for the year was \$38,555.

Note Payable – American Bank of Oklahoma

On July 10, 2009 the Authority executed a loan agreement with American Bank of Oklahoma in the amount of \$1,361,906 consolidating all existing loans totaling \$794,146 and providing for additional loans of \$367,760 to finance the sewer line extension to the City of Bartlesville with an interest rate of 4.5%. Interest is payable beginning August 10, 2009 for six months and beginning February 10, 2010

principal and interest of \$12,302 are payable for 59 months. The loan is secured by a Water Purchase Contract dated March 3, 2008 with the City of Bartlesville.

Note 6 – Grants

During the funding period July 22, 2005 through July 22, 2007 the Town of Ramona was awarded a Community Development Block Grant from the U.S. Department of Housing and Urban Development with the Oklahoma Department of Commerce as contracting agency.

<u>CONTROL NUMBER</u>	<u>GRANT AMOUNT</u>	<u>SPENT TO 6-30-10</u>	<u>PURPOSE</u>
11847 CDBG 04	\$250,000	\$ 245,000	Water line improvements

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
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 Ramona, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Ramona, Oklahoma, as of and for the year ended June 30, 2010, and have issued our report thereon dated August 5, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Ramona, Oklahoma's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ramona, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain matters that we have reported to management of the Town of Ramona in a separate letter dated August 5, 2011.

To the Board of Trustees
Town of Ramona, Oklahoma

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This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



John M. Vance
Certified Public Accountant
Tulsa, Oklahoma
August 5, 2011