

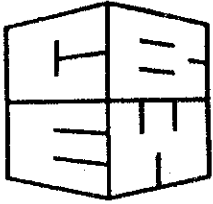
**TOWN OF RAMONA  
Ramona, Oklahoma**

**BASIC FINANCIAL STATEMENTS  
June 30, 2018**

**TOWN OF RAMONA  
Ramona, Oklahoma**

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## INDEPENDENT AUDITOR'S REPORT

January 27, 2019

Honorable Board of Town Commissioners  
Town of Ramona  
Ramona, Oklahoma

### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information prepared on a modified cash basis of the Town of Ramona, Oklahoma, (Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 from 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—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ramona, Oklahoma as of June 30, 2018, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Matters**

*Disclaimer of Opinion on Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ramona, Oklahoma's basic financial statements. The budgetary comparison information on page 26 and notes on page 27, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2019, on our consideration of the Town'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 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's internal control over financial reporting and compliance.

**CBEW Professional Group, LLP**

CBEW Professional Group, LLP  
Certified Public Accountants

**TOWN OF RAMONA**  
**STATEMENT OF POSITION**  
**MODIFIED CASH BASIS**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash & cash equivalents (Note 1)	\$ 93,255	\$ -	\$ 93,255
Investments	28,727	-	28,727
Due to/from others	-	-	-
Restricted assets:			
Insurance deposit	2,799	-	2,799
Bond fund/cash & investments	-	126,981	126,981
Cash, customer meter deposits	-	73,095	73,095
<b>Capital assets:</b>			
Land and non-depreciable assets	41,054	115,500	156,554
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	297,109	2,799,332	3,096,441
<b>Total assets</b>	<b>\$ 462,944</b>	<b>\$ 3,114,908</b>	<b>\$ 3,577,852</b>
<b>Deferred outflows of resources:</b>			
Deferred amounts related to pensions	-	-	-
<b>Total deferred outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>			
Current liabilities:			
Payroll and sales taxes payable	\$ -	\$ 459	\$ 459
Cash overdraft	-	7,747	7,747
Customer meter deposits	-	73,095	73,095
Leases payable	7,954	-	7,954
Bonds payable	-	100,000	100,000
Mortgages and notes payable (Note 2)	-	9,105	9,105
Non-current liabilities:			
Leases payable	16,122	-	16,122
Bonds payable	-	2,130,000	2,130,000
Mortgages and notes payable (Note 2)	-	2,657	2,657
<b>Total liabilities</b>	<b>24,076</b>	<b>2,323,063</b>	<b>2,347,139</b>
<b>Deferred inflows of resources:</b>			
Deferred amounts related to pensions	-	-	-
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position:</b>			
Net investment in capital assets	314,087	673,070	987,157
Restricted	111,233	126,981	238,214
Unrestricted	13,548	(8,206)	5,342
<b>Total net position</b>	<b>\$ 438,868</b>	<b>\$ 791,845</b>	<b>\$ 1,230,713</b>

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

**TOWN OF RAMONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**MODIFIED CASH BASIS**  
**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government:					
Town clerk	\$ 34,648	\$ -	\$ -	\$ -	\$ (34,648)
Town treasurer	15,167	-	-	-	(15,167)
General government	-	-	-	-	-
Total general government	<u>49,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,815)</u>
Public safety and judiciary:					
Town attorney	9,790	-	-	-	(9,790)
Animal control	324	-	-	-	(324)
Fire	17,680	18,168	-	-	488
Municipal court	2,750	24,273	-	-	21,523
Police	106,897	5,000	-	-	(101,897)
Total public safety and judiciary	<u>137,441</u>	<u>47,441</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
Cultural, parks and recreation:					
Cemetery	17,372	16,061	-	-	(1,311)
Total cultural, parks and recreation	<u>17,372</u>	<u>16,061</u>	<u>-</u>	<u>-</u>	<u>(1,311)</u>
Unallocated depreciation	42,613	-	-	-	(42,613)
<b>Total governmental activities</b>	<u>247,241</u>	<u>63,502</u>	<u>-</u>	<u>-</u>	<u>(183,739)</u>
<b>Business-type activities</b>					
Water service	1,032,396	662,255	-	-	(370,141)
Gas utility	217,960	539,751	-	-	321,791
Sewer service	60,216	152,344	-	-	92,128
Solid waste disposal	54,065	195,429	-	-	141,364
Emergency fund	-	11,896	-	-	11,896
Financing costs	86,543	-	-	-	(86,543)
Unallocated depreciation	110,751	-	-	-	(110,751)
<b>Total business-type activities</b>	<u>1,561,931</u>	<u>1,561,675</u>	<u>-</u>	<u>-</u>	<u>(256)</u>
<b>Total</b>	<u>\$ 1,809,172</u>	<u>\$ 1,625,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (183,995)</u>

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(183,739)	(256)	(183,995)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	57,736	-	57,736
Franchise taxes	8,966	-	8,966
Cigarette taxes	678	-	678
Alcohol beverage tax	1,597	-	1,597
Motor vehicle tax	3,457	-	3,457
Gas excise taxes	1,026	-	1,026
Investment earnings	426	792	1,218
Donations	10,000	-	10,000
Miscellaneous	3,493	-	3,493
Transfers	52,122	(52,122)	-
<b>Total general revenues and transfers</b>	<u>139,501</u>	<u>(51,330)</u>	<u>88,171</u>
<b>Change in net position</b>	(44,238)	(51,586)	(95,824)
<b>Net position - beginning of year</b>	490,021	939,938	1,429,959
<b>Prior period adjustment</b>	(6,915)	(96,507)	(103,422)
<b>Net position - end of year</b>	<u>\$ 438,868</u>	<u>\$ 791,845</u>	<u>\$ 1,230,713</u>

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

TOWN OF RAMONA  
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE  
 GOVERNMENTAL FUNDS  
 MODIFIED CASH BASIS  
 June 30, 2018

	<u>General Fund</u>
<b>Assets:</b>	
Cash & cash equivalents	\$ 93,255
Investments	28,727
Due from others	-
Restricted assets:	
Insurance deposit	2,799
	<u>          </u>
<b>Total assets</b>	<u>\$ 124,781</u>
<b>Liabilities:</b>	
Payroll taxes payable	\$ -
Due to others	-
	<u>          </u>
<b>Total liabilities</b>	<u>          </u>
<b>Fund balance:</b>	
Restricted for:	
Cemetery	87,716
Fire	19,399
Police	4,118
Unassigned	13,548
	<u>          </u>
<b>Total fund balance</b>	<u>124,781</u>
<b>Total liabilities and fund balance</b>	<u>\$ 124,781</u>

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

TOWN OF RAMONA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE TO  
 THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 MODIFIED CASH BASIS  
 June 30, 2018

Total Fund Balances - Total Governmental Funds \$ 124,781

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Leases payable (24,076)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	5,200	
Old gas system		35,854	
Building		373,066	
Improvements		50,634	
Equipment		488,796	
Less: Accumulated Depreciation		<u>(615,387)</u>	
			<u>338,163</u>

Net position of governmental activities

\$ 438,868

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



TOWN OF RAMONA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 MODIFIED CASH BASIS  
 Year Ended June 30, 2018

	General Fund
<b>Revenues:</b>	
Charges for services	\$ 23,168
Cigarette taxes	678
Donations	10,000
Interest	426
Franchise taxes	8,966
Gasoline excise taxes	1,026
Grants	-
Intergovernmental programs	5,054
Fines and forfeits	24,273
Rental receipts	-
Licenses and permits	-
Lot sales	16,061
Miscellaneous revenue	3,493
Sales and use taxes	57,736
<b>Total revenues</b>	<b>150,881</b>
<b>Expenditures:</b>	
<b>Current:</b>	
General government	49,815
Public safety	136,902
Cultural and recreational	17,372
<b>Debt service:</b>	
Principal	7,263
Interest	539
Capital outlay	21,271
<b>Total expenditures</b>	<b>233,162</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(82,281)</b>
<b>Other financing uses:</b>	
Lease proceeds	21,271
Operating transfers in (out)	52,122
	<b>(8,888)</b>
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(8,888)</b>
<b>Fund balance - beginning of year</b>	161,079
<b>Prior period adjustment</b>	(27,410)
<b>Fund balance - end of year</b>	<b>\$ 124,781</b>

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

**TOWN OF RAMONA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENSE AND CHANGES IN NET**  
**POSITION**  
**MODIFIED CASH BASIS**  
**Year Ended June 30, 2018**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(8,888)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report new leases as revenues. However, in the statement of activities the leases are reported as a long-term liability.		(21,271)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		21,271
Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.		7,263
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. reported as expenditures in Governmental Funds.		<u>(42,613)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>(44,238)</u></u></b>

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

TOWN OF RAMONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
MODIFIED CASH BASIS  
June 30, 2018

Business-type Activities - Enterprise Funds

	<u>Ramona Public Works Authority</u>
<b>Assets:</b>	
Cash and investments:	
Cash & cash equivalents (Note 1)	\$ -
Due from others	-
Restricted assets:	
Bond fund/cash & investments	126,981
Cash, customer meter deposits (Note 1)	73,095
<b>Capital assets:</b>	
Land & construction in process	115,500
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	<u>2,799,332</u>
<b>Total assets</b>	<b>\$ <u>3,114,908</u></b>
<b>Liabilities:</b>	
Current liabilities:	
Payroll and sales taxes payable	\$ 459
Cash overdraft	7,747
Customer meter deposits	73,095
Due to general fund	-
Bonds payable	100,000
Mortgages and notes payable (Note 2)	9,105
Non-current liabilities:	
Bonds payable	2,130,000
Mortgages and notes payable (Note 2)	<u>2,657</u>
<b>Total liabilities</b>	<b><u>2,323,063</u></b>
<b>Net position:</b>	
Net investment in capital assets	673,070
Restricted	126,981
Unrestricted	<u>(8,206)</u>
<b>Total net position</b>	<b>\$ <u>791,845</u></b>

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

TOWN OF RAMONA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
MODIFIED CASH BASIS  
Year Ended June 30, 2018

Business-type Activities - Enterprise Funds

	<u>Ramona Public Works Authority</u>
<b>Revenues:</b>	
Water revenue	\$ 662,255
Gas revenue	539,751
Sewer revenue	152,344
Solid waste revenue	195,429
Emergency fund	11,896
Miscellaneous revenue	-
	<hr/>
<b>Total revenues</b>	<b>1,561,675</b>
	<hr/>
<b>Operating expenses:</b>	
Gas utility	217,960
Water service	1,032,396
Sewer service	60,216
Solid waste disposal	54,065
Emergency fund	-
Depreciation expense	110,751
	<hr/>
<b>Total operating expenses</b>	<b>1,475,388</b>
	<hr/>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>86,287</b>
	<hr/>
<b>Non-operating revenues (expenses):</b>	
Grant revenue	-
Interest revenue	792
Interest expense	(86,543)
	<hr/>
<b>Total</b>	<b>(85,751)</b>
	<hr/>
<b>Income (loss) before operating transfers</b>	<b>536</b>
	<hr/>
<b>Transfers in (out)</b>	<b>(52,122)</b>
	<hr/>
<b>Change in net position</b>	<b>(51,586)</b>
	<hr/>
<b>Net position at beginning of year</b>	<b>939,938</b>
	<hr/>
<b>Prior period adjustment</b>	<b>(96,507)</b>
	<hr/>
<b>Net position at end of year</b>	<b>\$ 791,845</b>
	<hr/> <hr/>

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

TOWN OF RAMONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
MODIFIED CASH BASIS  
Year Ended June 30, 2018

Business-type Activities - Enterprise Funds

	<u>Ramona Public Works Authority</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers & service users	\$ 1,561,675
Cash payments for goods & services & employees	(1,366,702)
Other operating revenues	-
<b>Net cash provided by operating activities</b>	<u>194,973</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating transfers out to other funds	(52,122)
Operating transfers in from other funds	-
Change in meter deposits	10,395
Change in due to/from accounts	-
<b>Net cash provided (used) for noncapital     financing activities</b>	<u>(41,727)</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition & construction of capital assets	(2,300)
Grant revenues	-
Principal paid on debt	(102,841)
Interest paid on debt	(86,543)
<b>Net cash provided (used) for capital and     related financing activities</b>	<u>(191,684)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	792
<b>Net cash provided by investing activities</b>	<u>792</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(37,646)
<b>Cash and cash equivalents - beginning of year</b>	<u>229,975</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 192,329</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ <u>86,287</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	110,751
Change in assets and liabilities:	
Increase (decrease) in payroll and sales tax payable	(2,065)
<b>Total adjustments</b>	<u>108,686</u>
<b>Net cash provided by operating activities</b>	<u>\$ 194,973</u>

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

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Ramona, Oklahoma (Town) accounting policies and financial statement presentation conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received by not yet paid, and accrued expenses and liabilities, including pension liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the Town as well as a further description of departures from governmental GAAP are discussed below.

**A. Reporting Entity**

The Town of Ramona, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the Town of Ramona, Oklahoma.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Blended Component Units:

The Ramona Public Works Authority (PWA) was created pursuant to a Trust Indenture dated March 8, 1966 to provide improvements to the natural gas system and facilities for the benefit of the Town of Ramona, Oklahoma. The public works systems owned by the Town have been leased to the Trust. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of five trustees identical with the Town Council. The PWA is exempt from state and federal Income taxes. The PWA is reported as an enterprise fund.

TOWN OF RAMONA  
Ramona, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of revenues, expenses and changes in net position, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are normally prepared using the accrual basis of accounting but the Town of Ramona's presentation is on a modified cash basis.

**Government-wide Financial Statements** – The statement of net position and the statement of revenues, expenses and changes in net position display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of revenues, expenses and changes in net position presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

**Fund Financial Statements** – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

TOWN OF RAMONA  
Ramona, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

**Governmental Funds** – are used to account for the government's general government activities. The Town of Ramona presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments). The Town of Ramona records governmental fund expenditures as they are paid rather than when the obligation is incurred and revenues when received.

Sales and use taxes, cigarette taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

Entitlements and shared revenues are recorded at the time of receipt. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the Town's major governmental fund:

General fund – is the main operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Proprietary funds** – Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In the Town's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld and other withholdings which the Town records as a modification to the cash basis of accounting.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the Town's major Enterprise fund:

Ramona Public Works Authority – accounts for the operations of providing public works (water, sewer, gas distribution systems and refuse) to the Town.

There are no other enterprise funds of the Town to be considered non-major funds.



**TOWN OF RAMONA  
Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

**2. Restricted Cash and Investments**

The restricted cash and investments are the result of financial requirements of two promissory notes between the Ramona Public Works Authority and the United States Department of Agriculture, Rural Development and consist of funds held in a Debt Service Fund, Reserve Fund-Water, Reserve Fund-Gas and a Maintenance Reserve Fund. Under the terms and provisions of the promissory notes, these special funds are maintained with the Trustee bank for the benefit of the holders of the notes. These funds are to be maintained so long as the notes are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the notes.

**3. Fair Value of Financial Instruments**

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**4. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**5. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

**6. Inventories**

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of governmental fund type and proprietary fund type inventories are recorded as expenditures when purchased rather than when consumed.

**TOWN OF RAMONA  
Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (continued)**

**7. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$1,000. The Town's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Building Improvements	40 - 100 years	40 - 100 years
Equipment	5 - 100 years	5 - 100 years
Water System	10 - 40 years	10 - 40 years
Gas System	10 - 40 years	10 - 40 years
Sewer System	10 - 40 years	10 - 40 years

**8. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused sick time. Full-time regular employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Town. Vacation time is not carried over from year to year. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

TOWN OF RAMONA  
Ramona, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Position/Fund Balances

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *non-spendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**10. Net Position/Fund Balances (Continued)**

*Assigned* fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

*Unassigned* fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**11. Resource Use Policy**

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2018, the Town held deposits of approximately \$317,110 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

*Investment Interest Rate Risk*

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

**TOWN OF RAMONA  
Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2018 are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
CDs	N/A	N/A	28,727	28,727
Total Investments			\$ <u>28,727</u>	\$ <u>28,727</u>

*Concentration of Investment Credit Risk*

The Town places no limit on the amount it may invest in any one issuer. The Town has the following credit risk: 100% in Certificates of Deposit (\$28,727).

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets**

The Governmental capital asset activity for the year ended is as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/2018</b>
<b>Non-depreciable assets:</b>				
Land	\$ 5,200	\$ -	\$ -	\$ 5,200
Old gas system	35,854	-	-	35,854
<b>Total non-depreciable assets</b>	<u>41,054</u>	<u>-</u>	<u>-</u>	<u>41,054</u>
<b>Depreciable assets:</b>				
Building	373,066	-	-	373,066
Improvements	50,634	-	-	50,634
Equipment	467,525	21,271	-	488,796
<b>Total depreciable assets</b>	<u>891,225</u>	<u>21,271</u>	<u>-</u>	<u>912,496</u>
<b>Less accumulated depreciation</b>				
Building	(112,799)	(9,327)	-	(122,126)
Improvements	(44,343)	(1,164)	-	(45,507)
Equipment	(415,632)	(32,122)	-	(447,754)
<b>Total accumulated depreciation</b>	<u>(572,774)</u>	<u>(42,613)</u>	<u>-</u>	<u>(615,387)</u>
<b>Net governmental activities capital assets</b>	<u>\$ 359,505</u>	<u>\$ (21,342)</u>	<u>\$ -</u>	<u>\$ 338,163</u>

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets (Continued)**

The Business-Type capital asset activity for the year ended is as follows:

<b>Business-Type Activities:</b>	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2018</u>
<b>Non-depreciable assets:</b>				
Land	\$ 115,500	\$ -	\$ -	\$ 115,500
Construction in process	-	-	-	-
Total non-depreciable assets	<u>115,500</u>	<u>-</u>	<u>-</u>	<u>115,500</u>
<b>Depreciable assets:</b>				
Water system	1,166,485	-	-	1,166,485
Gas system	98,131	-	-	98,131
Sewer system	2,489,272	-	-	2,489,272
Solid waste disposal	209,872	-	-	209,872
Buildings	1,761	-	-	1,761
Equipment	191,052	2,300	-	193,352
Total depreciable assets	<u>4,156,573</u>	<u>2,300</u>	<u>-</u>	<u>4,158,873</u>
<b>Less accumulated depreciation:</b>				
Water system	(347,942)	(29,746)	-	(377,688)
Gas system	(61,493)	(3,925)	-	(65,418)
Sewer system	(611,244)	(55,317)	-	(666,561)
Solid waste disposal	(109,215)	(7,300)	-	(116,515)
Buildings	(1,761)	-	-	(1,761)
Equipment	(117,135)	(14,463)	-	(131,598)
Total accumulated depreciation	<u>(1,248,790)</u>	<u>(110,751)</u>	<u>-</u>	<u>(1,359,541)</u>
Net business-type activities capital assets	<u>\$ 3,023,283</u>	<u>\$ (108,451)</u>	<u>\$ -</u>	<u>\$ 2,914,832</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

**C. Inter-fund Receivables and Payables**

The following schedule reflects the Town's inter-fund due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ -
Ramona Public Works Authority	-	-
Total all funds	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**2. DETAILED NOTES CONCERNING THE FUNDS (continued)**

**D. Long-term Debt**

The Town is not obligated in any manner for the debt of its component units. The following is a summary of long-term debt transactions of the proprietary fund:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
John Deere Financial	\$ 19,604	\$ -	\$ 7,842	\$ 11,762
Bank of Oklahoma	2,325,000	-	95,000	2,230,000
Total	<u>\$ 2,344,604</u>	<u>\$ -</u>	<u>\$ 102,842</u>	<u>\$ 2,241,762</u>

Long-term debt consists of:

The Authority issued a note payable to the Bank of Oklahoma for the purchase of assets, payoff of loans and work on the lagoon in the amount of \$2,500,000. The note is payable in twenty annual installments plus interest at 3.0% and are due March 2016 to March 2035.

On June 18, 2014, the Authority issued a note payable to John Deere Financial for the purchase of an excavator. Interest is 4% on the note and late payment charges if necessary. Payments are \$784.14 for 60 months. The note is secured by the property purchased.

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2019	\$ 109,105	\$ 82,500	\$ 191,605
2020	102,657	79,215	181,872
2021	105,000	76,195	181,195
2022	110,000	73,570	183,570
2023	110,000	70,545	180,545
2024-2028	620,000	296,921	916,921
2029-2033	740,000	171,822	911,822
2034-2035	345,000	22,360	367,360
Total	<u>\$ 2,241,762</u>	<u>\$ 873,128</u>	<u>\$ 3,114,890</u>

**E. Capitalized Leases**

The Town has entered into a capitalized lease for the acquisition of a police car. The lease agreements met the criteria of a capital lease as defined by GASB No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.



**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**2. DETAILED NOTES CONCERNING THE FUNDS (continued)**

**E. Capitalized Leases (Continued)**

The capital leases are described below.

(1) Lease payable to Arvest for the lease purchase of a police car. Monthly payments of \$510.86 plus interest at 2.54%.	4,063
(2) Lease payable to American Bank of Oklahoma for the lease purchase of a pumper truck. Monthly payments of \$403.33 plus interest at 5.13%.	<u>20,013</u>
<b>Total</b>	<b>\$ <u>24,076</u></b>

The following is a summary of capitalized lease transactions for the year:

	Balance July 1, 2017	Additions	Payments and Cancellations	Balance June 30, 2018
Capital lease obligations	\$ <u>10,067</u>	\$ <u>21,271</u>	\$ <u>7,262</u>	\$ <u>24,076</u>

The annual debt service requirements to maturity, including principal and interest, for leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 7,954	\$ 988	\$ 8,942
2020	4,109	731	4,840
2021	4,324	516	4,840
2022	4,552	288	4,840
2023	3,137	60	3,197
<b>Total</b>	<b>\$ <u>24,076</u></b>	<b>\$ <u>2,583</u></b>	<b>\$ <u>26,659</u></b>

**3. OTHER INFORMATION**

**A. 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; employee health benefits; and natural disasters. The Town purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for all claims submitted to it during the plan year.

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**3. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund.

In addition to the Loss Fund, the Town maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR) is a non-refundable fund, which can reduce future premium increases. The Escrow Fund is made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense. The balances for 2018 in the RSR Fund and the Escrow Fund are \$0 and \$2,799 respectively, and are reflected on the financial statements.

**B. Contingent Liabilities**

The governing board of the Town is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**C. Employee Retirement System and Other Benefit Plans**

The City participates in one employee pension systems as follows:

Oklahoma Firefighters Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

**Oklahoma Firefighters Pension & Retirement Plan**

**Plan Description** – The City of Ramona, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Benefits provided** – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

TOWN OF RAMONA  
Ramona, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service.

For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

**Contributions** – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay or \$60 per volunteer. The required contribution from the City for this plan was \$0, \$0 and \$720 for 2018, 2017 and 2016, respectively.

4. CHANGE IN ACCOUNTING PRINCIPLE

Beginning July 1, 2017 and for the year ending June 30, 2018, the Town has adopted the modified cash basis of accounting. The Town believes this method of accounting will provide a better understanding of the financial position of the Town consistent with its budget. This change results in a restatement of fund balance on the government-wide presentation and within the individual funds. The government-wide governmental fund presentation decreased in the amount of \$6,915. Individually, the general fund decreased by \$27,410. The business-type fund presentation decreased in the amount of \$96,507, and individually, the RPWA decreased by \$96,507.

**TOWN OF RAMONA  
Ramona, Oklahoma**

**SUPPLEMENTAL INFORMATION  
June 30, 2018**

TOWN OF RAMONA  
 SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (MODIFIED CASH BASIS) AND ACTUAL  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2018  
 (Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 23,168	\$ 23,168
Cigarette taxes	-	-	678	678
Donations	-	-	10,000	10,000
Interest	-	-	426	426
Franchise taxes	-	-	8,966	8,966
Gasoline excise taxes	-	-	1,026	1,026
Grants	-	-	-	-
Intergovernmental programs	-	-	5,054	5,054
Fines and forfeits	-	-	24,273	24,273
Rental receipts	-	-	-	-
Licenses and permits	-	-	-	-
Lot sales	-	-	16,061	16,061
Miscellaneous revenue	-	-	3,493	3,493
Sales and use taxes	-	-	57,736	57,736
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>150,881</u>	<u>150,881</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	49,815	(49,815)
Public safety	-	-	136,902	(136,902)
Cultural and recreational	-	-	17,372	(17,372)
Debt service:				
Principal	-	-	7,263	(7,263)
Interest	-	-	539	(539)
Capital outlay	-	-	21,271	(21,271)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>233,162</u>	<u>(233,162)</u>
<b>Excess of revenue over (under) expenditures</b>	-	-	(82,281)	(82,281)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	52,122	52,122
<b>Net changes in fund balance</b>	-	-	(8,888)	(8,888)
<b>Fund balance at beginning of year</b>	161,079	161,079	161,079	-
<b>Prior period adjustment</b>	<u>(27,410)</u>	<u>(27,410)</u>	<u>(27,410)</u>	-
<b>Fund balance at end of year</b>	<u>\$ 133,669</u>	<u>\$ 133,669</u>	<u>\$ 124,781</u>	<u>\$ (8,888)</u>

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**NOTES TO SUPPLEMENTAL INFORMATION**  
**Year Ended June 30, 2018**  
**(Unaudited)**

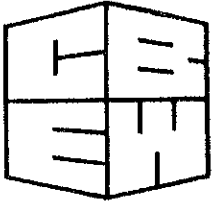
**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Administrator (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

**TOWN OF RAMONA  
Ramona, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
June 30, 2018**



**CBEW**  
**Professional**  
**Group, LLP**  
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**

January 27, 2019

Honorable Board of Town Commissioners  
Town of Ramona  
Ramona, Oklahoma

We have audited, in accordance with the 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, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ramona, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Ramona, Oklahoma's basic financial statements, and have issued our report thereon dated January 27, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as findings 2018-001, 2018-002, and 2018-003.



***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town'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 item 2018-003.

***Town's Response to Findings***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants

**TOWN OF RAMONA**  
**Ramona, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2018**

2018-001. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently there are several individuals that perform many of the same functions which include taking payments, recording payments, making deposits, writing checks, signing checks and posting transactions. Only one person is responsible for reconciling monthly bank statements. This finding was also noted in 2017.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: While there are some checks and balances in place, without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and depositing activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The Town concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Town will strive to make changes in procedures that will improve the overall lack of segregation of duties.

2018-002. Internal Control – Material Adjusting Journal Entries

Criteria: The Town's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with the modified cash basis of accounting from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The Town manager and accounting staff individually and collectively possess the necessary skills and experience to prepare modified cash basis financial statements; however, management has chosen to present cash basis statements on an interim basis and request that the auditor prepare journal entries which they review and approve for the year-end audited financial statements. However, the government's trial balances for the year ended June 30, 2018, required a number of material adjusting journal entries in order for the financial statements to be prepared in on the modified cash basis of accounting. This finding was also noted in 2017.

**TOWN OF RAMONA  
Ramona, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: depreciation expense, sales tax receivable, meter deposits, balancing note payables, interest expenses and purchased assets.

Cause: The accounting staff doesn't spend sufficient time in balancing and or reconciling specific accounts on a regular basis throughout the year to provide assurance that the trial balances used for preparing modified cash basis financial statements that are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the Town lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its modified cash basis financial statements. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as required by the GAO "Yellow Book."

Recommendation: The Town should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by regularly reviewing, balancing, and reconciling interim financial statements to ensure that material adjusting journal entries are made timely. This process could be assigning to a specific staff person, through employment of additional qualified accounting staff, or outsourced to a qualified external accounting firm. Additionally, all accounting staff should strive to obtain and/or maintain their proficiency through continuing education courses relative to governmental accounting.

Responsible Official's Response: The Town concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements on a timely basis.

2018-003 Internal Control and Compliance – Preparation and Exceeding the Budget

Criteria: The Town should submit an annual estimate of needs under the Budget Law of the Oklahoma State Statutes and should have appropriate controls in place to insure compliance with the applicable requirements.

Condition: Since the estimate of needs was not filed the Town exceeded its total appropriations for the year. This finding was also noted in 2017.

Cause: The Town did not prepare an estimate of needs for the year.

Effect or Potential Effect: Without filing the estimate of needs, the Town's General Fund expenditures exceeded appropriations and the Town was not in compliance with the Budget Law.

Recommendation: We recommend that management implement controls to prepare future estimate of needs and file it timely.

Responsible Official's Response: The Town concurs with the recommendation and will implement controls to file the estimate of needs timely.