

TOWN OF SAVANNA, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

Ralph Osborn
Certified Public Accountant
500 South Chestnut
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Savanna, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Savanna, Oklahoma as of and for the year ended June 30, 2010, which collectively comprise the Town of Savanna, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Savanna, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

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

The Town of Savanna, Oklahoma has not presented a Management's Discussion that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 14, 2012, on my consideration of Town of Savanna, Oklahoma's internal control over financial reporting and on my 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 assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 14, 2012

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 96,030	\$ 123,481	\$ 219,511
Investments	40,958	86,047	127,005
Taxes receivable	35,738	-	35,738
Accounts receivable, net	-	45,231	45,231
Accrued interest receivable	101	117	218
Due from other funds	3,623	14,374	17,997
Restricted assets:			
Cash and cash equivalents	-	89,896	89,896
Total current assets	<u>176,450</u>	<u>359,146</u>	<u>535,596</u>
Non-current assets:			
Capital assets			
Land	-	10,000	10,000
Other capital assets net of accumulated depreciation	<u>928,310</u>	<u>1,305,501</u>	<u>2,233,811</u>
Total non-current assets	<u>928,310</u>	<u>1,315,501</u>	<u>2,243,811</u>
 Total assets	 <u>1,104,760</u>	 <u>1,674,647</u>	 <u>2,779,407</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	13,174	34,121	47,295
Due to other funds	14,374	3,623	17,997
Utility deposits	-	33,323	33,323
Notes payable, current	-	14,903	14,903
Total current liabilities	<u>27,548</u>	<u>85,970</u>	<u>113,518</u>
Non-current liabilities:			
Notes payable, non-current	-	636,958	636,958
Total non-current liabilities	<u>-</u>	<u>636,958</u>	<u>636,958</u>
 Total liabilities	 <u>27,548</u>	 <u>722,928</u>	 <u>750,476</u>
NET ASSETS			
Investments in capital assets, net of related debt	928,310	663,640	1,591,950
Assigned	-	288,079	288,079
Unassigned	<u>148,902</u>	<u>-</u>	<u>148,902</u>
 Total net assets	 <u>\$1,077,212</u>	 <u>\$ 951,719</u>	 <u>\$ 2,028,931</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expenses) Revenue
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
Administration	\$ 71,751	\$ -	\$ 8,878	\$ -	\$ (62,873)
Community service	66,215	-	5,741	-	(60,474)
Health and welfare	25,815	-	-	-	(25,815)
Total governmental activities	<u>163,781</u>	<u>-</u>	<u>14,619</u>	<u>-</u>	<u>(149,162)</u>
Business-type activities					
Public Works	256,246	272,517	-	-	16,271
Total business-type activities	<u>256,246</u>	<u>272,517</u>	<u>-</u>	<u>-</u>	<u>16,271</u>
Total primary government	<u>\$420,027</u>	<u>\$272,517</u>	<u>\$ 14,619</u>	<u>\$ -</u>	<u>\$ (132,891)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>\$ (149,162)</u>	<u>\$ 16,271</u>	<u>\$ (132,891)</u>
General revenues and transfer			
Taxes			
Sales and use		169,482	169,482
Franchise		13,159	13,159
Cigarette		1,961	1,961
Donations		50	50
Interest		549	2,247
Other revenue		16,545	27,746
Transfer		(19,652)	-
Total general revenue and transfers		<u>182,094</u>	<u>214,645</u>
Change in net assets		32,932	81,754
Net assets - beginning		<u>1,044,280</u>	<u>1,947,177</u>
Net assets - ending		<u>\$1,077,212</u>	<u>\$ 2,028,931</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General Fund</u>	<u>Street And Alley Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 82,333	\$ 13,697	\$ 96,030
Investments	40,958	-	40,958
Receivables:			
Accrued Interest	101	-	101
Due from other governments	35,292	446	35,738
Due from other funds	<u>3,623</u>	<u>-</u>	<u>3,623</u>
TOTAL ASSETS	<u>\$ 162,307</u>	<u>\$ 14,143</u>	<u>\$ 176,450</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 12,767	\$ 407	\$ 13,174
Due to other funds	<u>14,374</u>	<u>-</u>	<u>14,374</u>
TOTAL LIABILITIES	<u>27,141</u>	<u>407</u>	<u>27,548</u>
 FUND BALANCES			
Assigned	-	13,736	13,736
Unassigned	<u>135,166</u>	<u>-</u>	<u>135,166</u>
TOTAL FUND BALANCES	<u>135,166</u>	<u>13,736</u>	<u>148,902</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 162,307</u>	<u>\$ 14,143</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets	963,191	
Accumulated depreciation	<u>(34,881)</u>	<u>928,310</u>
Total net assets		<u>\$1,077,212</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Street And Alley Fund	Total Governmental Funds
Revenue			
Sales and use tax	\$ 169,482	\$ -	\$ 169,482
Franchise tax	13,159	-	13,159
Auto tax	-	4,322	4,322
Gasoline tax	-	1,419	1,419
Cigarette tax	1,961	-	1,961
Alcoholic beverage tax	4,364	-	4,364
Motel tax	4,514	-	4,514
Donations	50	-	50
Interest	549	-	549
Other revenue	<u>16,545</u>	<u>-</u>	<u>16,545</u>
Total revenue	<u>210,624</u>	<u>5,741</u>	<u>216,365</u>
Expenditures			
Current			
Administration	68,890	-	68,890
Community service	58,653	5,735	64,388
Health and welfare	<u>9,352</u>	<u>-</u>	<u>9,352</u>
Total expenditures	<u>136,895</u>	<u>5,735</u>	<u>142,630</u>
Excess (deficiency) of revenue over expenditures	73,729	6	73,735
Other financing sources (uses)			
Transfers out	<u>(19,652)</u>	<u>-</u>	<u>(19,652)</u>
Total transfers	<u>(19,652)</u>	<u>-</u>	<u>(19,652)</u>
Net change in fund balance	54,077	6	54,083
Fund balances, beginning	<u>81,089</u>	<u>13,730</u>	<u>94,819</u>
Fund balances, ending	<u>\$ 135,166</u>	<u>\$ 13,736</u>	<u>\$ 148,902</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

Net changes in fund balances - total governmental funds \$ 54,083

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(21,151)	
Capital outlay	-	(21,151)
Change in net assets		<u>\$ 32,932</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2010

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 123,481
Investments	86,047
Accounts receivable, net	45,231
Due from other funds	14,374
Accrued interest	117
Restricted assets	
Cash and cash equivalents	<u>89,896</u>
Total current assets	<u>359,146</u>
Non-current assets	
Capital assets:	
Land	10,000
Capital assets, net of accumulated depreciation	<u>1,305,501</u>
Total non-current assets	<u>1,315,501</u>
Total assets	<u>1,674,647</u>
LIABILITIES	
Current liabilities:	
Accounts payable	8,340
Payroll taxes payable	1,738
Water purchase payable	21,446
Accrued payroll payables	2,597
Due to other funds	3,623
Utility deposits	33,323
Note payable, current	<u>14,903</u>
Total current liabilities	<u>85,970</u>
Non-current liabilities:	
Note payable, non current	<u>636,958</u>
Total non-current liabilities	<u>636,958</u>
Total liabilities	<u>722,928</u>
NET ASSETS	
Invested in capital assets, net of related debt	663,640
Assigned	<u>288,079</u>
Net assets of business-type activities	<u>\$ 951,719</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	\$ 117,842
Water charges	99,984
Wastewater charges	54,691
Sanitation charges	11,201
Other	<u>11,201</u>
Total operating revenues	<u>283,718</u>
<u>OPERATING EXPENSES</u>	
Wages	34,361
Payroll taxes	2,972
Water purchases	52,905
Maintenance and supplies	33,048
Advertising	281
Sanitation	45,004
Testing/other	9,109
Office	2,522
Professional fees	7,081
Utilities	3,822
Depreciation	<u>40,248</u>
Total operating expenses	<u>231,353</u>
Operating income (loss)	<u>52,365</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	1,698
Interest on notes payable	<u>(24,893)</u>
Total non-operating revenue (expenses)	<u>(23,195)</u>
Net income (loss) before contributions and transfers	29,170
Other financing sources (uses)	
Transfer in	<u>19,652</u>
Total transfers	<u>19,652</u>
Change in net assets of business type activities	48,822
Total net assets, beginning	<u>902,897</u>
Total net assets, ending	<u>\$ 951,719</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 279,391
Cash payments to employees	(160,733)
Cash payments to suppliers for goods and services	<u>(34,361)</u>
Net cash provided (used) by operating activities	<u>84,297</u>
Cash flows from non-capital financing activities	
Transfer from other funds	<u>19,652</u>
Net cash provided by non-capital financing sources	<u>19,652</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(8,000)
Change in restricted cash	(23,901)
Interest paid on notes payable and fiscal fees	(24,893)
Principal paid on notes and leases payable	<u>(14,801)</u>
Net cash used for capital and related financing activities	<u>(71,595)</u>
Cash flows from investing activities	
Transferred to investments	(9,535)
Interest revenue	<u>1,769</u>
Net cash provided by investing activities	<u>(7,766)</u>
Net increase in cash and cash equivalents	24,588
Cash and cash equivalents, beginning	<u>98,893</u>
Cash and cash equivalents, ending	<u>\$ 123,481</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	\$ 52,365
Operating income (loss)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	40,248
Changes in assets and liabilities:	
(Increase)/decrease in accrued receivables	(4,327)
(Increase)/decrease in due from	(14,374)
Increase/(decrease) in accounts payable	8,272
Increase/(decrease) in utility deposits	<u>2,113</u>
Net cash provided by operating activities	<u>\$ 84,297</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Beginning Budget Fund Balance	\$ 82,281	\$ 82,281	\$ 81,089	\$ (1,192)
<u>Resources (Inflows):</u>				
<u>TAXES:</u>				
Franchise Tax	17,230	17,230	13,159	(4,071)
Sales and Use Tax	108,828	108,828	169,482	60,654
Cigarette Tax	1,465	1,465	1,961	496
Total Taxes	<u>127,523</u>	<u>127,523</u>	<u>184,602</u>	<u>57,079</u>
<u>INTERGOVERNMENTAL:</u>				
Alcoholic Beverage Tax	4,203	4,203	4,364	161
Motel Tax	14,170	14,170	4,514	(9,656)
Grants	-	-	-	-
Total Intergovernmental	<u>18,373</u>	<u>18,373</u>	<u>8,878</u>	<u>(9,495)</u>
<u>INVESTMENT INCOME:</u>				
Interest	910	910	549	(361)
Total Investment Income	<u>910</u>	<u>910</u>	<u>549</u>	<u>(361)</u>
<u>MISCELLANEOUS:</u>				
Donations	-	-	50	50
Miscellaneous	6,738	6,738	16,545	9,807
Total Miscellaneous	<u>6,738</u>	<u>6,738</u>	<u>16,595</u>	<u>9,857</u>
Amounts available for appropriation	<u>235,825</u>	<u>235,825</u>	<u>291,713</u>	<u>55,888</u>
<u>Charges to Appropriations (Outflows):</u>				
<u>General Government</u>				
Personal Services	31,925	31,925	22,028	9,897
Maintenance and Operation	127,900	125,894	46,862	79,032
Capital Outlay	10,000	10,000	-	10,000
Total Administration	<u>169,825</u>	<u>167,819</u>	<u>68,890</u>	<u>98,929</u>
<u>Public Safety</u>				
Personal Services	-	-	-	-
Maintenance and Operation	8,000	9,352	9,352	-
Capital Outlay	-	-	-	-
Total Health and Welfare	<u>8,000</u>	<u>9,352</u>	<u>9,352</u>	<u>-</u>
<u>Street and Alley</u>				
Personal Services	28,000	48,258	48,258	-
Maintenance and Operation	30,000	10,396	10,395	1
Capital Outlay	-	-	-	-
Total Street and Alley	<u>58,000</u>	<u>58,654</u>	<u>58,653</u>	<u>1</u>
<u>OTHER FINANCING USES:</u>				
Transfers to other funds	-	-	19,652	(19,652)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>19,652</u>	<u>(19,652)</u>
Total Charges to Appropriations	<u>235,825</u>	<u>235,825</u>	<u>156,547</u>	<u>79,278</u>
Ending Budget Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$135,166</u>	<u>\$ 135,166</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Savanna, Oklahoma, is a municipal corporation incorporated under the laws of Oklahoma. In evaluating how to define the Town of Savanna, for the financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criterial set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of the ability are financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Savanna Public Works Authority is considered a component unit of the Town of Savanna and it has been included in the financial statements. The Town provides water, sewer and sanitation services as authorized by its charter.

The financial statements of the Town of Savanna have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting policies of the Town conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or ABP opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Major revenue sources susceptible to accrual include: sales and use taxes, cigarette taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Savanna Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Town adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the town charter at the legal level of classification (fund, department, & object category) and that the budget be filed with County Clerk and the State Auditor and Inspector. The Town may transfer budgeted amounts within and among departments. The budget is prepared on a cash basis.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2010 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Water and Sewer Projects	40 years
Computer and Printers	5 years

Compensated Absences

The Town of Savanna has no written policies concerning vacation and sick leave.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2010, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$346,516 at June 30, 2010. The bank balance of the deposits at June 30, 2010 was approximately \$440,648.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2010.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2010, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Authority has net accounts receivable from its utility customers in the amount of \$45,231.

The governmental funds have accrued sales, use, cigarette, alcoholic beverage, and mileage taxes to be received in July.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2010 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 14,374	Public Works	General Fund
3,623	General Fund	Public Works
<u>\$ 17,997</u>		

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE E - RESTRICTED ASSETS

The Authority has restricted cash assets for customer deposits and as a loan reserve for its Rural Development loan. The following amounts were restricted at June 30, 2010:

Loan reserve	\$ 55,182
Customer deposits	<u>34,714</u>
Total	<u>\$ 89,896</u>

NOTE F - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2009	\$ 10,400	\$ 289,735	\$ 663,056	\$ 963,191	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2010	<u>10,400</u>	<u>289,735</u>	<u>663,056</u>	<u>963,191</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2009	3,860	6,071	3,799	13,730	
Increase	693	15,770	4,688	21,151	
Decreases	-	-	-	-	
Balance, June 30, 2010	<u>4,553</u>	<u>21,841</u>	<u>8,487</u>	<u>34,881</u>	
Governmental activities Capital Assets, Net					
	<u>\$ 5,847</u>	<u>\$ 267,894</u>	<u>\$ 654,569</u>	<u>\$ 928,310</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2009	\$ -	\$ 1,662,078	\$ 19,160	\$1,681,238	\$ 10,000
Increases	-	8,000	-	8,000	-
Decreases	-	-	-	-	-
Balance, June 30, 2010	<u>-</u>	<u>1,670,078</u>	<u>19,160</u>	<u>1,689,238</u>	<u>10,000</u>
Accumulated Depreciation					
Balance, June 30, 2009	-	324,329	19,160	343,489	
Increase	-	40,248	-	40,248	
Decreases	-	-	-	-	
Balance, June 30, 2010	<u>-</u>	<u>364,577</u>	<u>19,160</u>	<u>383,737</u>	
Business-type Activities Capital Assets, Net					
	<u>\$ -</u>	<u>\$ 1,305,501</u>	<u>\$ -</u>	<u>\$1,305,501</u>	<u>\$ 10,000</u>
PRIMARY GOVERNMENT Capital Assets, Net					
	<u>\$ 5,847</u>	<u>\$ 1,573,395</u>	<u>\$ 654,569</u>	<u>\$2,233,811</u>	<u>\$ 10,000</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES

BUSINESS-TYPE ACTIVITIES

Administration	\$ 2,861	Public works	\$ 40,248
Community Service	1,827		
Health and Welfare	16,463		

TOWN OF SAVANNA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE G - NOTES PAYABLE PROPRIETARY FUND

Savanna Public Works Authority has a promissory note with The Bank N.A. of McAlester in the amount of \$125,000, maturity date of September 1, 2021 and 0% interest rate per annum (Contract No. 8677 CDBG 98). Two hundred thirty-nine monthly installments of \$521 beginning October 1, 2011, with one final payment in the amount of \$522. The balance of this note at June 30, 2010 was \$70,834

During the fiscal year ending June 30, 2005, the Authority entered into loan agreements with the United States Department of Agriculture Rural Development in the amount of \$642,000 with a term of 40 years. The balance of this note at June 30, 2010 was \$581,027.

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2010.

	Payable at July 1, 2009	Retired/ Added	Balance at June 30, 2010
Rural Development	\$ 651,759	\$ (14,801)	\$ 636,958
	\$ 651,759	\$ (14,801)	\$ 636,958

The annual requirements to amortize these notes payable as of June 30, 2010 are as follows:

Year ending June 30,	The Bank NA		Rural Development		Total
	Principal	Interest	Principal	Interest	
2011	\$ 6,250	\$ -	\$ 8,653	\$ 24,791	\$ 39,694
2012	6,250	-	9,299	24,145	39,694
2013	6,250	-	9,702	23,742	39,694
2014	6,250	-	10,122	23,322	39,694
2015	6,250	-	10,561	22,883	39,694
2016-2020	31,250	-	60,078	107,142	198,470
2021-2025	8,334	-	74,275	92,945	175,554
2026-2030	-	-	91,826	75,394	167,220
2031-2035	-	-	113,525	53,695	167,220
2036-2040	-	-	140,351	26,869	167,220
2036-2040	-	-	52,635	3,105	55,740
Total	\$ 70,834	\$ -	\$ 581,027	\$ 478,033	\$1,129,894

TOWN OF SAVANNA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Contributions required by State Statute:

<u>Fiscal</u> <u>Year</u>	<u>Oklahoma Firefighter's Pension</u> <u>And Retirement System</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2010	\$ 1,020	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the state retirement systems.

Volunteer firefighters receive a monthly pension based on their years of service. The volunteer may receive death or spousal benefits if certain conditions are met.

NOTE J - PROPRIETARY FUND WORKING CAPITAL

The net working capital of the enterprise fund (current assets less current liabilities) was \$273,176 at June 30, 2010.

NOTE K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town retained legal counsel to defend it in any legal action.

NOTE L - FEDERAL STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Town of Savanna
Savanna, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Savanna, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town of Savanna, Oklahoma's basic financial statements, and have issued my report thereon dated May 14, 2012 which did not include Management's Discussion and Analysis or budgetary comparison schedules. I conducted my 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 my audit, I considered Town of Savanna, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Savanna, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Savanna, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Savanna, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, 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.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
May 14, 2012