

TOWN OF SAVANNA, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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 Town of Savanna, Oklahoma as of and for the year ended June 30, 2012, 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 opinions 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.

As discussed in Note A, Town of Savanna, Oklahoma prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and which is a change from prior year.

As noted above, this is a change in basis of accounting. The prior year financial statements were prepared in accordance with accounting principals generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis 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, 2012, and the respective changes in financial position-modified cash basis and cash flows where appropriate, thereof, for the year then ended, in conformity with the basis of accounting described in Note A.

The Town of Savanna, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparison schedules 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 October 13, 2014, on my consideration of Town of Savanna, Oklahoma's internal control over financial reporting and 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 assessing the results of my audit.

Sincerely,

A handwritten signature in black ink that reads "Ralph Osborn". The signature is written in a cursive style with a horizontal line at the end.

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 13, 2014

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 325,278	\$ 81,141	\$ 406,419
Investments	92,096	174,098	266,194
Internal balances	(12,547)	12,547	-
Restricted assets:			
Cash and cash equivalents	-	186,282	186,282
Total current assets	<u>404,827</u>	<u>454,068</u>	<u>858,895</u>
Non-current assets:			
Capital assets			
Land	-	10,000	10,000
Other capital assets net of accumulated depreciation	967,215	1,254,577	2,221,792
Total non-current assets	<u>967,215</u>	<u>1,264,577</u>	<u>2,231,792</u>
 Total assets	 <u>1,372,042</u>	 <u>1,718,645</u>	 <u>3,090,687</u>
LIABILITIES			
Current liabilities:			
Deposit subject to refund	-	33,853	33,853
Notes payable, current	-	15,177	15,177
Total current liabilities	<u>-</u>	<u>49,030</u>	<u>49,030</u>
Non-current liabilities:			
Notes payable, non-current	-	608,581	608,581
Total non-current liabilities	<u>-</u>	<u>608,581</u>	<u>608,581</u>
 Total liabilities	 <u>-</u>	 <u>657,611</u>	 <u>657,611</u>
NET ASSETS			
Nonspendable	954,668	619,513	1,574,181
Restricted	-	186,282	186,282
Assigned	-	255,239	255,239
Unassigned	417,374	-	417,374
 Total net assets	 <u>\$1,372,042</u>	 <u>\$1,061,034</u>	 <u>\$ 2,433,076</u>

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

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
FUNCTION/PROGRAMS					
Governmental activities					
Administration	\$118,950	\$ -	\$ 10,179	\$ -	\$ (108,771)
Community service	96,306	-	6,813	-	(89,493)
Health and welfare	14,156	-	-	-	(14,156)
Total governmental activities	<u>229,412</u>	<u>-</u>	<u>16,992</u>	<u>-</u>	<u>(212,420)</u>
Business-type activities					
Public Works	342,864	296,446	-	-	(46,418)
Total business-type activities	<u>342,864</u>	<u>296,446</u>	<u>-</u>	<u>-</u>	<u>(46,418)</u>
Total primary government	<u>\$572,276</u>	<u>\$296,446</u>	<u>\$ 16,992</u>	<u>\$ -</u>	<u>\$ (258,838)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	\$ (212,420)	\$ (46,418)	\$ (258,838)
General revenues and transfer			
Taxes			
Sales and use		347,034	-
Franchise		13,630	-
Cigarette		3,896	-
Interest		1,781	1,819
Intergovernmental Revenue		27,000	115,694
Other Revenue		2,593	-
Total general revenue and transfers		<u>395,934</u>	<u>117,513</u>
Change in net assets		183,514	71,095
Net assets - beginning - restated		<u>1,188,528</u>	<u>989,939</u>
Net assets - ending		<u>\$1,372,042</u>	<u>\$ 2,433,076</u>

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

TOWN OF SAVANNA, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2012

	<u>General Fund</u>	<u>Street And Alley Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 304,698	\$ 20,580	\$ 325,278
Investments	<u>92,096</u>	<u>-</u>	<u>92,096</u>
TOTAL ASSETS	<u>\$ 396,794</u>	<u>\$ 20,580</u>	<u>\$ 417,374</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>\$ 12,547</u>	<u>\$ -</u>	<u>\$ 12,547</u>
TOTAL LIABILITIES	<u>12,547</u>	<u>-</u>	<u>12,547</u>
 FUND BALANCES			
Assigned	-	20,580	20,580
Unassigned	<u>384,247</u>	<u>-</u>	<u>384,247</u>
TOTAL FUND BALANCES	<u>384,247</u>	<u>20,580</u>	<u>404,827</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 396,794</u>	<u>\$ 20,580</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	1,023,904	
Accumulated depreciation	<u>(56,689)</u>	<u>967,215</u>
Total net assets		<u>\$1,372,042</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
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Street And Alley Fund	Total Governmental Funds
Revenue			
Sales and use tax	\$ 347,034	\$ -	\$ 347,034
Franchise tax	13,630	-	13,630
Auto tax	-	4,627	4,627
Gasoline tax	-	2,186	2,186
Cigarette tax	3,896	-	3,896
Alcoholic beverage tax	4,631	-	4,631
Motel tax	5,548	-	5,548
Interest	1,781	-	1,781
Grants	27,000	-	27,000
Other revenue	2,593	-	2,593
	<u>406,113</u>	<u>6,813</u>	<u>412,926</u>
Total revenue			
Expenditures			
Current			
Administration	118,950	-	118,950
Community service	107,846	3,954	111,800
Health and welfare	11,891	-	11,891
Capital Outlay	5,000	-	5,000
	<u>243,687</u>	<u>3,954</u>	<u>247,641</u>
Total expenditures			
Net change in fund balance	162,426	2,859	165,285
Fund balances, beginning - restated	<u>221,821</u>	<u>17,721</u>	<u>239,542</u>
Fund balances, ending	<u>\$ 384,247</u>	<u>\$ 20,580</u>	<u>\$ 404,827</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
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2012

Net changes in fund balances - total governmental funds \$ 165,285

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	(28,678)	
Capital outlay	<u>46,907</u>	<u>18,229</u>
Change in net assets		<u>\$ 183,514</u>

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

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
MODIFIED CASH BASIS
JUNE 30, 2012

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 81,141
Investments	174,098
Due from other funds	12,547
Restricted assets	
Cash and cash equivalents	<u>186,282</u>
Total current assets	<u>454,068</u>
Non-current assets	
Capital assets:	
Land	10,000
Capital assets, net of accumulated depreciation	<u>1,254,577</u>
Total non-current assets	<u>1,264,577</u>
Total assets	<u>1,718,645</u>
LIABILITIES	
Current liabilities:	
Utility deposits	33,853
Note payable, current	<u>15,177</u>
Total current liabilities	<u>49,030</u>
Non-current liabilities:	
Note payable, non current	<u>608,581</u>
Total non-current liabilities	<u>608,581</u>
Total liabilities	<u>657,611</u>
NET ASSETS	
Nonspendable	619,513
Restricted	186,282
Assigned	<u>255,239</u>
Net assets of business-type activities	<u>\$ 1,061,034</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
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 128,302
Wastewater charges	101,913
Sanitation charges	56,178
Other	<u>10,053</u>
Total operating revenues	<u>296,446</u>
<u>OPERATING EXPENSES</u>	
Wages	38,728
Payroll taxes	3,211
Water purchases	80,000
Fuel	598
Maintenance and supplies	59,244
Insurance	761
Sanitation	54,674
Testing/other	22,035
Office	4,988
Professional fees	4,500
Utilities	2,384
Depreciation	<u>46,171</u>
Total operating expenses	<u>317,294</u>
Operating income (loss)	<u>(20,848)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	1,819
Sales Tax Allocation	115,694
Interest on notes payable	<u>(25,570)</u>
Total non-operating revenue (expenses)	<u>91,943</u>
Change in net assets of business type activities	71,095
Total net assets, beginning - restated	<u>989,939</u>
Total net assets, ending	<u>\$ 1,061,034</u>

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

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 295,015
Cash payments to employees	(41,939)
Cash payments to suppliers for goods and services	<u>(218,323)</u>
Net cash provided (used) by operating activities	<u>34,753</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(31,430)
Interest paid on notes payable and fiscal fees	(25,570)
Principal paid on notes and leases payable	<u>(14,128)</u>
Net cash used for capital and related financing activities	<u>(71,128)</u>
Cash flows from investing activities	
Transferred to investments	(1,672)
Interest revenue	1,819
Sales Tax Allocation	<u>115,694</u>
Net cash provided by investing activities	<u>115,841</u>
Net increase in cash and cash equivalents	79,466
Cash and cash equivalents, beginning	<u>187,957</u>
Cash and cash equivalents, ending	<u>\$ 267,423</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (20,848)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	46,171
Changes in assets and liabilities:	
(Increase)/decrease in due from	10,861
Increase/(decrease) in utility deposits	<u>(1,431)</u>
Net cash provided by operating activities	<u>\$ 34,753</u>

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

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Savanna, Oklahoma, is a municipal corporation incorporated under the laws of the State of Oklahoma. In evaluating how to define the Town of Savanna, for financial reporting purposes, management has considered all potential component units. The financial statements of the City have been prepared in conformity with the modified cash basis. 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 Authority 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 modified cash basis. 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 modified cash basis. 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, 2012

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

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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.

Street and Alley Fund - This fund accounts for revenue and expense related to street maintenance.

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.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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, 2012 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.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 the modified cash basis 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.

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, 2012, all of the Towns 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 \$858,895 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$860,658.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2012.

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, 2012, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2012 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 29,766	Public Works	General Fund
17,219	General Fund	Public Works
<u>\$ 46,985</u>		

The financial statements net these amounts.

TOWN OF SAVANNA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE D - 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, 2012:

Loan reserve	\$ 152,429
Customer deposits	<u>33,853</u>
Total	<u>\$ 186,282</u>

NOTE E - 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, 2011	\$ 10,400	\$ 295,791	\$ 670,806	\$ 976,997	\$ -
Increases	-	-	46,907	46,907	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<u>10,400</u>	<u>295,791</u>	<u>717,713</u>	<u>1,023,904</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2011	9,053	13,248	5,710	28,011	
Increase	693	16,898	11,087	28,678	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>9,746</u>	<u>30,146</u>	<u>16,797</u>	<u>56,689</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 654</u>	<u>\$ 265,645</u>	<u>\$ 700,916</u>	<u>\$ 967,215</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2011	\$ -	\$ 1,674,140	\$ 19,160	\$1,693,300	\$ 10,000
Increases	-	-	31,430	31,430	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<u>-</u>	<u>1,674,140</u>	<u>50,590</u>	<u>1,724,730</u>	<u>10,000</u>
Accumulated Depreciation					
Balance, June 30, 2011	-	423,982	-	423,982	
Increase	-	41,468	4,703	46,171	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>-</u>	<u>465,450</u>	<u>4,703</u>	<u>470,153</u>	
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,208,690</u>	<u>\$ 45,887</u>	<u>\$1,254,577</u>	<u>\$ 10,000</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 654</u>	<u>\$ 1,474,335</u>	<u>\$ 746,803</u>	<u>\$2,221,792</u>	<u>\$ 10,000</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES

BUSINESS-TYPE ACTIVITIES

Community Service	6,006	Public works	\$ 46,171
Health and Welfare	22,672		

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE F - 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, 2012 was \$57,813.

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, 2012 was \$565,945.

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2012.

	Payable at July 1, 2011	Retired/ Added	Balance at June 30, 2012
The Bank NA	\$ 64,063	\$ (6,250)	\$ 57,813
Rural Development	573,823	\$ (7,878)	\$ 565,945
	\$ 637,886	\$ (14,128)	\$ 623,758

The annual requirements to amortize these notes payable as of June 30, 2012 are as follows:

Year ending June 30,	The Bank NA		Rural Development		Total
	Principal	Interest	Principal	Interest	
2013	\$ 6,250	\$ -	\$ 9,314	\$ 24,130	\$ 39,694
2014	6,250	-	9,718	23,726	39,694
2015	6,250	-	10,139	23,305	39,694
2016	6,250	-	10,578	22,866	39,694
2017	6,250	-	11,018	22,426	39,694
2018-2021	26,563	-	65,399	101,821	193,783
2023-2026	-	-	80,852	86,368	167,220
2028-2031	-	-	99,958	67,262	167,220
2033-2036	-	-	123,578	43,642	167,220
2038-2041	-	-	121,203	26,830	148,033
2043	-	-	24,188	1,484	25,672
Total	\$ 57,813	\$ -	\$ 565,945	\$ 443,860	\$1,067,518

NOTE G - COMPENSATED ABSENCES

The Town does not report accrued expenses under the modified cash basis.

TOWN OF SAVANNA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE H - PENSION OBLIGATIONS

Town of Savanna participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement) Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement) Yes	Yes
Disability Yes	Yes
Cost of living allowances Yes	Yes

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

Contributions required by State Statue:

<u>Fiscal Year</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 900	100%
2011	\$ 1,020	100%
2010	\$ 1,020	100%

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 I - PROPRIETARY FUND WORKING CAPITAL

The net working capital of the enterprise fund (current assets less current liabilities) was \$405,038 at June 30, 2012.

NOTE J - 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 K - 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.

NOTE L - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through October 13, 2014, the date which financial statements were available. The Town believes there are no events requiring disclosure.

NOTE M - RESTATED FUND BALANCE/NET ASSETS

The fund balance/net assets were previously reported on an accrual basis and were changed to modified cash. Therefore, there is a decrease in accounts receivable, decrease in accounts payable, and a restated fund balance.

	<u>General</u>	<u>Street & Alley</u>	<u>Public Works</u>
Previously reported fund balance	\$ 287,555	\$ 17,727	\$ 998,010
Decrease in accounts receivable	(88,206)	(446)	(49,550)
Decrease in accounts payable	22,472	440	41,479
Restated fund balance	<u>\$ 221,821</u>	<u>\$ 17,721</u>	<u>\$ 989,939</u>

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-modified cash basis, 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, 2012, which collectively comprise the Town of Savanna, Oklahoma's basic financial statements, and have issued my report thereon dated October 13, 2014 which did not include Management's Discussion and Analysis or budgetary comparison schedules and reported a change in basis of accounting. 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

Management of Town of Savanna is responsible for establishing and maintaining effective 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 Calvin, 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.

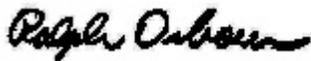
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, I consider failure to utilize an effective purchase order system of controls to be a significant deficiency. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 one instance of noncompliance listed below or other matters that are required to be reported under *Government Auditing Standards*. The Town failed to comply with The Municipal Budget Act.

This report is intended solely for the information and use of management, Town Council, 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
October 13, 2014