

TOWN OF SAVANNA, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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 Town of Savanna, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Savanna's basic financial statements.

### 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 A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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 statement that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Savanna 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 A.

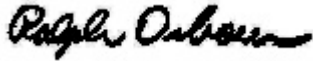
Basis of Accounting

I draw attention to Note A 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. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 13, 2020, on my consideration of Town of Savanna'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* in considering Town of Savanna, Oklahoma's internal control over financial reporting and compliance.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 13, 2020

TOWN OF SAVANNA, OKLAHOMA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 70,345	\$ 73,629	\$ 143,974
Investments	706,210	154,347	860,557
Internal balances	73,856	(73,856)	-
Restricted assets:			
Cash and cash equivalents	-	36,688	36,688
Total current assets	<u>850,411</u>	<u>190,808</u>	<u>1,041,219</u>
Non-current assets:			
Capital assets			
Land	55,500	10,000	65,500
Other capital assets net of accumulated depreciation	<u>1,049,016</u>	<u>3,370,191</u>	<u>4,419,207</u>
Total non-current assets	<u>1,104,516</u>	<u>3,380,191</u>	<u>4,484,707</u>
 Total assets	 <u>1,954,927</u>	 <u>3,570,999</u>	 <u>5,525,926</u>
<b>LIABILITIES</b>			
Current liabilities:			
Deposit subject to refund	-	37,011	37,011
Notes payable, current	-	43,493	43,493
Lease purchase, current	<u>66,844</u>	<u>-</u>	<u>66,844</u>
Total current liabilities	<u>66,844</u>	<u>80,504</u>	<u>147,348</u>
Non-current liabilities:			
Notes payable, non-current	-	1,857,292	1,857,292
Lease purchase, non-current	<u>183,017</u>	<u>-</u>	<u>183,017</u>
Total non-current liabilities	<u>183,017</u>	<u>1,857,292</u>	<u>2,040,309</u>
 Total liabilities	 <u>249,861</u>	 <u>1,937,796</u>	 <u>2,187,657</u>
<b>NET POSITION</b>			
Capital assets, net related debt	854,655	1,479,406	2,334,061
Restricted for debt service	-	73,162	73,162
Committed for meter deposits	-	36,688	36,688
Unrestricted	<u>850,411</u>	<u>43,947</u>	<u>894,358</u>
 Total net position	 <u>\$1,705,066</u>	 <u>\$1,633,203</u>	 <u>\$ 3,338,269</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, 2018

FUNCTION/PROGRAMS	Expenses	Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 302,871	\$ -	\$ 7,475	\$ -	\$ (295,396)
Public safety	722,637	-	-	-	(722,637)
Community service	182,020	-	4,372	-	(177,648)
Total governmental activities	<u>1,207,528</u>	<u>-</u>	<u>11,847</u>	<u>-</u>	<u>(1,195,681)</u>
Business-type activities					
Public Works	400,150	275,921	-	-	(124,229)
Total business-type activities	<u>400,150</u>	<u>275,921</u>	<u>-</u>	<u>-</u>	<u>(124,229)</u>
Total primary government	<u>\$1,607,678</u>	<u>\$275,921</u>	<u>\$ 11,847</u>	<u>\$ -</u>	<u>\$ (1,319,910)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>\$ (1,195,681)</u>	<u>\$ (124,229)</u>	<u>\$ (1,319,910)</u>
General revenues and transfer			
Taxes			
Sales	283,931	-	283,931
Use	28,925	-	28,925
Franchise	13,434	-	13,434
Cigarette	3,359	-	3,359
Interest	17,992	843	18,835
Fines	855,745	-	855,745
Transfers	(78,214)	78,214	-
Other Revenue	7,434	-	7,434
Total general revenue and transfers	<u>1,132,606</u>	<u>79,057</u>	<u>1,211,663</u>
Change in net position	(63,075)	(45,172)	(108,247)
Net position - beginning	<u>1,768,141</u>	<u>1,678,375</u>	<u>3,446,516</u>
Net position - ending	<u>\$1,705,066</u>	<u>\$1,633,203</u>	<u>\$ 3,338,269</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, 2018

	<u>General Fund</u>	<u>Street And Alley Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ (5,888)	\$ 54,248	\$ 21,985	\$ 70,345
Investments	706,210	-	-	706,210
Due from other funds	<u>109,011</u>	<u>-</u>	<u>-</u>	<u>109,011</u>
<b>TOTAL ASSETS</b>	<u>\$ 809,333</u>	<u>\$ 54,248</u>	<u>\$ 21,985</u>	<u>\$ 885,566</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	<u>\$ 35,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,155</u>
<b>TOTAL LIABILITIES</b>	<u>35,155</u>	<u>-</u>	<u>-</u>	<u>35,155</u>
<b>FUND BALANCES</b>				
Assigned	-	54,248	21,985	76,233
Unassigned	<u>774,178</u>	<u>-</u>	<u>-</u>	<u>774,178</u>
<b>TOTAL FUND BALANCES</b>	<u>774,178</u>	<u>54,248</u>	<u>21,985</u>	<u>850,411</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 809,333</u>	<u>\$ 54,248</u>	<u>\$ 21,985</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	2,313,507	
Accumulated depreciation	<u>(1,208,991)</u>	<u>1,104,516</u>

Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:

Capital lease obligation payable	<u>(249,861)</u>
----------------------------------	------------------

Total net position	<u>\$1,705,066</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, 2018

	General Fund	Street And Alley Fund	Cemetery Funds	Total Governmental Funds
Revenue				
Sales and use tax	\$ 283,931	\$ -	\$ -	\$ 283,931
Use tax	28,925	-	-	28,925
Franchise tax	13,434	-	-	13,434
Auto tax	-	3,982	-	3,982
Gasoline tax	-	390	-	390
Cigarette tax	3,359	-	-	3,359
Alcoholic beverage tax	4,626	-	-	4,626
Motel tax	-	-	2,849	2,849
Interest	17,992	-	-	17,992
Fines	855,745	-	-	855,745
Other revenue	<u>7,434</u>	<u>-</u>	<u>-</u>	<u>7,434</u>
 Total revenue	 <u>1,215,446</u>	 <u>4,372</u>	 <u>2,849</u>	 <u>1,222,667</u>
Expenditures				
Current				
Administration	275,896	-	-	275,896
Public safety	617,635	-	-	617,635
Community service	175,320	-	-	175,320
Capital Outlay	<u>148,930</u>	<u>-</u>	<u>-</u>	<u>148,930</u>
 Total expenditures	 <u>1,217,781</u>	 <u>-</u>	 <u>-</u>	 <u>1,217,781</u>
Excess (Deficiency) of Revenue Over Expenditures	(2,335)	4,372	2,849	4,886
Other Financing Sources				
Transfers in(out)	<u>(78,214)</u>	<u>-</u>	<u>-</u>	<u>(78,214)</u>
 Total other financing sources	 <u>(78,214)</u>	 <u>-</u>	 <u>-</u>	 <u>(78,214)</u>
Net change in fund balance	(80,549)	4,372	2,849	(73,328)
Fund balances, beginning	<u>854,727</u>	<u>49,876</u>	<u>19,136</u>	<u>923,739</u>
Fund balances, ending	<u>\$ 774,178</u>	<u>\$ 54,248</u>	<u>\$ 21,985</u>	<u>\$ 850,411</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, 2018

Net changes in fund balances - total governmental funds \$ (73,328)

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 position 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.

Disposition of asset (net)	-	
Depreciation expense	(129,442)	
Capital outlay	<u>82,086</u>	(47,356)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:

Lease obligations		<u>57,609</u>
-------------------	--	---------------

Change in net position		<u>\$ (63,075)</u>
------------------------	--	--------------------

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



TOWN OF SAVANNA, OKLAHOMA  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND  
MODIFIED CASH BASIS  
JUNE 30, 2018

	<u>Public Works</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 73,629
Investments	154,347
Due from other funds	35,155
Restricted assets	
Cash and cash equivalents	<u>36,688</u>
Total current assets	<u>299,819</u>
Non-current assets	
Capital assets:	
Land	10,000
Capital assets, net of accumulated depreciation	<u>3,370,191</u>
Total non-current assets	<u>3,380,191</u>
Total assets	<u>3,680,010</u>
<b>LIABILITIES</b>	
Current liabilities:	
Utility deposits	37,011
Due to other funds	109,011
Note payable, current	<u>43,493</u>
Total current liabilities	<u>189,515</u>
Non-current liabilities:	
Note payable, non current	<u>1,857,292</u>
Total non-current liabilities	<u>1,857,292</u>
Total liabilities	<u>2,046,807</u>
<b>NET POSITION</b>	
Capital assets, net related debt	1,479,406
Restricted for debt service	73,162
Committed for meter deposits	36,688
Assigned	<u>43,947</u>
Net position	<u>\$ 1,633,203</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 POSITION  
PROPRIETARY FUND  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 97,006
Wastewater charges	98,629
Sanitation charges	69,763
Other	<u>10,523</u>
Total operating revenues	<u>275,921</u>
<u>OPERATING EXPENSES</u>	
Wages and payroll tax	46,036
Water purchases	37,300
Maintenance and operations	55,461
Telephone and utilities	11,264
Testing/other	5,538
Professional fees	5,675
Sanitation	66,280
Depreciation	<u>113,390</u>
Total operating expenses	<u>340,944</u>
Operating income (loss)	<u>(65,023)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	843
Sales Tax Allocation	78,214
Interest on notes payable	<u>(59,206)</u>
Total non-operating revenue (expenses)	<u>19,851</u>
Change in net position of business type activities	(45,709)
Total net position, beginning	<u>1,678,375</u>
Total net position, ending	<u>\$ 1,633,203</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, 2018

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 278,121
Cash payments to employees	(46,036)
Cash payments to suppliers for goods and services	<u>(149,732)</u>
Net cash provided/(used) by operating activities	<u>82,353</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(41,349)
Interest paid on notes payable and fiscal fees	(59,206)
Principal paid on notes and leases payable	<u>(42,697)</u>
Net cash provided/(used) for capital and related financing activities	<u>(143,252)</u>
Cash flows from investing activities	
Transferred to investments	(743)
Interest revenue	843
Sales Tax Allocation Transfer	<u>78,214</u>
Net cash provided/(used) by investing activities	<u>78,314</u>
Net increase/(decrease) in cash and cash equivalents	17,415
Cash and cash equivalents, beginning	<u>92,902</u>
Cash and cash equivalents, ending	<u>\$ 110,317</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (65,023)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	113,390
Changes in assets and liabilities:	
(Increase)/decrease in due from	31,786
Increase/(decrease) in utility deposits	<u>2,200</u>
Net cash provided/(used) by operating activities	<u>\$ 82,353</u>

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

TOWN OF SAVANNA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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 the financial reporting purposes, management has considered all potential component units. The financial statements of the Town 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 position 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, 2018

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 Position 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 position (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 position.

TOWN OF SAVANNA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**Basis of Accounting**

In the government-wide Statement of Net Position 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 position/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 this 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, 2018

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, 2018 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, 2018

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.

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, 2018, 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 \$1,033,057 at June 30, 2018. The bank balance of the deposits at June 30, 2018 was approximately \$1,033,057.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2018.

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, 2018, 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, 2018 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 73,856	General Fund	Public Works
(73,856)	Public Works	General Fund
<u>\$ -</u>		

The financial statements net these amounts.



TOWN OF SAVANNA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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, 2018:

Loan reserve	\$ 73,162
Customer deposits	<u>36,688</u>
Total	<u>\$ 109,850</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	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities</b>					
Balance, June 30, 2017	\$ 745,798	\$ 69,293	\$1,363,330	\$2,178,421	\$ 53,000
Increases	-	-	79,586	79,586	2,500
Decreases	-	-	-	-	-
Balance, June 30, 2018	<u>745,798</u>	<u>69,293</u>	<u>1,442,916</u>	<u>2,258,007</u>	<u>55,500</u>
<b>Accumulated Depreciation</b>					
Balance, June 30, 2017	99,201	61,252	919,096	1,079,549	
Increase	28,308	1,074	100,060	129,442	
Decreases	-	-	-	-	
Balance, June 30, 2018	<u>127,509</u>	<u>62,326</u>	<u>1,019,156</u>	<u>1,208,991</u>	
<b>PRIMARY GOVERNMENT</b>					
Capital Assets, Net	<u>\$ 618,289</u>	<u>\$ 6,967</u>	<u>\$ 423,760</u>	<u>\$1,049,016</u>	<u>\$ 55,500</u>
<b>Business-type activities</b>					
Balance, June 30, 2017	\$ -	\$ 4,270,127	\$ 54,726	\$4,324,853	\$ 10,000
Increases	-	35,984	5,365	41,349	
Decreases	-	-	-	-	-
Balance, June 30, 2018	<u>-</u>	<u>4,306,111</u>	<u>60,091</u>	<u>4,366,202</u>	<u>10,000</u>
<b>Accumulated Depreciation</b>					
Balance, June 30, 2017	-	831,637	50,984	882,621	
Increase	-	108,574	4,816	113,390	
Decreases	-	-	-	-	
Balance, June 30, 2018	<u>-</u>	<u>940,211</u>	<u>55,800</u>	<u>996,011</u>	
<b>Business-type Activities</b>					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 3,365,900</u>	<u>\$ 4,291</u>	<u>\$3,370,191</u>	<u>\$ 10,000</u>
<b>PRIMARY GOVERNMENT</b>					
Capital Assets, Net	<u>\$ 646,597</u>	<u>\$ 3,372,867</u>	<u>\$ 428,051</u>	<u>\$4,419,207</u>	<u>\$ 65,500</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
Administration	17,740	Public works	\$ 113,390
Public Safety	105,002		
Community Service	6,700		

TOWN OF SAVANNA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE F - CAPITAL LEASES

The Town has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2018 are as follows:

	Payable at <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2018</u>
Welch State Bank	\$ 307,470	\$ -	\$ (57,609)	\$ 249,861
	<u>\$ 307,470</u>	<u>\$ -</u>	<u>\$ (57,609)</u>	<u>\$ 249,861</u>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending <u>June 30</u>	<u>Fire Truck</u>	<u>Total</u>
2019	\$ 66,844	\$ 66,844
2020	66,844	66,844
2021	66,844	66,844
2022	<u>66,844</u>	<u>66,844</u>
Total minimum lease payment	267,376	267,376
Less: Amount representing interest	<u>17,515</u>	<u>17,515</u>
Total	<u>\$ 249,861</u>	<u>\$ 249,861</u>

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, 2018 was \$20,313.

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, 2018 was \$497,840.

During the fiscal year ending June 30, 2013, the Authority entered into loan agreements with the United States Department of Agriculture Rural Development in the amount of \$1,240,800 with a term of 40 years. The balance of this note at June 30, 2018 was \$1,133,587.

During the fiscal year ending June 30, 2013, the Authority entered into loan agreements with the United States Department of Agriculture Rural Development in the amount of \$277,250 with a term of 40 years. The balance of this note at June 30, 2018 was \$249,045.

TOWN OF SAVANNA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2018.

	Payable at July 1, 2017	Retired/ Added	Balance at June 30, 2018
The Bank NA	\$ 26,563	\$ (6,250)	\$ 20,313
Rural Development	1,916,919	\$ (36,447)	\$ 1,880,472
	1,943,482	\$ (42,697)	\$ 1,900,785

The annual requirements to amortize these notes payable as of June 30, 2018 are as follows. This includes the full amount of the two new loans from Rural Development.

Year ending June 30,	ODOC		Rural Development		Total
	Principal	Interest	Principal	Interest	
2019	\$ 6,250	\$ -	\$ 37,243	\$ 58,409	\$ 101,902
2020	6,250	-	38,463	57,189	101,902
2021	6,250	-	39,724	55,928	101,902
2022	1,563	-	41,028	54,624	97,215
2023	-	-	42,247	53,405	95,652
2024-2028	-	-	336,839	244,421	478,260
2029-2033	-	-	275,392	202,868	478,260
2034-2038	-	-	324,784	153,476	478,260
2039-2043	-	-	334,860	96,021	430,881
2044-2048	-	-	256,613	54,877	311,040
2049-2053	-	-	256,729	32,440	289,169
Total	\$ 20,313	\$ -	\$ 1,880,472	\$1,063,658	\$2,964,443

NOTE H - COMPENSATED ABSENCES

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

NOTE I - PENSION OBLIGATIONS

Oklahoma Police and Firefighter's Pension and Retirement Systems

The Town of Savanna participates in two statewide, cost-sharing multiple-employer defined benefit plans on behalf of police officers and firefighters. The systems are administered by agencies 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.

TOWN OF SAVANNA, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

	<u>Oklahoma Police Pension And Retirement System</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time officers employed by a participating Municipality; not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary Firefighters of a participating municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute	State Statute
Plan members' contribution rate	8% of covered payroll	8% of covered payroll
City's contribution rate	13% of covered payroll	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years of 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	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 30years considered
Deferred retirement option	Yes, 20 years credited service With additional option to Participate in deferred option Plan for a maximum of 5 years	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

Contributions required by State Statue:

Fiscal <u>Year</u>	<u>Oklahoma Police Pension And Retirement System</u>		<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2018	\$ 26,299	100%	\$ 660	100%
2017	23,883	100%	1,200	100%
2016	30,464	100%	1,200	100%

TOWN OF SAVANNA, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105 or Oklahoma Police Pension and Retirement System, 11 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116.

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.

Oklahoma Municipal Retirement Fund

The Town allows employees to participate in Oklahoma Municipal Retirement Fund, a defined contributions plan. The plan is funded by contributions from participants and employees. The following is a summary of eligibility factor, contribution methods, and benefit provision:

Oklahoma Municipal Retirement Fund

Eligibility	Once a 6-month probationary period is met, all regular full-time employees, and the Town Clerk and the Town Treasurer, except any person covered under another system.
Employer contributions	Match 100% of pay of the total mandatory. Plan forfeitures reduce the employer contributions.
Employee contributions	Up to 5.00% of mandatory after-tax contributions are eligible for Employer match. Voluntary after-tax contributions are also allowed.
Service	
Credited Service	The last period of continuous employment with the employer
Vesting	Credited service plus transferred service from other OMRF employers.
Normal Retirement Age	Age 65 with 5 or more years of vesting service.
Investment Options	Employees direct how their money is invested. A list of investment choices is available at <a href="http://okmrforg.voya.com">okmrforg.voya.com</a> or your personnel department.

Vesting	<u>Years of Service</u>	<u>Vesting Percentage</u>
	Less than 3	0%
	3 but less than 4	20%
	4 but less than 5	40%
	5 but less than 6	60%
	6 but less than 7	80%
	7 or more	100%

100% vested also upon becoming disabled, death, or turning age 65.

CITY OF SAVANNA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

Oklahoma Municipal Retirement Fund

Payment Options

Before vesting                      Return of employee contribution account balances (if any)

After vesting                        Benefit payment options include the distribution of both the Employee and the Employer contribution account balances and can be paid in any form designated by the participant, including:  
Equivalent optional forms:  
- Full or Partial Lump sum  
- Monthly payments  
- Rollover to another qualified plan

Contributions for the current year are as follows. The retirement plan began in the 2014 fiscal year.

<u>Fiscal Year</u>	<u>Required Contribution</u>
2018	\$     7,370
2017	15,582
2016	13,828

Annual reports may be obtained from Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105.

NOTE J - PROPRIETARY FUND WORKING CAPITAL

The net working capital of the enterprise fund (current assets less current liabilities) was \$110,304 at June 30, 2018.

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.

NOTE M - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through January 13, 2020, the date which financial statements were available. The Town believes there are no events requiring disclosure.

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

To the Board of Trustees  
Town of 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, 2018, which collectively comprise the Town of Savanna, Oklahoma's basic financial statements, and have issued my report thereon dated January 13, 2020. 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 of the financial statements, I considered Town of Savanna's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Savanna'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.

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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

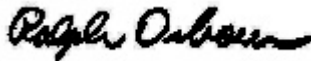
Compliance and Other Matters

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*.

Purpose of the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 13, 2020