

TOWN OF SAVANNA, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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

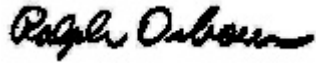
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Savanna, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Town of Savanna, 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 opinions.

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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended and the respective budgetary comparison for the General Fund in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2012, 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 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.

The Town of Savanna, Oklahoma has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 10, 2012

TOWN OF SAVANNA, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Business		
	Governmental	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 171,826	\$ 61,691	\$ 233,517
Investments	91,123	172,426	263,549
Interest receivable	126	73	199
Accounts receivable, net	88,526	49,811	138,337
Internal balances	(23,408)	23,408	-
Restricted assets:			
Cash and cash equivalents	-	132,092	132,092
Total current assets	<u>328,193</u>	<u>439,501</u>	<u>767,694</u>
Non-current assets:			
Capital assets			
Land	-	10,000	10,000
Other capital assets net of accumulated depreciation	<u>948,986</u>	<u>1,269,318</u>	<u>2,218,304</u>
Total non-current assets	<u>948,986</u>	<u>1,279,318</u>	<u>2,228,304</u>
 Total assets	 <u>1,277,179</u>	 <u>1,718,819</u>	 <u>2,995,998</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	22,912	47,639	70,551
Deposit subject to refund	-	35,284	35,284
Notes payable, current	-	15,177	15,177
Total current liabilities	<u>22,912</u>	<u>98,100</u>	<u>121,012</u>
Non-current liabilities:			
Notes payable, non-current	-	622,709	622,709
Total non-current liabilities	<u>-</u>	<u>622,709</u>	<u>622,709</u>
 Total liabilities	 <u>22,912</u>	 <u>720,809</u>	 <u>743,721</u>
NET ASSETS			
Investments in capital assets, net of related debt	948,986	641,432	1,590,418
Assigned	17,727	356,578	356,578
Unassigned	<u>287,554</u>	<u>-</u>	<u>305,281</u>
 Total net assets	 <u>\$1,254,267</u>	 <u>\$ 998,010</u>	 <u>\$ 2,252,277</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, 2011

FUNCTION/PROGRAMS	<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>	
Governmental activities					
Administration	\$ 67,953	\$ -	\$ 9,830	\$ -	\$ (58,123)
Community service	94,540	-	7,143	-	(87,397)
Health and welfare	24,142	-	-	-	(24,142)
Total governmental activities	<u>186,635</u>	<u>-</u>	<u>16,973</u>	<u>-</u>	<u>(169,662)</u>
Business-type activities					
Public Works	328,594	293,885	-	-	(34,709)
Total business-type activities	<u>328,594</u>	<u>293,885</u>	<u>-</u>	<u>-</u>	<u>(34,709)</u>
Total primary government	<u>\$515,229</u>	<u>\$293,885</u>	<u>\$ 16,973</u>	<u>\$ -</u>	<u>\$ (204,371)</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>\$ (169,662)</u>	<u>\$ (34,709)</u>	<u>\$ (204,371)</u>
General revenues and transfer			
Taxes			
Sales and use	271,343	-	271,343
Franchise	14,205	-	14,205
Cigarette	3,795	-	3,795
Interest	444	1,081	1,525
Intergovernmental Revenue	-	80,591	80,591
Other Revenue	<u>12,238</u>	<u>-</u>	<u>12,238</u>
Total general revenue and transfers	<u>302,025</u>	<u>81,672</u>	<u>383,697</u>
Change in net assets	132,363	46,963	179,326
Net assets - beginning	<u>1,121,904</u>	<u>951,047</u>	<u>2,072,951</u>
Net assets - ending	<u>\$1,254,267</u>	<u>\$ 998,010</u>	<u>\$ 2,252,277</u>

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

TOWN OF SAVANNA, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Street And Alley Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 154,105	\$ 17,721	\$ 171,826
Investments	91,123	-	91,123
Receivables:			
Accrued Interest	126	-	126
Due from other governments	88,080	446	88,526
TOTAL ASSETS	<u>\$ 333,434</u>	<u>\$ 18,167</u>	<u>\$ 351,601</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 22,472	\$ 440	\$ 22,912
Due to other funds	23,408	-	23,408
TOTAL LIABILITIES	<u>45,880</u>	<u>440</u>	<u>46,320</u>
 FUND BALANCES			
Assigned	-	17,727	17,727
Unassigned	287,554	-	287,554
TOTAL FUND BALANCES	<u>287,554</u>	<u>17,727</u>	<u>305,281</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 333,434</u>	<u>\$ 18,167</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		976,997	
Accumulated depreciation		<u>(28,011)</u>	948,986
Total net assets			<u>\$1,254,267</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, 2011

	General Fund	Street And Alley Fund	Total Governmental Funds
Revenue			
Sales and use tax	\$ 271,343	\$ -	\$ 271,343
Franchise tax	14,205	-	14,205
Auto tax	-	4,912	4,912
Gasoline tax	-	2,231	2,231
Cigarette tax	3,795	-	3,795
Alcoholic beverage tax	4,747	-	4,747
Motel tax	5,083	-	5,083
Interest	444	-	444
Other revenue	<u>12,238</u>	<u>-</u>	<u>12,238</u>
Total revenue	<u>311,855</u>	<u>7,143</u>	<u>318,998</u>
Expenditures			
Current			
Administration	67,953	-	67,953
Community service	89,536	3,093	92,629
Health and welfare	11,802	-	11,802
Capital Outlay	<u>6,026</u>	<u>7,750</u>	<u>13,776</u>
Total expenditures	<u>175,317</u>	<u>10,843</u>	<u>186,160</u>
Excess (deficiency) of revenue over expenditures	<u>136,538</u>	<u>(3,700)</u>	<u>132,838</u>
Net change in fund balance	136,538	(3,700)	132,838
Fund balances, beginning	<u>151,016</u>	<u>21,427</u>	<u>172,443</u>
Fund balances, ending	<u>\$ 287,554</u>	<u>\$ 17,727</u>	<u>\$ 305,281</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, 2011

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 61,691
Investments	172,426
Accounts receivable, net	49,811
Due from other funds	23,408
Accrued interest	73
Restricted assets	
Cash and cash equivalents	<u>132,092</u>
Total current assets	<u>439,501</u>
Non-current assets	
Capital assets:	
Land	10,000
Capital assets, net of accumulated depreciation	<u>1,269,318</u>
Total non-current assets	<u>1,279,318</u>
Total assets	<u>1,718,819</u>
LIABILITIES	
Current liabilities:	
Accounts payable	23,084
Payroll taxes payable	1,335
Water purchase payable	18,799
Accrued payroll payables	4,421
Utility deposits	35,284
Note payable, current	<u>15,177</u>
Total current liabilities	<u>98,100</u>
Non-current liabilities:	
Note payable, non current	<u>622,709</u>
Total non-current liabilities	<u>622,709</u>
Total liabilities	<u>720,809</u>
NET ASSETS	
Invested in capital assets, net of related debt	736,747
Assigned	<u>261,263</u>
Net assets of business-type activities	<u>\$ 998,010</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, 2011

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 125,592
Wastewater charges	103,044
Sanitation charges	56,027
Other	<u>9,222</u>
Total operating revenues	<u>293,885</u>
<u>OPERATING EXPENSES</u>	
Wages	32,903
Payroll taxes	2,864
Water purchases	87,500
Fuel	709
Maintenance and supplies	55,862
Advertising	925
Sanitation	56,827
Testing/other	12,994
Office	4,645
Professional fees	4,125
Utilities	3,949
Depreciation	<u>40,246</u>
Total operating expenses	<u>303,549</u>
Operating income (loss)	<u>(9,664)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	1,081
Sales Tax Allocation	80,591
Interest on notes payable	<u>(25,045)</u>
Total non-operating revenue (expenses)	<u>56,627</u>
Change in net assets of business type activities	46,963
Total net assets, beginning	<u>951,047</u>
Total net assets, ending	<u>\$ 998,010</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, 2011

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 291,310
Cash payments to employees	(35,767)
Cash payments to suppliers for goods and services	<u>(226,675)</u>
Net cash provided (used) by operating activities	<u>28,868</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(4,062)
Interest paid on notes payable and fiscal fees	(24,521)
Principal paid on notes and leases payable	<u>(15,172)</u>
Net cash used for capital and related financing activities	<u>(43,755)</u>
Cash flows from investing activities	
Transferred to investments	(86,379)
Interest revenue	1,081
Sales Tax Allocation	<u>80,591</u>
Net cash provided by investing activities	<u>(4,707)</u>
Net increase in cash and cash equivalents	(19,594)
Cash and cash equivalents, beginning	<u>213,377</u>
Cash and cash equivalents, ending	<u>\$ 193,783</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (9,664)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	40,246
Changes in assets and liabilities:	
(Increase)/decrease in accrued receivables	(4,536)
(Increase)/decrease in due from	(12,657)
Increase/(decrease) in accounts payable	13,518
Increase/(decrease) in utility deposits	<u>1,961</u>
Net cash provided by operating activities	<u>\$ 28,868</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, 2011

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budget Fund Balance	\$123,019	\$123,019	\$123,019	\$ -
<u>Resources (Inflows):</u>				
<u>TAXES:</u>				
Franchise Tax	11,843	11,843	14,205	2,362
Sales and Use Tax	110,228	110,228	270,485	160,257
Cigarette Tax	1,561	1,561	4,280	2,719
Total Taxes	<u>123,632</u>	<u>123,632</u>	<u>288,970</u>	<u>165,338</u>
<u>INTERGOVERNMENTAL:</u>				
Alcoholic Beverage Tax	3,895	3,895	5,119	1,224
Motel Tax	4,063	4,063	5,083	1,020
Total Intergovernmental	<u>7,958</u>	<u>7,958</u>	<u>10,202</u>	<u>2,244</u>
<u>INVESTMENT INCOME:</u>				
Interest	494	494	444	(50)
Total Investment Income	<u>494</u>	<u>494</u>	<u>444</u>	<u>(50)</u>
<u>MISCELLANEOUS:</u>				
Donations	-	-	1,050	1,050
Miscellaneous	8,273	8,273	11,188	2,915
Total Miscellaneous	<u>8,273</u>	<u>8,273</u>	<u>12,238</u>	<u>3,965</u>
Amounts available for appropriation	<u>263,376</u>	<u>263,376</u>	<u>434,873</u>	<u>171,497</u>
<u>Charges to Appropriations (Outflows):</u>				
<u>General Government</u>				
Personal Services	30,808	30,808	26,517	4,291
Maintenance and Operation	140,568	140,568	41,436	99,132
Total Administration	<u>171,376</u>	<u>171,376</u>	<u>67,953</u>	<u>103,423</u>
<u>Public Safety</u>				
Maintenance and Operation	10,000	10,000	11,802	(1,802)
Capital Outlay	-	-	6,026	(6,026)
Total Health and Welfare	<u>10,000</u>	<u>10,000</u>	<u>17,828</u>	<u>(7,828)</u>
<u>Street and Alley</u>				
Personal Services	40,000	40,000	58,252	(18,253)
Maintenance and Operation	42,000	42,000	31,283	10,717
Total Street and Alley	<u>82,000</u>	<u>82,000</u>	<u>89,536</u>	<u>(7,536)</u>
Total Charges to Appropriations	<u>263,376</u>	<u>263,376</u>	<u>175,317</u>	<u>88,059</u>
Ending Budget Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$259,556</u>	<u>\$ 259,556</u>

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

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011

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, 2011

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, 2011

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, 2011 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, 2011

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, 2011, 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 \$629,158 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$645,349.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2011.

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 monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2011, 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 \$49,811.

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, 2011 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 33,021	Public Works	General Fund
9,613	General Fund	Public Works
<u>\$ 42,634</u>		

The financial statements net these amounts.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011:

Loan reserve	\$ 95,315
Customer deposits	36,777
Total	<u>\$ 132,092</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, 2010	\$ 10,400	\$ 289,765	\$ 663,056	\$ 963,221	\$ -
Increases	-	6,026	7,750	13,776	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>10,400</u>	<u>295,791</u>	<u>670,806</u>	<u>976,997</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2010	3,860	6,101	3,799	13,730	
Increase	693	7,147	1,911	14,251	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>9,053</u>	<u>13,248</u>	<u>5,710</u>	<u>28,011</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 1,347</u>	<u>\$ 282,543</u>	<u>\$ 665,096</u>	<u>\$ 948,986</u>	<u>\$ -</u>
Business-type Activities					
Balance, June 30, 2010	\$ -	\$ 1,670,078	\$ 19,160	\$1,689,238	\$ 10,000
Increases	-	4,062	-	4,062	
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>-</u>	<u>1,674,140</u>	<u>19,160</u>	<u>1,693,300</u>	<u>10,000</u>
Accumulated Depreciation					
Balance, June 30, 2010	-	383,735	-	383,735	
Increase	-	40,247	-	40,247	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>-</u>	<u>423,982</u>	<u>-</u>	<u>423,982</u>	
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,250,158</u>	<u>\$ 19,160</u>	<u>\$1,269,318</u>	<u>\$ 10,000</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 1,347</u>	<u>\$ 1,532,701</u>	<u>\$ 684,256</u>	<u>\$2,218,304</u>	<u>\$ 10,000</u>
DEPRECIATION EXPENSE					

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

GOVERNMENT ACTIVITIES

Community Service	1,911
Health and Welfare	12,340

BUSINESS-TYPE ACTIVITIES

Public works	\$ 40,247
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TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 was \$64,063

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, 2011 was \$573,823.

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2011.

	Payable at July 1, 2010	Retired/ Added	Balance at June 30, 2011
The Bank NA	\$ 70,313	\$ (6,250)	\$ 64,063
Rural Development	582,745	(8,922)	573,823
	<u>\$ 653,058</u>	<u>\$ (15,172)</u>	<u>\$ 637,886</u>

The annual requirements to amortize these notes payable as of June 30, 2011 are as follows:

Year ending June 30,	The Bank NA		Rural Development		Total
	Principal	Interest	Principal	Interest	
2012	\$ 6,250	\$ -	\$ 8,927	\$ 24,517	\$ 39,694
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
2017-2021	31,250	-	60,179	107,041	198,470
2022-2026	1,563	-	74,399	92,821	168,783
2027-2031	-	-	91,980	75,240	167,220
2032-2036	-	-	113,715	53,505	167,220
2037-2041	-	-	140,586	26,634	167,220
2042-2043	-	-	44,288	1,822	46,110
Total	<u>\$ 64,063</u>	<u>\$ -</u>	<u>\$ 573,823</u>	<u>\$ 475,607</u>	<u>\$1,113,493</u>

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE H - COMPENSATED ABSENCES

The amount that should be reported for accrued compensated absences is not known but is not believed to be material.

NOTE I - 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.

		Oklahoma Firefighter's Pension And Retirement System
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.

TOWN OF SAVANNA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 1,020	100%
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 \$341,401 at June 30, 2011.

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, 2011, which collectively comprise the Town of Savanna, Oklahoma's basic financial statements, and have issued my report thereon dated December 10, 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

Management of Town of Savanna, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we consider Town of Savanna, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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, we do not express an opinion on the effectiveness of the 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.

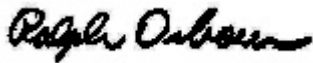
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.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

A handwritten signature in black ink, appearing to read "Ralph Osborn", with a stylized, cursive script.

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 10, 2012