

**CITY OF SAVANNAH
SAVANNAH, MISSOURI
FINANCIAL STATEMENTS
(With Independent Auditors'
Reports Thereon)
SEPTEMBER 30, 2010**

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

SEPTEMBER 30, 2010

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SECTION I
FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

March 29, 2011

To the Mayor and Members
of the City Council
City of Savannah
Savannah, Missouri

We 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 City of Savannah, Missouri, as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Savannah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinions.

The City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The City has not adopted a policy for depreciating capital assets of the governmental activities in the government-wide financial statements of net assets and activities. Accounting principles generally accepted in the United States of America require depreciation of capital assets on the government-wide statements. The amounts by which this departure would affect the assets and expenses of the governmental activities are not reasonably determined.

In our opinion, except for not depreciating capital assets of the governmental activities on the government-wide financial statements as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah, Missouri, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 29, 2011, on our consideration of the City of Savannah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Savannah, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", on page 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information on pages 39 through 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ARTHUR WHITE & ASSOCIATES, L.L.C.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 307,031	\$ 141,272	\$ 448,303
Certificates of deposit		12,076	12,076
Accounts receivable, net		144,368	144,368
Taxes receivable	54,810		54,810
Internal balances	112,948	(112,948)	-
Total current assets	<u>474,789</u>	<u>184,768</u>	<u>659,557</u>
RESTRICTED ASSETS:			
Cash		542,966	542,966
Certificates of deposit		50,132	50,132
Total restricted assets		<u>593,098</u>	<u>593,098</u>
NONCURRENT ASSETS:			
Debt issue fees, net of amortization		21,192	21,192
Capital assets	5,104,710		5,104,710
Capital assets, net of accumulated depreciation		11,278,275	11,278,275
Total noncurrent assets	<u>5,104,710</u>	<u>11,299,467</u>	<u>16,404,177</u>
TOTAL ASSETS	<u>\$ 5,579,499</u>	<u>\$ 12,077,333</u>	<u>\$ 17,656,832</u>

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Current portion of bonds payable	\$ 57,000	\$ 500,000	\$ 557,000
Current portion of leases payable		79,000	79,000
Current portion of certificates of participation	160,000	55,000	215,000
Accounts payable	65,766	12,042	77,808
Customer credits		5,348	5,348
Accrued interest		154,307	154,307
Customer deposits		77,616	77,616
Total current liabilities	<u>282,766</u>	<u>883,313</u>	<u>1,166,079</u>
LONG-TERM LIABILITIES:			
Bonds payable, less current portion	162,000	10,519,000	10,681,000
Leases payable, less current portion		306,000	306,000
Certificates of participation, less current portion	2,980,000	580,000	3,560,000
Accrued landfill post-closure costs		105,961	105,961
Total long-term liabilities	<u>3,142,000</u>	<u>11,510,961</u>	<u>14,652,961</u>
Total liabilities	<u>3,424,766</u>	<u>12,394,274</u>	<u>15,819,040</u>
NET ASSETS:			
Invested in (Deficit of) capital assets, net of related debt	1,745,710	(739,533)	1,006,177
Restricted net assets - expendable	591,430	374,123	965,553
Restricted net assets - nonexpendable		50,132	50,132
Unrestricted net assets (deficit)	<u>(182,407)</u>	<u>(1,663)</u>	<u>(184,070)</u>
Total net assets	<u>2,154,733</u>	<u>(316,941)</u>	<u>1,837,792</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,579,499</u>	<u>\$ 12,077,333</u>	<u>\$ 17,656,832</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Functions and Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 960,708		\$ 23,525	\$ 2,085
Culture and Recreation	478,672	\$ 148,637		10,000
Public Works	994,739			482,172
Total governmental activities	2,434,119	148,637	23,525	494,257
Business-type Activities:				
Water and wastewater	1,874,123	1,593,931		
Sanitation	239,358	211,671		
Golf course	591,286	570,694		
Clasbey Community Center	37,572	28,049		
Cemetery	63,295	20,725		
Total business-type activities	2,805,634	2,425,070		
Total primary government	\$ 5,239,753	\$ 2,573,707	\$ 23,525	\$ 494,257
General Revenues:				
Property taxes				
Franchise taxes				
Sales and use taxes				
Other taxes				
License, permits and fees				
Investment income				
Miscellaneous				
Total general revenues				
Transfers in (out)				
Change in net assets				
Net Assets - Beginning of year, as restated				
Net Assets - End of year				

Net Revenue and Change in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (935,098)		\$ (935,098)
(320,035)		(320,035)
(512,567)		(512,567)
<u>(1,767,700)</u>		<u>(1,767,700)</u>
	\$ (280,192)	(280,192)
	(27,687)	(27,687)
	(20,592)	(20,592)
	(9,523)	(9,523)
	(42,570)	(42,570)
	<u>(380,564)</u>	<u>(380,564)</u>
		<u>(2,148,264)</u>
360,362		360,362
385,270		385,270
934,373		934,373
29,716		29,716
45,751		45,751
5,542	633	6,175
28,572	8,839	37,411
<u>1,789,586</u>	<u>9,472</u>	<u>1,799,058</u>
<u>(94,076)</u>	<u>94,076</u>	<u>-</u>
(72,190)	(277,016)	(349,206)
<u>2,226,923</u>	<u>(39,925)</u>	<u>2,186,998</u>
<u>\$ 2,154,733</u>	<u>\$ (316,941)</u>	<u>\$ 1,837,792</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2010**

	Special Revenue Funds				
	General Fund	Park and Recreation Fund	Motor Fuel Tax Fund	Sales Tax Fund	Police Training Fund
<u>ASSETS</u>					
ASSETS:					
Cash and cash equivalents	\$ 6,830		\$ 127,924	\$ 72,604	\$ 1,652
Due from other funds			344,319		
Taxes receivable, net	29,295	\$ 17,803			
TOTAL ASSETS	\$ 36,125	\$ 17,803	\$ 472,243	\$ 72,604	\$ 1,652
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 1,040	\$ 453	\$ 64,273		
Due to other funds	159,498	13,744			
Total liabilities	160,538	14,197	64,273		
 FUND BALANCES:					
Unreserved	(124,413)	3,606	407,970	72,604	1,652
Total fund balances	(124,413)	3,606	407,970	72,604	1,652
TOTAL LIABILITIES AND FUND BALANCES	\$ 36,125	\$ 17,803	\$ 472,243	\$ 72,604	\$ 1,652

Special Revenue Funds		Debt Service Funds				Total
Tree Board Fund	Revolving Loan Fund	Park and Recreation Certificates of Participation Principal & Interest	Street Drainage Certificates of Participation Principal & Interest	Neighborhood Improvement District Principal & Interest	Pool Bond Principal & Interest	
\$ 10	\$ 20,429		\$ 45,001		\$ 32,581	\$ 307,031
				\$ 135	7,577	344,319
						54,810
<u>\$ 10</u>	<u>\$ 20,429</u>	<u>\$ -</u>	<u>\$ 45,001</u>	<u>\$ 135</u>	<u>\$ 40,158</u>	<u>\$ 706,160</u>
						\$ 65,766
		<u>\$ 50,000</u>		<u>\$ 8,129</u>		<u>231,371</u>
		<u>50,000</u>		<u>8,129</u>		<u>297,137</u>
<u>10</u>	<u>20,429</u>	<u>(50,000)</u>	<u>45,001</u>	<u>(7,994)</u>	<u>40,158</u>	<u>409,023</u>
<u>10</u>	<u>20,429</u>	<u>(50,000)</u>	<u>45,001</u>	<u>(7,994)</u>	<u>40,158</u>	<u>409,023</u>
<u>\$ 10</u>	<u>\$ 20,429</u>	<u>\$ -</u>	<u>\$ 45,001</u>	<u>\$ 135</u>	<u>\$ 40,158</u>	<u>\$ 706,160</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2010**

Total Governmental Fund Balances	\$ 409,023
Amounts reported in governmental activities in the statement of net assets are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds	5,104,710
Long-term liabilities, including current portion, have original maturities of more than one year and therefore are not reported in the funds	<u>(3,359,000)</u>
Net Assets of Governmental Activities	<u>\$2,154,733</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Special Revenue Funds			
	General Fund	Park and Recreation Fund	Motor Fuel Tax Fund	Sales Tax Fund
REVENUES:				
Property taxes	\$ 185,301	\$ 116,330		
Franchise taxes	385,270			
Sales and use taxes		188,805	\$ 368,422	\$ 377,146
Other taxes	24,651	3,411		
Charges for services		148,637		
Licenses, permits and fees	44,491			
Grants	1,585		482,172	
Interest	2,631	1,673	179	17
Reimbursement from fire department	23,525			
Miscellaneous	10,254	18,318		
Total revenues	677,708	477,174	850,773	377,163
EXPENDITURES:				
Current:				
Salaries and wages	482,478	175,253		
Payroll taxes and fringe benefits	208,112	36,166		
Training	3,220	310		
Office	5,988			
Utilities	78,959	27,938		
Professional services	14,854	4,213	59,108	
Fuel	27,523	7,589		
Repairs and maintenance	90,030	78,324	730,751	6,022
Merchandise		36,213		
Recreation program		17,794		
Supplies	3,318	8,668	3,647	
Election expenses	2,983			
Printing and publication	4,610	658		
Miscellaneous	11,252	1,679	3,021	279
Insurance	48,432	16,482		
Dream initiative			13,500	
Dues and permits	7,172			
Capital outlay		69,692		30,565
Debt service:				
Principal				
Interest				
Total expenditures	988,931	480,979	810,027	36,866
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(311,223)	(3,805)	40,746	340,297
OTHER FINANCING SOURCES (USES):				
Transfers in from other funds	176,855			
Transfers out to other funds	(68,070)	(68,522)		(350,846)
Net other financing sources (uses)	108,785	(68,522)		(350,846)
NET CHANGE IN GOVERNMENTAL FUND BALANCES	(202,438)	(72,327)	40,746	(10,549)
FUND BALANCE - Beginning of year, as restated	78,025	75,933	367,224	83,153
FUND BALANCE - End of year	\$ (124,413)	\$ 3,606	\$ 407,970	\$ 72,604

Special Revenue Funds			Debt Service Funds				Total
Police Training Fund	Tree Board Fund	Revolving Loan Fund	Park and Recreation Certificates of Participation Principal & Interest	Street Drainage Certificates of Participation Principal & Interest	Neighborhood Improvement District Principal & Interest	Pool Bond Principal & Interest	
					\$ 2,840	\$ 55,891	\$ 360,362
							385,270
						1,654	934,373
							29,716
							148,637
\$ 1,260							45,751
500	\$ 10,000						494,257
1		\$ 129		\$ 18		894	5,542
							23,525
							28,572
<u>1,761</u>	<u>10,000</u>	<u>129</u>		<u>18</u>	<u>2,840</u>	<u>58,439</u>	<u>2,456,005</u>
							657,731
							244,278
2,342							5,872
							5,988
							106,897
							78,175
							35,112
	18,275						923,402
							36,213
							17,794
							15,633
							2,983
							5,268
							16,231
							64,914
							13,500
							7,172
		25,000					125,257
			\$ 25,000	130,000	2,000	55,000	212,000
			42,006	145,066	2,780	7,104	196,956
<u>2,342</u>	<u>18,275</u>	<u>25,000</u>	<u>67,006</u>	<u>275,066</u>	<u>4,780</u>	<u>62,104</u>	<u>2,771,376</u>
<u>(581)</u>	<u>(8,275)</u>	<u>(24,871)</u>	<u>(67,006)</u>	<u>(275,048)</u>	<u>(1,940)</u>	<u>(3,665)</u>	<u>(315,371)</u>
	7,219	33,196	62,122	275,206			554,598
		(161,236)					(648,674)
	<u>7,219</u>	<u>(128,040)</u>	<u>62,122</u>	<u>275,206</u>	<u>-</u>	<u>-</u>	<u>(94,076)</u>
(581)	(1,056)	(152,911)	(4,884)	158	(1,940)	(3,665)	(409,447)
2,233	1,066	173,340	(45,116)	44,843	(6,054)	43,823	818,470
<u>\$ 1,652</u>	<u>\$ 10</u>	<u>\$ 20,429</u>	<u>\$ (50,000)</u>	<u>\$ 45,001</u>	<u>\$ (7,994)</u>	<u>\$ 40,158</u>	<u>\$ 409,023</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net Change in Governmental Fund Balances	\$ (409,447)
Amounts reported for the governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is recorded as capital assets	125,257
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets	<u>212,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (72,190)</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**FIDUCIARY FUNDS BALANCE SHEET
SEPTEMBER 30, 2010**

	Private-Purpose Trust Funds			Total
	Alma Martin Trust	Duncan-Kubach Trust	Messick Trust	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 6,593	\$ 18,963		\$ 25,556
Certificates of deposit	60,469	100,558		161,027
Total current assets	67,062	119,521		186,583
CAPITAL ASSETS:				
Property and equipment			\$ 268,583	268,583
Total			268,583	268,583
Accumulated depreciation			(190,309)	(190,309)
Net capital assets			78,274	78,274
TOTAL ASSETS	\$ 67,062	\$ 119,521	\$ 78,274	\$ 264,857
<u>LIABILITIES AND NET ASSETS</u>				
NET ASSETS:				
Restricted	\$ 67,062	\$ 119,521	\$ 78,274	\$ 264,857
Total net assets	67,062	119,521	78,274	264,857
TOTAL NET ASSETS	\$ 67,062	\$ 119,521	\$ 78,274	\$ 264,857

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**FIDUCIARY FUNDS STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Private-Purpose Trust Funds			Total
	Alma Martin Trust	Duncan-Kubach Trust	Messick Trust	
REVENUES:				
Interest	\$ 1,553	\$ 3,023		\$ 4,576
Revenues	<u>1,553</u>	<u>3,023</u>	<u>-</u>	<u>4,576</u>
EXPENSES:				
Depreciation			1,137	1,137
Total expenses	<u>-</u>	<u>-</u>	<u>1,137</u>	<u>1,137</u>
CHANGE IN NET ASSETS	1,553	3,023	(1,137)	3,439
NET ASSETS - Beginning of year, as restated	<u>65,509</u>	<u>116,498</u>	<u>79,411</u>	<u>261,418</u>
NET ASSETS - End of year	<u>\$ 67,062</u>	<u>\$ 119,521</u>	<u>\$ 78,274</u>	<u>\$ 264,857</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**PROPRIETARY FUNDS BALANCE SHEET
SEPTEMBER 30, 2010**

	Combined Water and Wastewater	Sanitation	Golf
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 53,141		\$ 88,131
Certificates of deposit			
Accounts receivable, net	128,126	\$ 16,242	
Total current assets	181,267	16,242	88,131
RESTRICTED ASSETS:			
Cash	451,739	91,227	
Certificates of deposit			
Total restricted assets	451,739	91,227	
NONCURRENT ASSETS:			
Debt issue fees, net of amortization	21,192		
Capital assets, net of accumulated depreciation	10,506,244	20,194	289,683
Total noncurrent assets	10,527,436	20,194	289,683
TOTAL ASSETS	\$ 11,160,442	\$ 127,663	\$ 377,814
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Current portion of bonds payable	\$ 500,000		
Current portion of leases payable	79,000		
Current portion of certificates of participation	30,000		\$ 25,000
Accounts payable	10,759	\$ 681	423
Customer credits	5,348		
Accrued interest	153,444		863
Customer deposits	77,616		
Due to other funds	83,554	643	
Total current liabilities	939,721	1,324	26,286
LONG-TERM LIABILITIES:			
Bonds payable, net of current portion	10,519,000		
Lease payable, net of current portion	306,000		
Certificates of participation, net of current portion	425,000		155,000
Accrued landfill post-closure costs		105,961	
Total long-term liabilities	11,250,000	105,961	155,000
TOTAL LIABILITIES	12,189,721	107,285	181,286
NET ASSETS:			
Invested in (Deficit of) capital assets, net of related debt	(1,331,564)	20,194	109,683
Restricted for debt service - expendable	343,619		
Restricted for depreciation reserve - expendable	27,464		
Restricted for construction - expendable	3,040		
Restricted for perpetual care - nonexpendable			
Unrestricted (Deficit)	(71,838)	184	86,845
Total net assets	(1,029,279)	20,378	196,528
TOTAL LIABILITIES AND NET ASSETS	\$ 11,160,442	\$ 127,663	\$ 377,814

<u>Duncan Community Development</u>	<u>Clasbey Community Center</u>	<u>Cemetery</u>	<u>Total</u>
			\$ 141,272
	\$ 12,076		12,076
	<u>12,076</u>		<u>144,368</u>
			<u>297,716</u>
			542,966
		\$ 50,132	50,132
		<u>50,132</u>	<u>593,098</u>
			21,192
\$ 312,019	128,350	21,785	11,278,275
<u>312,019</u>	<u>128,350</u>	<u>21,785</u>	<u>11,299,467</u>
\$ 312,019	\$ 140,426	\$ 71,917	\$12,190,281
			\$ 500,000
			79,000
			55,000
		179	12,042
			5,348
			154,307
			77,616
	19	28,732	112,948
	<u>19</u>	<u>28,911</u>	<u>996,261</u>
			10,519,000
			306,000
			580,000
			<u>105,961</u>
			<u>11,510,961</u>
	19	28,911	12,507,222
312,019	128,350	21,785	(739,533)
			343,619
			27,464
			3,040
		50,132	50,132
-	12,057	(28,911)	(1,663)
<u>312,019</u>	<u>140,407</u>	<u>43,006</u>	<u>(316,941)</u>
\$ 312,019	\$ 140,426	\$ 71,917	\$12,190,281

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**PROPRIETARY FUNDS STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Combined Water and Wastewater	Sanitation	Golf
REVENUES FROM OPERATIONS:			
Charges for services	\$ 1,556,447	\$ 211,671	\$ 142,510
Memberships			147,924
Cart rental and storage			121,544
Concessions and merchandise			158,716
Purchases of services and materials			(97,674)
Total revenues from operations	<u>1,556,447</u>	<u>211,671</u>	<u>473,020</u>
OPERATING EXPENSES:			
Salaries and wages	304,221	38,600	179,230
Payroll taxes and fringe benefits	88,557	12,517	46,003
Training	1,833		180
Office	10,078	1,981	6,685
Utilities	160,210		14,465
Professional services	103,092	2,178	
Fuel	8,343	7,994	11,963
Repairs and maintenance	130,078	15,525	46,413
Chemicals	86,459		54,814
Contractor		146,594	
Supplies	8,244	842	8,874
Printing and publication	2,392		4,144
Miscellaneous	6,579	1,262	293
Insurance	19,680	631	13,835
Memberships	12,600		
Dues, permits, and fees	7,838		590
Depreciation	384,593	11,234	83,520
Amortization	2,515		
Total operating expenses	<u>1,337,312</u>	<u>239,358</u>	<u>471,009</u>
OPERATING INCOME (LOSS)	<u>219,135</u>	<u>(27,687)</u>	<u>2,011</u>
OTHER INCOME (EXPENSE):			
Interest income	184	36	13
Penalties	37,484		
Miscellaneous income	701	3,927	2,653
Interest expense	(536,811)		(19,731)
Net other income (expense)	<u>(498,442)</u>	<u>3,963</u>	<u>(17,065)</u>
Transfers in	911,767	23,658	43,196
Transfers out	(1,006,582)		(47,187)
NET TRANSFERS IN (OUT)	<u>(94,815)</u>	<u>23,658</u>	<u>(3,991)</u>
NET INCOME	<u>(374,122)</u>	<u>(66)</u>	<u>(19,045)</u>
NET ASSETS - Beginning of year, as restated	<u>(655,157)</u>	<u>20,444</u>	<u>215,573</u>
NET ASSETS - End of year	<u>\$ (1,029,279)</u>	<u>\$ 20,378</u>	<u>\$ 196,528</u>

<u>Duncan Community Development</u>	<u>Clasbey Community Center</u>	<u>Cemetery</u>	<u>Total</u>
	\$ 28,049	\$ 20,725	\$ 1,959,402
			147,924
			121,544
			158,716
			(97,674)
	<u>28,049</u>	<u>20,725</u>	<u>2,289,912</u>
	6,673	29,667	558,391
	522	11,173	158,772
			2,013
			18,744
	7,299	1,854	183,828
	280		105,550
		3,225	31,525
	7,464	6,182	205,662
			141,273
			146,594
	986	530	19,476
			6,536
	274	237	8,645
	493	6,176	40,815
			12,600
			8,428
\$ 2,872	13,581	4,251	500,051
			2,515
<u>2,872</u>	<u>37,572</u>	<u>63,295</u>	<u>2,151,418</u>
<u>(2,872)</u>	<u>(9,523)</u>	<u>(42,570)</u>	<u>138,494</u>
	46	354	633
			37,484
	25	1,533	8,839
			(556,542)
	<u>71</u>	<u>1,887</u>	<u>(509,586)</u>
	169,224		1,147,845
			(1,053,769)
	<u>169,224</u>		<u>94,076</u>
(2,872)	159,772	(40,683)	(277,016)
314,891	(19,365)	83,689	(39,925)
<u>\$ 312,019</u>	<u>\$ 140,407</u>	<u>\$ 43,006</u>	<u>\$ (316,941)</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Combined Water and Wastewater	Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,539,758	\$ 211,954
Cash payments to suppliers for goods and services	(541,519)	(175,683)
Cash payments to employees	(392,778)	(51,117)
Net cash provided (used) by operating activities	<u>605,461</u>	<u>(14,846)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Miscellaneous income	701	3,927
Penalties	37,484	
Cash transfers in (out)	(94,815)	23,658
Net cash provided (used) by non-capital financing activities	<u>(56,630)</u>	<u>27,585</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long term debt	410,770	
Payments on long term debt	(532,000)	
Interest paid	(437,782)	
Net cash provided (used) by capital and related financing activities	<u>(559,012)</u>	
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest income	184	36
Purchase of investments		
Purchase of capital assets	(515,346)	
Net cash provided (used) by investing activities	<u>(515,162)</u>	<u>36</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(525,343)	12,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,030,223</u>	<u>78,452</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 504,880</u>	<u>\$ 91,227</u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 219,135	\$ (27,687)
Depreciation expense	384,593	11,234
Amortization expense	2,515	
(Increase) decrease in accounts receivable	(18,868)	283
Increase (decrease) in accounts payable	10,759	681
Increase (decrease) in customer credits	5,348	
Increase (decrease) in customer deposits	(3,169)	
Increase (decrease) in due to other funds	5,148	643
Net cash provided (used) by operating activities	<u>\$ 605,461</u>	<u>\$ (14,846)</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 53,141	
Restricted cash	451,739	\$ 91,227
Total	<u>\$ 504,880</u>	<u>\$ 91,227</u>

<u>Golf</u>	<u>Duncan Community Development</u>	<u>Clasbey Community Center</u>	<u>Cemetery</u>	<u>Total</u>
\$ 570,694		\$ 28,049	\$ 20,725	\$ 2,371,180
(259,507)		(16,777)	(9,346)	(1,002,832)
<u>(225,233)</u>		<u>(7,195)</u>	<u>(20,966)</u>	<u>(697,289)</u>
85,954	-	4,077	(9,587)	671,059
2,653	-	25	1,533	8,839
(3,991)		169,224		37,484
<u>(1,338)</u>	<u>-</u>	<u>169,249</u>	<u>1,533</u>	<u>94,076</u>
				410,770
(15,000)		(161,236)		(708,236)
<u>(19,792)</u>				<u>(457,574)</u>
<u>(34,792)</u>		<u>(161,236)</u>		<u>(755,040)</u>
13	-	146	454	833
(1,184)			(1,023)	(1,023)
<u>(1,171)</u>	<u>-</u>	<u>146</u>	<u>(569)</u>	<u>(516,530)</u>
48,653	-	12,236	(8,623)	(460,302)
<u>39,478</u>	<u>-</u>	<u>(12,236)</u>	<u>8,623</u>	<u>1,144,540</u>
\$ 88,131	\$ -	\$ -	\$ -	\$ 684,238
\$ 2,011	\$ (2,872)	\$ (9,523)	\$ (42,570)	\$ 138,494
83,520	2,872	13,581	4,251	500,051
				2,515
				(18,585)
423				11,863
				5,348
				(3,169)
		19	28,732	34,542
<u>\$ 85,954</u>	<u>\$ -</u>	<u>\$ 4,077</u>	<u>\$ (9,587)</u>	<u>\$ 671,059</u>
\$ 88,131	\$ -	\$ -	\$ -	\$ 141,272
				542,966
<u>\$ 88,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,238</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The City of Savannah, Missouri (the City) was incorporated as a fourth class city under the provisions of the State of Missouri. The City operates under a Mayor/City Council form of government and provides the following services as authorized by its charter: general administrative services, streets, public safety, park, public improvements, utilities, and sanitation. The City receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the City Council members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly control operations, and primary accountability for fiscal matters.

B. Basis of Presentation:

The accounting records are maintained in accordance with generally accepted accounting principles. The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). The government-wide financial statements categorize primary activities as either governmental or business-type. The City's police, parks and recreation, public works and general administrative services are classified as governmental activities. The City's water, wastewater, sanitation, and golf departments are classified as business-type activities.

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, and are prepared using the accrual basis of accounting and the economic resources measurement focus.

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole, excluding fiduciary activities. The Government-Wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes, not properly included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds, each of which is a separate accounting entity. The operations of each fund are accounted for through a set of self-balancing accounts which comprise its assets, liabilities, fund balance/net assets, revenues, and expenses/expenditures. The following funds are used by the City:

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Presentation, Continued:

Governmental Funds

The City reports the following major governmental funds:

The **General Fund** is the City's main operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The **Parks and Recreation Fund** is a special revenue fund that accounts for all of the operating revenues and expenditures of the parks department, such as the swimming pool and ball fields.

The **Sales Tax and Gas Tax Funds** are special revenue funds that receive sales taxes for the purpose of street maintenance.

The **Other Special Revenue Funds** (Police Training, Tree Board, and Revolving Loan) are used to account for proceeds of revenue sources legally restricted to expenditure for specified purposes.

The **Debt Service Funds** (Park and Recreation Certificates of Participation (COP) Principal & Interest (P&I), Street Drainage COP P&I, Neighborhood Improvement District P&I, Pool Bond P&I) are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Funds

The City reports the following major fiduciary funds:

The **Private-purpose Trust Funds** (Alma Martin Trust, Duncan-Kubach Trust, and Messick Trust) account for assets held by the City in a trustee capacity.

Proprietary Funds

The City reports the following major proprietary funds:

The **Combined Water and Wastewater Fund** is used to account for the water and sewer utility services to City residents.

The **Sanitation Fund** is used to account for the trash utility that provides trash and recycling services to the City's residents.

The **Golf Course Fund** is used to account for the operation of the municipal golf course.

The **Duncan Community Development Fund** is used to account for certain capital assets relating to the Duncan Community Development project.

The **Clasbey Community Center Fund** is used to account for operations of the Clasbey Community Center.

The **Cemetery Fund** is used to account for the operations and maintenance of the cemetery.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus and Basis of Accounting:

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

The government-wide financial statements are prepared using the accrual method of accounting, and using the economic resources measurement focus. Under this basis of accounting, revenues are recognized when they occur and expenses are recognized when the related liability is incurred.

The City maintains its accounts and prepares its governmental fund financial statements on the modified accrual basis of accounting and using the current financial resources measurement focus. Revenues are recognized when they become both “measurable and available.” Measurable means the amount can be determined. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The period of time the City uses to define available is 60 days. Revenues susceptible to accrual include property and sales taxes. Expenditures are recorded when the related fund liability is incurred.

The City prepares its fiduciary and proprietary fund financial statements on the accrual basis of accounting and the economic resources measurement focus.

D. Capital Assets:

The City defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. The City’s capital assets are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in the respective fund financial statements. Contributions of capital assets received from federal, state, or local sources are recorded at the estimated fair value at the time of receipt.

Additions, improvements and costs that significantly extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets in the business-type activities. The City has not developed a system of depreciating capital assets in the governmental activities. Land is not depreciated. Estimated useful lives are as follows:

Buildings	30-60 years
Improvements Other than Buildings	10-20 years
Infrastructure	5-60 years
Water and wastewater System	40-65 years
Equipment	6-15 years

E. Debt Issue Costs:

Debt issue costs relate to the issuance of various revenue bonds of the City. The costs are amortized over the life of the bonds.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Allowance for Doubtful Accounts:

The allowance for doubtful accounts relating to taxes receivable is as follows:

	<u>General</u>	<u>Park & Recreation</u>	<u>Neighborhood Improvement District</u>	<u>Pool Bond</u>	<u>Total</u>
Gross receivable	\$35,236	\$22,476	\$135	\$10,427	\$68,274
Allowance for doubtful accounts	<u>5,941</u>	<u>4,673</u>	<u> </u>	<u>2,850</u>	<u>13,464</u>
Net receivable	<u>\$ 29,295</u>	<u>\$17,803</u>	<u>\$135</u>	<u>\$ 7,577</u>	<u>\$54,810</u>

The allowance for doubtful accounts relating to accounts receivable is as follows:

	<u>Combined Water & Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
Gross receivable	\$133,658	\$17,379	\$151,037
Allowance for doubtful accounts	<u>5,532</u>	<u>1,137</u>	<u>6,669</u>
Net receivable	<u>\$128,126</u>	<u>\$16,242</u>	<u>\$144,368</u>

G. Budgets and Budgetary Accounting:

The City Council adopts an annual budget for all funds. The annual budgets are prepared in accordance with the modified accrual basis of accounting.

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) In accordance with Chapter 67, RSMo, the City adopts a budget for each fund.
- (2) Prior to September 30, the budget officer submits to the City Council a proposed budget for the fiscal year beginning on the following October 1.

The proposed budget includes estimated revenues and proposed expenditures for all City funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.

- (3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the City Council, the budget document is available for public inspection.
- (4) Prior to September 30, the budget is legally enacted by a vote of the Board of Aldermen.
- (5) Subsequent to its formal approval of the budget, the City Council has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the financial statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Budgets and Budgetary Accounting, Continued:

Budgeted amounts are as originally adopted by the City Council. The funds with expenditures in excess of budgeted amounts are the general fund, park and recreation fund, sales tax fund, and revolving loan fund.

H. Operating Revenues – Proprietary funds:

Operating income includes 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 costs 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.

I. Cash Equivalents:

For purposes of the proprietary funds statement of cash flows, the City considers all short-term certificates of deposit with an initial maturity of three months or less to be cash equivalents.

J. Vacation and Sick Leave:

Employees of the City earn paid time off depending on length of service. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The City's policy is to recognize the costs of compensated absences when paid to employees.

K. Restricted Resources:

It is the City's policy to use restricted resources first, then unrestricted resources as needed, when both restricted and unrestricted resources are available.

L. FASB Pronouncements:

The City has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

2. DEPOSITS AND INVESTMENTS

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At September 30, 2010, the City's deposits, in excess of the \$250,000 FDIC limits, were covered by collateral pledged to the City on the records of independent third-party banks, and thus no custodial credit risk exists.

Missouri statutes state that the City may invest in certificates of deposit, bonds of the State of Missouri or any wholly owned corporation of the United States, or in other short-term obligations of the United States.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

2. DEPOSITS AND INVESTMENTS, CONTINUED

The ordinances authorizing the Waterworks and Sewage system Revenue Bonds requires that the City establish various reserve funds (Principal and Interest, Bond Reserve and Depreciation and Replacement).

3. LONG-TERM DEBT

Governmental Activities

Certificates of participation of \$740,000 were issued May 1, 2007, with a maturity date of May 1, 2027, for the purpose of the City's park improvement project. Interest payments are due on May 1 and November 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	4.50%	\$ 25,000	\$ 32,228	\$ 57,228
2012	4.50%	25,000	31,103	56,103
2013	4.40%	25,000	29,978	54,978
2014	4.40%	30,000	28,878	58,878
2015	4.40%	30,000	27,558	57,558
2016 – 2020	4.75%	165,000	116,225	281,225
2021 – 2025	4.75 – 5.00%	210,000	72,150	282,150
2026 - 2027	5.00%	<u>160,000</u>	<u>13,500</u>	<u>173,500</u>
TOTAL		670,000	<u>\$351,620</u>	<u>\$1,021,620</u>
Less current portion		<u>25,000</u>		
Net long-term liability		<u>\$ 645,000</u>		

Certificates of participation of \$3,375,000 were issued March 1, 2002, with a maturity date of February 1, 2022, for the purpose of constructing streets, curbs, guttering and to improve street drainage. Interest payments are due on February 1 and August 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	5.000%	\$ 135,000	\$ 136,178	\$ 271,178
2012	5.150%	140,000	129,198	269,198
2013	5.200%	150,000	121,693	271,693
2014	5.400%	155,000	113,608	268,608
2015	5.400%	165,000	104,968	269,968
2016 – 2020	5.400-5.875%	975,000	368,975	1,343,975
2021 - 2022	5.875%	<u>750,000</u>	<u>52,581</u>	<u>802,581</u>
TOTAL		2,470,000	<u>\$1,027,201</u>	<u>\$3,497,201</u>
Less current portion		<u>135,000</u>		
Net long-term liability		<u>\$ 2,335,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

3. LONG-TERM DEBT, CONTINUED

Neighborhood improvement district bonds of \$55,000 were issued May 1, 2002, with a maturity date of March 1, 2022, for the purpose of improving sidewalks in the downtown area. Interest payments are due on March 1 and September 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	5.25%	\$ 2,000	\$ 2,258	\$ 4,258
2012	5.25%	2,000	2,153	4,153
2013	6.00%	3,000	2,010	5,010
2014	6.00%	3,000	1,830	4,830
2015	6.00%	3,000	1,650	4,650
2016 – 2020	6.00%	18,000	5,280	23,280
2021 - 2022	6.00%	<u>8,000</u>	<u>480</u>	<u>8,480</u>
TOTAL		39,000	<u>\$15,661</u>	<u>\$54,661</u>
Less current portion		<u>2,000</u>		
Net long-term liability		<u>\$ 37,000</u>		

General obligation refunding bonds of \$510,000 were issued June 3, 2003, with a maturity date of March 1, 2013, for the purpose of improving the municipal pool. Interest payments are due on March 1 and September 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	3.60%	\$ 55,000	\$ 5,738	\$ 60,738
2012	3.75%	65,000	3,529	68,529
2013	3.85%	<u>60,000</u>	<u>1,155</u>	<u>61,155</u>
TOTAL		180,000	<u>\$10,422</u>	<u>\$190,422</u>
Less current portion		<u>55,000</u>		
Net long-term liability		<u>\$125,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

3. LONG-TERM DEBT, CONTINUED

Business Type Activities

The City entered into a lease-purchase agreement of \$423,000 on February 24, 2010, with a maturity date of March 1, 2015, for the purpose of acquiring and installing water meters. Interest payments are due on March 1 and September 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	4.625%	\$ 79,000	\$ 16,904	\$ 95,904
2012	4.625%	83,000	13,204	96,204
2013	4.625%	86,000	9,319	95,319
2014	4.625%	90,000	5,319	95,319
2015	4.625%	<u>47,000</u>	<u>1,087</u>	<u>48,087</u>
TOTAL		385,000	<u>\$45,833</u>	<u>\$430,833</u>
Less current portion		<u>79,000</u>		
Net long-term liability		<u>\$ 306,000</u>		

Revenue bonds of \$3,300,000 were issued April 26, 2007, with a maturity date of December 1, 2025, for the purpose of improving the water and sewer systems. Interest payments are due on June 1 and December 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	4.00%	\$ 90,000	\$ 148,470	\$ 238,470
2012	4.50%	115,000	144,083	259,083
2013	4.50%	90,000	139,470	229,470
2014	4.50%	95,000	135,308	230,308
2015	4.50%	95,000	131,033	226,033
2016-2020	4.50 – 5.25%	565,000	579,994	1,144,994
2021-2025	4.80 – 5.25%	1,290,000	395,434	1,685,434
2026	4.80%	<u>750,000</u>	<u>18,000</u>	<u>768,000</u>
TOTAL		3,090,000	<u>\$1,691,792</u>	<u>\$4,781,792</u>
Less current portion		<u>90,000</u>		
Net long-term liability		<u>\$3,000,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

3. LONG-TERM DEBT, CONTINUED

Revenue bonds of \$7,735,000 were issued March 1, 2004, with a maturity date of December 1, 2023, for the purpose of improving the water and sewer systems. Interest payments are due on June 1 and December 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	3.125%	\$ 265,000	\$ 262,864	\$ 527,864
2012	3.400%	275,000	254,049	529,049
2013	3.625%	310,000	243,755	553,755
2014	3.800%	315,000	232,151	547,151
2015	4.000%	340,000	219,366	559,366
2016-2020	4.125-4.55%	2,250,000	830,711	3,080,711
2021-2024	4.75-5.00%	<u>2,355,000</u>	<u>250,468</u>	<u>2,605,468</u>
TOTAL		6,110,000	<u>\$2,293,364</u>	<u>\$8,403,364</u>
Less current portion		<u>265,000</u>		
Net long-term liability		<u>\$5,845,000</u>		

Certificates of participation of \$570,000 were issued March 11, 2004, with a maturity date of December 1, 2023, for the purpose of improving the sewer system. Interest payments are due on June 1 and December 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	3.375%	\$ 30,000	\$ 20,483	\$ 50,483
2012	3.625%	25,000	19,608	44,608
2013	3.625%	25,000	18,671	43,671
2014	3.875%	25,000	17,671	42,671
2015	4.125%	30,000	16,518	46,518
2016-2020	4.800%	160,000	60,920	220,920
2021-2024	5.125%	<u>160,000</u>	<u>14,169</u>	<u>174,169</u>
TOTAL		455,000	<u>\$168,040</u>	<u>\$623,040</u>
Less current portion		<u>30,000</u>		
Net long-term liability		<u>\$425,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

3. LONG-TERM DEBT, CONTINUED

Revenue bonds of \$400,000 were issued December 1, 2003, with a maturity date of June 1, 2023, for the purpose of improving the water and sewer systems. Interest payments are due on June 1 and December 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	4.375%	\$ 20,000	\$ 17,701	\$ 37,701
2012	4.500%	20,000	16,826	36,826
2013	4.600%	20,000	15,926	35,926
2014	5.125%	25,000	15,006	40,006
2015	5.125%	25,000	13,725	38,725
2016-2020	5.125-5.375%	135,000	49,075	184,075
2021-2024	5.375%	<u>100,000</u>	<u>11,019</u>	<u>111,019</u>
TOTAL		345,000	<u>\$139,278</u>	<u>\$484,278</u>
Less current portion		<u>20,000</u>		
Net long-term liability		<u>\$325,000</u>		

The City issued revenue bonds of \$700,000 with the State Environmental Improvement and Energy Resources Authority, State Revolving Fund Program, on December 1, 1994 for water pollution control improvements. Interest payments are due January 1 and July 1 of each year and the bonds mature on January 1, 2015. The City receives a subsidy for a portion of the interest.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Expense</u>	<u>Interest Subsidy</u>	<u>Total</u>
2011	7.20%	\$ 60,000	\$ 20,808	\$(12,392)	\$ 68,416
2012	7.20%	62,000	16,416	(9,740)	68,676
2013	7.20%	64,000	11,808	(6,929)	68,879
2014	7.20%	66,000	7,200	(4,175)	69,025
2015	7.20%	<u>67,000</u>	<u>2,412</u>	<u>(1,286)</u>	<u>68,126</u>
TOTAL		319,000	<u>\$58,644</u>	<u>\$(34,522)</u>	<u>\$343,122</u>
Less current portion		<u>60,000</u>			
Net long-term liability		<u>\$259,000</u>			

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

3. LONG-TERM DEBT, CONTINUED

The City issued revenue bonds of \$1,500,000 with the State Environmental Improvement and Energy Resources Authority, State Revolving Fund Program, on November 1, 2003 for water pollution control improvements. Interest payments are due January 1 and July 1 of each year and the bonds mature on July 1, 2024. The City receives a subsidy for a portion of the interest.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Expense</u>	<u>Interest Subsidy</u>	<u>Total</u>
2011	3.30%	\$ 65,000	\$ 52,365	\$(27,345)	\$ 90,020
2012	3.50%	65,000	50,220	(25,917)	89,303
2013	3.70%	65,000	47,945	(24,488)	88,457
2014	3.80%	70,000	45,540	(23,052)	92,488
2015	5.00%	70,000	42,880	(21,788)	91,092
2016-2020	4.00-5.00%	410,000	160,650	(81,711)	488,939
2021-2025	4.70-5.00%	<u>410,000</u>	<u>51,180</u>	<u>(28,736)</u>	<u>432,444</u>
TOTAL		1,155,000	<u>\$450,780</u>	<u>\$(233,037)</u>	<u>\$1,372,743</u>
Less current portion		<u>65,000</u>			
Net long-term liability		<u>\$1,090,000</u>			

Certificates of participation of \$400,000 were issued March 1, 1999, with a maturity date of March 1, 2017, for the purpose of making golf course improvements. Interest payments are due on March 1 and September 1 of each year.

Remaining annual payments as of September 30, 2010, are due as follows:

<u>Year ended September 30,</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2011	5.75%	\$ 25,000	\$ 9,633	\$ 34,633
2012	5.75%	25,000	8,194	33,194
2013	5.75%	25,000	6,756	31,756
2014	5.75%	25,000	5,319	30,319
2015	5.75%	25,000	3,881	28,881
2016-2017	5.75%	<u>55,000</u>	<u>3,306</u>	<u>58,306</u>
TOTAL		180,000	<u>\$37,089</u>	<u>\$217,089</u>
Less current portion		<u>25,000</u>		
Net long-term liability		<u>\$155,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

3. LONG-TERM DEBT, CONTINUED

Changes in long-term debt for the year ended September 30, 2010, are as follows:

	Balance Beginning of Year	Acquired Debt	Principal Payments	Balance End of Year
2007 Park COP	\$ 695,000		\$25,000	\$ 670,000
2002 Street drainage COP	2,600,000		130,000	2,470,000
2002 Neighborhood Improvement District bonds	41,000		2,000	39,000
2003 Pool bonds	<u>235,000</u>		<u>55,000</u>	<u>180,000</u>
Total governmental activities	<u>3,571,000</u>		<u>212,000</u>	<u>3,359,000</u>
2010 Water meter lease		\$ 423,000	38,000	385,000
2007 Water and sewer revenue bonds	3,170,000		80,000	3,090,000
2004 Water and sewer revenue bonds	6,365,000		255,000	6,110,000
2004 Sewer COP	475,000		20,000	455,000
2003 Water and sewer revenue bonds	365,000		20,000	345,000
1994 Sewer revenue bonds	378,000		59,000	319,000
2003 Sewer revenue bonds	1,215,000		60,000	1,155,000
1999 Golf COP	<u>195,000</u>		<u>15,000</u>	<u>180,000</u>
Total business-type activities	<u>12,163,000</u>	<u>423,000</u>	<u>547,000</u>	<u>12,039,000</u>
Total	<u>\$15,734,000</u>	<u>\$ 423,000</u>	<u>\$759,000</u>	<u>\$15,398,000</u>

Interest expense charged directly to the park and recreation activities on the statement of activities was \$49,110 for the year ended September 30, 2010. Interest expense charged directly to the public works activities on the statement of activities was \$147,846 for the year ended September 30, 2010. Interest expense charged directly to the water and wastewater activities on the statement of activities was \$536,811 for the year ended September 30, 2010. Interest expense charged directly to the golf activities on the statement of activities was \$19,731 for the year ended September 30, 2010.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property if not paid by January 1 following the date of assessment. Taxes are levied in September and are payable by December 31. Property tax revenues are recognized when levied to the extent that they result in current receivables.

The tax levy per \$100 of the assessed valuation for the City of Savannah at September 30, 2010 is as follows:

General	\$0.4600
Park and Recreation Fund	0.2935
Bond and Interest Fund	<u>0.1410</u>
Total	<u>\$ 0.8945</u>

The assessed valuation for the City of Savannah at September 30, 2010 is as follows:

Real Estate	<u>\$37,102,354</u>
Total	<u>\$37,102,354</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2010, is as follows:

	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<u>Governmental Activities</u>				
Land and buildings	\$ 2,373,665	\$ 69,692		\$2,443,357
Vehicles & equipment	<u>2,605,788</u>	<u>55,565</u>		<u>2,661,353</u>
Total	<u>4,979,453</u>	<u>125,257</u>	\$-0-	<u>\$5,104,710</u>
<u>Business-Type Activities</u>				
Land and improvements	1,393,289			1,393,289
Buildings	7,313,115	23,816		7,336,931
Plant improvements	10,215,573	19,979		10,235,552
Plant equipment	2,670,255	472,735		3,142,990
Auto equipment	<u>70,871</u>			<u>70,871</u>
Total	<u>21,663,103</u>	<u>516,530</u>		<u>22,179,633</u>
Less accumulated depreciation	<u>(10,401,307)</u>	<u>(500,051)</u>		<u>(10,901,358)</u>
Net capital assets	<u>11,261,796</u>	<u>16,479</u>	-0-	<u>\$11,278,275</u>
 TOTAL	 <u>\$16,241,249</u>	 <u>\$ 141,736</u>	 <u>\$-0-</u>	 <u>\$16,382,985</u>

Depreciation expense was charged to direct expenses for the following programs for the year ended September 30, 2010:

<u>Business-Type Activities</u>	
Water and wastewater	\$384,593
Sanitation	11,234
Golf course	83,520
Duncan Community Development	2,872
Clasbey Community Center	13,581
Cemetery	<u>4,251</u>
Total business-type activities	<u>\$500,051</u>

6. DEBT ISSUE FEES

A summary of changes in debt issue fees for the year ended September 30, 2010, is as follows:

	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Water construction	\$ 69,098			\$ 69,098
Wastewater construction	57,582			57,582
Water meter		<u>\$12,230</u>		<u>12,230</u>
Total	<u>126,680</u>	<u>12,230</u>		<u>138,910</u>
Less accumulated amortization	<u>(115,203)</u>	<u>(2,515)</u>		<u>(117,718)</u>
Net debt issue fees	<u>\$ 11,477</u>	<u>\$ 9,715</u>	\$-0-	<u>\$ 21,192</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

7. INTERFUND TRANSFERS AND BALANCES

The following is a summary of interfund transfers for all funds for the year ended September 30, 2010:

<u>Fund</u>	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ 176,855	\$ 68,070
Park and Recreation Fund		68,522
Sales Tax Fund		350,846
Tree Board Fund	7,219	
Revolving Loan Fund	33,196	161,236
Park and Recreation COP P&I	62,122	
Street Drainage COP P&I	275,206	
Combined Water and Wastewater Fund	911,767	1,006,582
Sanitation Fund	23,658	
Golf Fund	43,196	47,187
Clasbey Community Center	<u>169,224</u>	<u> </u>
Totals	<u>\$1,702,443</u>	<u>\$1,702,443</u>

The purpose for the interfund transfers is to meet the operational requirements of the various funds and to provide for reimbursement of services.

The following is a summary of interfund balances for all funds at September 30, 2010:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$159,548	
Park and Recreation Fund	13,744	
Motor Fuel Tax Fund		\$343,726
Park and Recreation COP P&I Fund	50,000	
Neighborhood Improvement District P&I	8,129	
Combined Water and Wastewater Fund	83,554	
Clasbey Community Center Fund	19	
Cemetery	<u>28,732</u>	<u> </u>
Totals	<u>\$343,726</u>	<u>\$343,726</u>

The purpose for the interfund balances is to meet the cash requirements of the various funds.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

8. INTERFUND LOAN

On January 1, 2004, the City's Clasbey Community Center fund borrowed \$225,000 from the City revolving loan fund at an interest rate of 2.5% for the purpose of providing renovations for the Mo Clasbey Building. Due to the Clasbey Community Center fund's inability to repay the loan, the balance of the loan, which was \$161,236 at September 30, 2010, has been transferred to the Clasbey Community Center fund from the revolving loan fund. With this transfer, the balance of the interfund loan as of September 30, 2010 is \$-0-.

9. RESTRICTED ASSETS

The City is required to establish a bond principal and interest account for the purpose of meeting principal and interest payments. The City has a balance of \$41,456 at September 30, 2010, in this account, which is included as a restricted asset on the statement of activities and the proprietary funds balance sheet.

The City is required to establish a bond reserve account and to deposit \$4,300 per month, until the account has accumulated to \$730,000. The City has a balance at September 30, 2010, of \$302,163 in this account, which is included as a restricted asset on the statement of activities and the proprietary funds balance sheet.

The City is required to establish a depreciation and replacement reserve account and to deposit \$1,500 per month, until the account has accumulated to \$150,000. The City has a balance at September 30, 2010, of \$27,464 in this account, which is included as a restricted asset on the statement of activities and the proprietary funds balance sheet.

The City has cash restricted from the issue of revenue bonds to be used for the construction of the water system. The cash restricted for this purpose totaled \$3,040 at September 30, 2010.

The City has cash restricted in the amount of \$77,616 at September 30, 2010, from the collection of deposits from water and wastewater customers. The cash is restricted until the deposit is returned to the customer or applied to the customer's final bill.

A summary of cash restricted in the combined water and wastewater fund is as follows:

Principal and interest	\$ 41,456
Bond reserve	302,163
Depreciation and replacement	27,464
Construction	3,040
Utility deposits	<u>77,616</u>
Total	<u>\$451,739</u>

The City is required to restrict cash to meet landfill post-closure costs, which is accounted for in the sanitation fund. The nature of this restriction is discussed more fully in Note 12.

The City has \$50,132 of certificates of deposit restricted in the cemetery fund, which are to be held in perpetuity. Only the interest earned on the certificates of deposit may be expended.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

10. RETIREMENT PLAN

The City's full-time employees are eligible to be covered under the Missouri Local Government Employment Retirement Systems (LAGERS), which is established under Missouri state statutes as a non-profit public pension system and is arranged as an agent multiple-employer defined benefit pension plan. Benefits provided by the plan include retirement, disability, and survivors benefits to local government employees. The total city payroll for the year ended September 30, 2010, was \$1,216,122. The City contributed \$108,451, \$94,396, and \$85,965 to the plan in the years ended September 30, 2010, 2009, and 2008, respectively. The contribution rates for the year ended September 30, 2010, was 13.1% (general), and 7.3% (police). Employees are not required to contribute to the plan. For more information on the retirement plan contact Missouri Local Government Employment Retirement Systems, P.O. Box 1665, 701 W. Main Street, Jefferson City, MO 65102.

11. RISK MANAGEMENT POOL

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by participation in the Missouri Intergovernmental Risk Management Association (MIRMA), a not-for-profit association formed by political subdivisions of the State of Missouri organized to operate as a group self-insurer. The purpose of MIRMA is to seek the prevention or lessening of casualty and property losses to member political subdivisions and injuries to persons or employees which might result in claims being made against such subdivisions. In addition to insurance protection, the MIRMA provides risk management services. The City has no direct control over budgeting, financing, the governing body, or management selection. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from the above mentioned risks have not exceeded coverage in the past year.

MIRMA is fully funded by its members. Funds are used to pay losses within specific risk retention limits shared equally by all members, purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers, purchase services such as claims administration and data processing, and pay administrative expenses. Coverage obtained by the City through MIRMA includes fire and extended coverage, money and securities and employee fidelity, contractors equipment, automobile bodily injury and property damage liability, automobile physical damage, uninsured motorist, comprehensive general liability, employment practices liability, workers' compensation, employer's liability, airport liability, and boiler and machinery. Per-occurrence coverage limits provided by MIRMA (MIRMA's self-insured retention limits combined with excess insurance contract limits) are 100% replacement cost for fire and extended coverage claims, \$100,000 for money and securities and employee fidelity claims, \$2,500,000 for liability claims, statutory limit for workers' compensation claims, \$1,000,000 for employment practices liability claims, and \$2,000,000 for employers liability claims, and 100% replacement cost for boiler and machinery claims. Losses from individual claims in excess of these limits remain the responsibility of the respective entities.

In the unlikely event that any specific excess or aggregate excess insurance company is unable to meet its contractual obligations, cancels, or refuses to renew a contract, MIRMA shall be responsible for the first \$500,000 of any one property loss, \$1,000,000 of any one workers' compensation loss, or \$1,000,000 of any one liability loss. Losses from individual claims in excess of these limits remain the responsibility of the respective members. Additionally, MIRMA may require supplemental assessments in the event the annual assessment is not sufficient to meet obligations. MIRMA required no supplemental assessments during its fiscal year ended June 30, 2010.

The assessment to the City for the coverage period July 1, 2010 through June 30, 2011, was \$103,702.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

12. POST-CLOSURE LANDFILL COSTS

The Missouri Department of Natural Resources (MDNR) has required a financial assurance instrument totaling \$105,961 to be held by the City, which is periodically adjusted for inflation by MDNR. A liability in the sanitation fund has been recognized in this amount for post-closure landfill costs. The City has restricted cash for this purpose in the sanitation fund which totaled \$91,227 at September 30, 2010. Any investment earnings on the restricted cash account are required to be added to the restricted cash account. Actual costs associated with post-closure care requirements may be higher or lower due to inflation or deflation, changes in technology, or changes in laws or regulations.

13. RESTATEMENT OF FUND BALANCES AND NET ASSETS

During the year ended September 30, 2010, it was determined that the balance of the general obligation refunding bonds for the pool was not included in the governmental activities on the statement of net assets. The recording of the general obligation refunding bonds increased liabilities and decreased net assets of the governmental activities by \$235,000.

During the year ended September 30, 2010, it was determined that revenue bonds totaling \$1,566,335 issued through the State Environmental Improvement and Energy Resources Authority, State Revolving Fund Program had not been recorded in the combined water and wastewater fund. The recording of the revenue bonds increased liabilities and decreased net assets of the combined water and wastewater fund and the business-type activities by \$1,566,335.

During the year ended September 30, 2010, it was determined that a lease payable had been inadvertently recorded in the golf fund. The correction of the recording of the lease payable decreased liabilities and increased net assets in the golf fund and the business-type activities by \$72,341.

During the year ended September 30, 2010, it was determined that the revolving loan fund should have been recorded as a special revenue fund, rather than a debt service fund. The reclassification of this fund decreased the fund balance of the total debt service funds and increased the balance of the total special revenue funds by \$173,340.

During the year ended September 30, 2010, it was determined that the trust funds recorded as proprietary funds, should have been recorded as fiduciary funds. The reclassification of these funds increased the total fiduciary net assets, decreased the total proprietary net assets, and business-type activities net assets by \$261,418.

During the year ended September 30, 2010, it was determined that the street drainage certificates of participation principal and interest fund should have been recorded as a debt service fund, rather than a special revenue fund. The reclassification of this fund decreased the fund balance of the total special revenue funds, and increased the fund balance of the debt service funds by \$44,843.

During the year ended September 30, 2010, it was determined that the Neighborhood Improvement District principal and interest fund should have been recorded as a debt service fund, rather than a special revenue fund. The reclassification of this fund increased the total fund balance of the special revenue funds and decreased the total fund balance of the debt service funds by \$6,054.

During the year ended September 30, 2010, it was determined the park and recreation certificates of participation principal and interest fund should have been recorded as a debt service fund, rather than a special revenue fund. The reclassification of this fund increased the total fund balance of the special revenue funds and decreased the total fund balance of the debt service funds by \$70,116.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

13. RESTATEMENT OF FUND BALANCES AND NET ASSETS, CONTINUED

During the year ended September 30, 2010, it was determined that a principal payment on the park and recreation certificates of participation was not recorded correctly. The correction of the payment increased the fund balance and decreased the park and recreation certificates of participation liability by \$25,000.

During the year ended September 30, 2010, it was determined that a liability for post-closure landfill care costs had not been recorded in the sanitation fund, the recording of which is required by Governmental Accounting Standards Board Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*. The correction for the recording of the liability for post-closure landfill care costs increased the liabilities and decreased the net assets of the sanitation fund by \$105,961.

14. CONTINGENCY

The Missouri Department of Natural Resources has alleged potential violations of the Missouri Clean Water Law involving the disposal of lime sludge. Potential fines relating to the allegations could be up to \$8,000.

15. SUBSEQUENT EVENT

The City settled a dispute with the U.S. Environmental Protection Agency (EPA) on December 13, 2010. The EPA alleged that the City was in violation of provisions of the Clean Air Act and imposed fines of \$24,148. The City disputed the allegations and paid \$1,000 to the EPA to settle the claim.

SECTION II
REQUIRED SUPPLEMENTARY INFORMATION

ARTHUR WHITE & ASSOCIATES, L.L.C.

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**INDEPENDENT AUDITORS' REPORT ON
REQUIRED SUPPLEMENTARY INFORMATION**

March 29, 2011

To the Mayor and Members of
the City Council
City of Savannah
Savannah, Nebraska

Our report on our audit of the financial statements of the City of Savannah, Missouri, as of and for the year ended September 30, 2010, appears on page 1. That audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The required supplementary information on pages 32 through 38 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


ARTHUR WHITE & ASSOCIATES, L.L.C.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 167,140	\$ 185,301	\$ 18,161
Franchise taxes	305,500	385,270	79,770
Other taxes	28,400	24,651	(3,749)
Licenses, permits and fees	50,950	44,491	(6,459)
Grants		1,585	1,585
Interest	2,845	2,631	(214)
Reimbursement from fire department	34,830	23,525	(11,305)
Miscellaneous	9,560	10,254	694
Total revenues	599,225	677,708	78,483
EXPENDITURES:			
Current:			
Salaries and wages	449,691	482,478	(32,787)
Payroll taxes and fringe benefits	167,778	208,112	(40,334)
Training	2,500	3,220	(720)
Office	7,500	5,988	1,512
Utilities	67,430	78,959	(11,529)
Professional services		14,854	(14,854)
Fuel	24,500	27,523	(3,023)
Repairs and maintenance	144,400	90,030	54,370
Supplies	1,900	3,318	(1,418)
Election expenses	2,200	2,983	(783)
Printing and publication		4,610	(4,610)
Miscellaneous	17,285	11,252	6,033
Insurance	40,700	48,432	(7,732)
Dues and permits	4,900	7,172	(2,272)
Total expenditures	930,784	988,931	(58,147)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(331,559)	(311,223)	20,336
OTHER FINANCING SOURCES (USES):			
Transfers in from other funds	295,803	176,855	(118,948)
Transfers out to other funds	(18,434)	(68,070)	(49,636)
Loan proceeds	55,000		(55,000)
Net other financing sources (uses)	332,369	108,785	(223,584)
NET CHANGE IN GOVERNMENTAL FUND BALANCES	810	(202,438)	(203,248)
FUND BALANCE - Beginning of year	78,025	78,025	-
FUND BALANCE - End of year	\$ 78,835	\$ (124,413)	\$ (203,248)

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - PARK AND RECREATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 107,710	\$ 116,330	\$ 8,620
Sales and use taxes	167,010	188,805	21,795
Other taxes	4,000	3,411	(589)
Charges for services	132,150	148,637	16,487
Interest	1,350	1,673	323
Miscellaneous	5,000	18,318	13,318
Total revenues	417,220	477,174	59,954
EXPENDITURES:			
Current:			
Salaries and wages	156,079	175,253	(19,174)
Payroll taxes and fringe benefits	32,170	36,166	(3,996)
Training		310	(310)
Utilities	16,700	27,938	(11,238)
Professional services		4,213	(4,213)
Fuel	7,500	7,589	(89)
Repairs and maintenance	45,500	78,324	(32,824)
Merchandise	30,000	36,213	(6,213)
Recreation program	17,700	17,794	(94)
Supplies		8,668	(8,668)
Printing and publication	700	658	42
Miscellaneous	1,500	1,679	(179)
Insurance	13,900	16,482	(2,582)
Capital outlay	77,000	69,692	7,308
Total expenditures	398,749	480,979	(82,230)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,471	(3,805)	(22,276)
OTHER FINANCING SOURCES (USES):			
Transfers out to other funds	(8,000)	(68,522)	(60,522)
Net other financing sources (uses)	(8,000)	(68,522)	(60,522)
NET CHANGE IN GOVERNMENTAL FUND BALANCES	10,471	(72,327)	(82,798)
FUND BALANCE - Beginning of year	75,933	75,933	-
FUND BALANCE - End of year	\$ 86,404	\$ 3,606	\$ (82,798)

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - MOTOR FUEL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Sales and use taxes	\$ 375,720	\$ 368,422	\$ (7,298)
Grants	1,547,719	482,172	(1,065,547)
Interest	1,380	179	(1,201)
Total revenues	1,924,819	850,773	(1,074,046)
EXPENDITURES:			
Current:			
Professional services	71,970	59,108	12,862
Repairs and maintenance	1,880,989	730,751	1,150,238
Supplies	4,500	3,647	853
Miscellaneous	20,000	3,021	(3,021)
Dream initiative	20,000	13,500	6,500
Capital outlay	78,625	-	78,625
Total expenditures	2,056,084	810,027	1,246,057
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(131,265)	40,746	172,011
FUND BALANCE - Beginning of year	367,224	367,224	-
FUND BALANCE - End of year	\$ 235,959	\$ 407,970	\$ 172,011

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Sales and use taxes	\$ 401,905	\$ 377,146	\$ (24,759)
Interest	210	17	(193)
Total revenues	402,115	377,163	(24,952)
EXPENDITURES:			
Current:			
Repairs and maintenance		6,022	(6,022)
Miscellaneous		279	(279)
Capital outlay	32,000	30,565	1,435
Total expenditures	32,000	36,866	(4,866)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	370,115	340,297	(29,818)
OTHER FINANCING SOURCES (USES):			
Transfers out to other funds	(441,373)	(350,846)	90,527
Net other financing sources (uses)	(441,373)	(350,846)	90,527
NET CHANGE IN GOVERNMENTAL FUND BALANCES	(71,258)	(10,549)	60,709
FUND BALANCE - Beginning of year	83,153	83,153	-
FUND BALANCE - End of year	\$ 11,895	\$ 72,604	\$ 60,709

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - POLICE TRAINING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Licenses, permits and fees	\$ 800	\$ 1,260	\$ 460
Grants		500	500
Interest	10	1	(9)
Total revenues	810	1,761	951
EXPENDITURES:			
Current:			
Training	2,768	2,342	426
Total expenditures	2,768	2,342	426
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(1,958)	(581)	1,377
FUND BALANCE - Beginning of year			
	2,233	2,233	-
FUND BALANCE - End of year			
	\$ 275	\$ 1,652	\$ 1,377

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - TREE BOARD FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Grants	\$ 13,990	\$ 10,000	\$ (3,990)
Total revenues	13,990	10,000	(3,990)
EXPENDITURES:			
Current:			
Repairs and maintenance	19,500	18,275	1,225
Total expenditures	19,500	18,275	1,225
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,510)	(8,275)	(2,765)
OTHER FINANCING SOURCES (USES):			
Transfers in from other funds	4,855	7,219	2,364
Net other financing sources (uses)	4,855	7,219	2,364
NET CHANGE IN GOVERNMENTAL FUND BALANCES	(655)	(1,056)	(401)
FUND BALANCE - Beginning of year	1,066	1,066	-
FUND BALANCE - End of year	\$ 411	\$ 10	\$ (401)

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - REVOLVING LOAN FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Interest	\$ 2,690	\$ 129	\$ (2,561)
Total revenues	<u>2,690</u>	<u>129</u>	<u>(2,561)</u>
EXPENDITURES:			
Current:			
Capital outlay	25,000	25,000	-
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(22,310)</u>	<u>(24,871)</u>	<u>(2,561)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in from other funds		33,196	33,196
Net other financing sources (uses)	<u>-</u>	<u>33,196</u>	<u>33,196</u>
NET CHANGE IN GOVERNMENTAL FUND BALANCES	(22,310)	8,325	30,635
FUND BALANCE - Beginning of year	<u>173,340</u>	<u>173,340</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 151,030</u>	<u>\$ 181,665</u>	<u>\$ 30,635</u>

SECTION III
SUPPLEMENTARY INFORMATION

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**COMBINING BALANCE SHEET - COMBINED WATER AND WASTEWATER FUND
SEPTEMBER 30, 2010**

	Water	Wastewater	Principal & Interest
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 35,546		
Accounts receivable, net	85,157	\$ 42,969	
Total current assets	120,703	42,969	
RESTRICTED ASSETS:			
Cash			\$ 41,456
Total restricted assets			41,456
NONCURRENT ASSETS:			
Debt issue fees, net of amortization			
Capital assets, net of accumulated depreciation	1,085,979	44,831	
Net capital assets	1,085,979	44,831	
TOTAL ASSETS	\$ 1,206,682	\$ 87,800	\$ 41,456
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Current portion of bonds payable			\$ 500,000
Current portion of leases payable			
Current portion of certificates of participation			30,000
Accounts payable	\$ 10,594	\$ 165	
Customer credits	5,348		
Accrued interest			151,960
Customer deposits			
Due to other funds		5,148	78,406
Total current liabilities	15,942	5,313	760,366
LONG-TERM LIABILITIES:			
Bonds payable, net of current portion			10,519,000
Leases payable, net of current portion			
Certificates of participation, net of current portion			425,000
Total long-term liabilities			10,944,000
TOTAL LIABILITIES	15,942	5,313	11,704,366
NET ASSETS:			
Invested in (Deficit of) capital assets, net of related debt	1,085,979	44,831	(11,474,000)
Restricted for debt service - expendable			41,456
Restricted for depreciation reserve - expendable			
Restricted for construction - expendable			
Unrestricted	104,761	37,656	(230,366)
Total net assets	1,190,740	82,487	(11,662,910)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,206,682	\$ 87,800	\$ 41,456

<u>Bond Reserve</u>	<u>Depreciation Reserve</u>	<u>Water Construction</u>	<u>Wastewater Construction</u>	<u>Water Meter</u>	<u>Utility Deposits</u>	<u>Total</u>
					\$ 17,595	\$ 53,141
						128,126
					<u>17,595</u>	<u>181,267</u>
<u>\$ 302,163</u>	<u>\$ 27,464</u>	<u>\$ 3,040</u>			<u>77,616</u>	<u>451,739</u>
<u>302,163</u>	<u>27,464</u>	<u>3,040</u>			<u>77,616</u>	<u>451,739</u>
		6,000	\$ 5,000	\$ 10,192		21,192
		<u>7,362,414</u>	<u>1,618,681</u>	<u>394,339</u>		<u>10,506,244</u>
		<u>7,368,414</u>	<u>1,623,681</u>	<u>404,531</u>		<u>10,527,436</u>
<u>\$ 302,163</u>	<u>\$ 27,464</u>	<u>\$7,371,454</u>	<u>\$1,623,681</u>	<u>\$ 404,531</u>	<u>\$ 95,211</u>	<u>\$11,160,442</u>
						\$ 500,000
				\$ 79,000		79,000
						30,000
						10,759
						5,348
				1,484		153,444
					\$ 77,616	77,616
						83,554
				<u>80,484</u>	<u>77,616</u>	<u>939,721</u>
						10,519,000
				306,000		306,000
						425,000
				<u>306,000</u>		<u>11,250,000</u>
				<u>386,484</u>	<u>77,616</u>	<u>12,189,721</u>
\$ 302,163		\$7,368,414	\$1,623,681	19,531		(1,331,564)
	\$ 27,464					343,619
		3,040				27,464
				(1,484)	17,595	3,040
<u>302,163</u>	<u>27,464</u>	<u>7,371,454</u>	<u>1,623,681</u>	<u>18,047</u>	<u>17,595</u>	<u>(71,838)</u>
<u>\$ 302,163</u>	<u>\$ 27,464</u>	<u>\$7,371,454</u>	<u>\$1,623,681</u>	<u>\$ 404,531</u>	<u>\$ 95,211</u>	<u>\$11,160,442</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - COMBINED WATER AND WASTEWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Water</u>	<u>Wastewater</u>	<u>Principal & Interest Fund</u>	<u>Bond Reserve</u>
REVENUES FROM OPERATIONS:				
Charges for services	\$ 1,024,883	\$ 526,809		
Total revenues from operations	<u>1,024,883</u>	<u>526,809</u>		
OPERATING EXPENSES:				
Salaries and wages	179,803	124,418		
Payroll taxes and fringe benefits	59,095	29,462		
Training	1,629	204		
Office	6,597	3,481		
Utilities	88,403	71,807		
Professional services	14,490	32,117		
Fuel	5,432	2,911		
Repairs and maintenance	86,270	36,787		
Chemicals	85,425	1,034		
Supplies	5,353	2,891		
Printing and publication	1,518	874		
Miscellaneous	1,575	5,004		
Insurance	12,509	7,171		
Memberships	12,600			
Dues, permits, and fees	7,838			
Depreciation	63,925	4,073		
Amortization				
Total operating expenses	<u>632,462</u>	<u>322,234</u>		
OPERATING INCOME (LOSS)	<u>392,421</u>	<u>204,575</u>		
OTHER INCOME (EXPENSE):				
Interest income	26		\$ 38	\$ 39
Penalties	37,484			
Miscellaneous income	48	653		
Interest expense			(525,165)	
Net other income (expense)	<u>37,558</u>	<u>653</u>	<u>(525,127)</u>	<u>39</u>
Transfers in	33,040		801,445	17,200
Transfers out	(622,465)	(174,915)		(128,000)
NET TRANSFERS IN (OUT)	<u>(589,425)</u>	<u>(174,915)</u>	<u>801,445</u>	<u>(110,800)</u>
NET INCOME	(159,446)	30,313	276,318	(110,761)
NET ASSETS - Beginning of year, as restated	<u>1,350,186</u>	<u>52,174</u>	<u>(11,939,228)</u>	<u>412,924</u>
NET ASSETS - End of year	<u>\$ 1,190,740</u>	<u>\$ 82,487</u>	<u>\$(11,662,910)</u>	<u>\$ 302,163</u>

<u>Depreciation Reserve</u>	<u>Water Construction</u>	<u>Wastewater Construction</u>	<u>Water Meter</u>	<u>Utility Deposits</u>	<u>Total</u>
				\$ 4,755	\$ 1,556,447
				4,755	1,556,447
					304,221
					88,557
					1,833
					10,078
					160,210
\$ 56,485					103,092
					8,343
	\$ 7,021				130,078
					86,459
					8,244
					2,392
					6,579
					19,680
					12,600
					7,838
	200,769	\$ 99,395	\$ 16,431		384,593
	246	231	2,038		2,515
<u>56,485</u>	<u>208,036</u>	<u>99,626</u>	<u>18,469</u>	<u>-</u>	<u>1,337,312</u>
<u>(56,485)</u>	<u>(208,036)</u>	<u>(99,626)</u>	<u>(18,469)</u>	<u>4,755</u>	<u>219,135</u>
	43			38	184
					37,484
					701
			(11,646)		(536,811)
<u>-</u>	<u>43</u>	<u>-</u>	<u>(11,646)</u>	<u>38</u>	<u>(498,442)</u>
11,920			48,162		911,767
	(81,202)				(1,006,582)
<u>11,920</u>	<u>(81,202)</u>		<u>48,162</u>		<u>(94,815)</u>
(44,565)	(289,195)	(99,626)	18,047	4,793	(374,122)
72,029	7,660,649	1,723,307		12,802	(655,157)
<u>\$ 27,464</u>	<u>\$7,371,454</u>	<u>\$1,623,681</u>	<u>\$ 18,047</u>	<u>\$ 17,595</u>	<u>\$ (1,029,279)</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**COMBINING STATEMENT OF CASH FLOWS - COMBINED
WATER AND WASTEWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Water	Wastewater	Principal & Interest Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 1,005,905	\$ 532,267	
Cash payments to suppliers for goods and services	(319,045)	(158,968)	
Cash payments to employees	(238,898)	(153,880)	
Net cash provided (used) by operating activities	447,962	219,419	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Miscellaneous income	48	653	
Penalties	37,484		
Cash transfers in (out)	(589,425)	(174,915)	\$ 801,445
Net cash provided (used) by non-capital financing activities	(551,893)	(174,262)	801,445
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from long term debt			
Payments on long term debt			(494,000)
Interest paid			(427,620)
Net cash provided (used) by capital and related financing activities			(921,620)
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest income	26		38
Purchase of capital assets	(5,483)	(14,495)	
Net cash provided (used) by investing activities	(5,457)	(14,495)	38
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(109,388)	30,662	(120,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	144,934	(30,662)	161,593
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 35,546	\$ -	\$ 41,456
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 392,421	\$ 204,575	\$ -
Depreciation expense	63,925	4,073	
Amortization expense			
(Increase) decrease in accounts receivable	(24,326)	5,458	
Increase (decrease) in accounts payable	10,594	165	
Increase (decrease) in customer credits	5,348		
Increase (decrease) in customer deposits			
Increase (decrease) in due to other funds		5,148	
Net cash provided (used) by operating activities	\$ 447,962	\$ 219,419	\$ -
COMPONENTS OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents	\$ 35,546		
Restricted cash			\$ 41,456
Total	\$ 35,546	\$ -	\$ 41,456

<u>Bond Reserve</u>	<u>Depreciation Reserve</u>	<u>Water Construction</u>	<u>Wastewater Construction</u>	<u>Water Meter</u>	<u>Utility Deposits</u>	<u>Total</u>
					\$ 1,586	\$1,539,758
	\$ (56,485)	\$ (7,021)				(541,519)
	<u>(56,485)</u>	<u>(7,021)</u>			<u>1,586</u>	<u>(392,778)</u>
						605,461
						701
						37,484
\$ (110,800)	11,920	(81,202)		\$ 48,162		(94,815)
<u>(110,800)</u>	<u>11,920</u>	<u>(81,202)</u>		<u>48,162</u>		<u>(56,630)</u>
						410,770
				410,770		410,770
				(38,000)		(532,000)
				(10,162)		(437,782)
				<u>362,608</u>		<u>(559,012)</u>
39		43			38	184
<u>39</u>	<u>-</u>	<u>(84,598)</u>		<u>(410,770)</u>	<u>38</u>	<u>(515,346)</u>
						(515,162)
(110,761)	(44,565)	(172,778)	-	-	1,624	(525,343)
412,924	72,029	175,818	-	-	93,587	1,030,223
<u>\$ 302,163</u>	<u>\$ 27,464</u>	<u>\$ 3,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,211</u>	<u>\$ 504,880</u>
\$ -	\$ (56,485)	\$ (208,036)	\$ (99,626)	\$ (18,469)	\$ 4,755	\$ 219,135
		200,769	99,395	16,431		384,593
		246	231	2,038		2,515
						(18,868)
						10,759
						5,348
					(3,169)	(3,169)
						5,148
<u>\$ -</u>	<u>\$ (56,485)</u>	<u>\$ (7,021)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,586</u>	<u>\$ 605,461</u>
					\$ 17,595	\$ 53,141
\$ 302,163	\$ 27,464	\$ 3,040			77,616	451,739
<u>\$ 302,163</u>	<u>\$ 27,464</u>	<u>\$ 3,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,211</u>	<u>\$ 504,880</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor Pass through Grantor Program Title	Pass-through Identifying Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>			
Passed through Missouri Highway and Transportation Department; Highway Planning & Construction	STP-9900(109)	20.205	\$ 667,812
 <u>U.S. Department of Justice</u>			
Passed through Missouri Department of Public Safety ARRA - Edward Byrne Memorial Justice Assistance Grant Program	2009-LBGJ-RA-109	16.738	<u>6,905</u>
TOTAL			<u>\$ 674,717</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Savannah, Missouri and is presented on the accrual basis of accounting.

SECTION IV
COMPLIANCE AND INTERNAL CONTROL

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**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**

March 29, 2011

To the Mayor and
Members of the City Council
City of Savannah
Savannah, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah, Missouri, as of and for the year ended September 30, 2010, which collectively comprise the City of Savannah, Missouri's basic financial statements and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-3 and 10-5 to be material weaknesses.

To the Mayor and
Members of the City Council
City of Savannah
Savannah, Missouri

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Savannah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 10-1, 10-2, 10-4, and 10-6.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor, Members of the City Council, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON THE MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

March 29, 2011

To the Mayor and
Members of the City Council
City of Savannah
Savannah, Missouri

Compliance

We have audited the City of Savannah, Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2010. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Savannah, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

To the Mayor and
Members of the City Council
City of Savannah
Savannah, Missouri

Internal Control Over Compliance

Management of the City of Savannah, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-3 to be a material weakness.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Mayor, Members of the City Council, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ARTHUR WHITE & ASSOCIATES, L.L.C.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Section II – Financial Statement Findings

10-1 UN-ALLOWED TRANSFERS

Condition: The City transferred \$94,815 from the combined water and wastewater fund to the general fund.

Criteria: Section 602 (e) of Ordinance 2330 states, “So long as any of the bonds remain outstanding, no moneys derived from the operation of the system shall be diverted to the general governmental or municipal functions of the City.”

Effect: The City is not in compliance with the bond agreement relating to transfers of moneys from the water fund. Additionally, the transfers contributed to the City’s inability to make the required transfers (see finding 10-2).

Cause: Oversight by management.

Recommendation: We recommend that the City not make un-allowed transfers and recommend that the City return the money to the combined water and wastewater fund from the general fund.

Response: The City of Savannah, Mo., recognizes and acknowledges that un-allowed transfers were made during the past fiscal year. The City will endeavor to return monies to the combined water and wastewater fund from the general fund, as funds become available.

10-2 REQUIRED TRANSFERS

Condition: The City’s water and sewer bond ordinances require that certain transfers be made to depreciation and replacement accounts, debt service accounts, and debt service reserve accounts. Transfers to the depreciation and replacement accounts were \$11,920, which was \$6,080 less than required. Transfers to debt service accounts were \$731,145, which was \$222,653 less than required. Transfers to debt service reserve accounts were \$17,200, which was \$34,400 less than required.

Criteria: Section 501 of Ordinance 2167, “Establishment of Funds and Accounts”; Section 602 of Ordinance 2167, “Application of Moneys in Funds and Accounts”; Section 401 of Ordinance 2181, “Ratification and Establishment of Funds and Accounts”; Section 501 of Ordinance 2187, “Establishment of Funds and Accounts”; Section 602 of Ordinance 2187, “Application of Moneys in Funds and Accounts”; 501 of Ordinance 2330, “Establishment of Funds and Accounts”; Section 602 of Ordinance 2330, “Application of Moneys in Funds and Accounts.” According to these ordinances, Transfers to the depreciation and replacement accounts should have totaled \$18,000; transfers to debt service accounts should have totaled \$953,798; transfers to debt service reserve accounts should have totaled \$51,600.

Effect: The City has not made all of the transfers required by the bond ordinances.

Cause: Oversight by management. Additionally, the transfer of money from the water fund to the general fund (see finding 10-1) caused there to be less money available to make the required transfers.

Recommendation: We recommend that the City make the required transfers on a monthly basis as required by the bond ordinances. When resources are insufficient to make the required transfers, the ordinance states that the City will make good the amount of the deficiencies by making additional payments out of the first available revenues of the water and sewer system.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Response: The City of Savannah, Mo., recognizes and acknowledges that not all of the required transfers into depreciation and replacement accounts, debt service account and debt service reserve accounts were made, as required by bond covenants, during the past fiscal year. The City will endeavor to make up the missed transfers into said accounts each month, as is allowable by receipts from the operating revenue associated with each fund.

10-3 INTERFUND PAYABLES AND RECEIVABLES

Condition: At September 30, 2010, the total amount of pooled cash was \$344,319 less than the amount of restricted cash. At September 30, 2010, the general fund had \$159,498 due to other funds. At September 30, 2010, the park and recreation fund had \$13,744 due to other funds. At September 30, 2010 the park and recreation certificates of participation fund had \$50,000 due to other funds. At September 30, 2010, the Neighborhood Improvement District principal and interest fund had \$8,129 due to other funds. At September 30, 2010, the combined water and wastewater fund had \$83,554 due to other funds. At September 30, 2010, the Cemetery fund had \$28,732 due to other funds. At September 30, 2010 the sanitation fund had \$643 due to other funds. At September 30, 2010, the Clasbey Center fund had \$19 due to other funds.

Criteria: The Governmental Accounting Standards Board Codification Section 1100.102 states, "A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Effect: The City's internal control did not restrict cash for the purposes in which the cash was restricted.

Cause: Oversight by management.

Recommendation: We recommend that the City pay back to the restricted funds any amounts of restricted cash due to those funds. In addition, we recommend that the City maintain in pooled cash an amount no less than the amount of restricted cash.

Response: The City of Savannah, Mo., recognizes and acknowledges that the negative cash balances of the General Fund, the Parks & Recreation Fund, the Parks & Recreation COP Fund, the Neighborhood Improvement District P&I Fund, the Combined Water and Wastewater Fund, the Cemetery Fund, the Sanitation Fund and the Clasbey Center Fund. These above-mentioned funds borrowed from the Motor Fuel Tax Fund in order to cover the negative cash balances from the above-mentioned funds. The City is providing a list of funds affected:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$159,548	
Park and Recreation Fund	13,744	
Motor Fuel Tax Fund		\$343,726
Park and Recreation COP P&I Fund	50,000	
Neighborhood Improvement District P&I	8,129	
Combined Water and Wastewater Fund	83,554	
Clasbey Community Center Fund	19	
Cemetery	<u>28,732</u>	
Totals	<u>\$343,726</u>	<u>\$343,726</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The City will endeavor to repay the Motor Fuel Tax fund from each of the above-mentioned funds, until the entire amount of borrowed funds has been replaced.

Additionally, the City will endeavor to maintain pooled cash in an amount equal to or greater than the amount of restricted cash.

All endeavors to meet the Auditors' recommendation will be made as monies become available and not otherwise committed to obligations.

10-4 ACTUAL EXPENDITURES EXCEEDED BUDGETED EXPENDITURES

Condition: The City's actual expenditures exceeded its budget in the general, park and recreation, and sales tax funds.

Criteria: Section 67.080, RSMo. states that the "expenditure orders, motions, resolutions, and ordinances constitute the authorization for the expenditure of money for the budget year" and that "no expenditure of public moneys shall be made unless it is authorized as provided" by state statutes.

Effect: The City was in violation of Section 67.080, RSMo.

Cause: Oversight by management.

Recommendation: We recommend the City review the budget and make amendments as necessary to prevent expenditures in excess of budgeted amounts.

Response: The City of Savannah, Mo., recognizes and acknowledges that the City's actual expenditures exceeded budgeted amounts in the general, park and recreation and sales tax funds. The City will endeavor to review the budget throughout the year and amend the budget as necessary to prevent expenditures in excess of budgeted amounts.

10-5 ACTUAL EXPENDITURES EXCEEDED BUDGETED EXPENDITURES

Condition: The City's internal control over financial reporting did not detect that the actual expenditures exceeded the budgeted expenditures in the general, park and recreation, and sales tax funds.

Criteria: As described in Government Auditing Standards, as issued by the Comptroller General of the United States, section 5.11, a deficiency in internal control over financial reporting exists when the deficiency "adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles."

Effect: The City's internal control did not detect that expenditures were made in excess of the authorized budget.

Cause: Oversight by management.

Recommendation: We recommend the City review the budget and monitor expenditures to prevent expenditures in excess of budgeted amounts.

Response: The City of Savannah, Mo., recognizes and acknowledges that the City's actual expenditures exceeded budgeted amounts in the general, park and recreation and sales tax funds. The City will endeavor to review the budget throughout the year and amend the budget as necessary to prevent expenditures in excess of budgeted amounts.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

10-6 FINANCIAL ASSURANCE INSTRUMENT REQUIREMENT FOR LANDFILL POST-CLOSURE COSTS

Condition: The financial assurance instrument held by the City for landfill post-closure costs is \$91,227, which was \$14,734 less than required.

Criteria: Section 260.227.5, RSMo. states that “the department (Missouri Department of Natural Resources) shall require the permittee to provide a financial assurance instrument in such amount and form as prescribed by the department to ensure the implementation of the post-closure plan”. The Missouri Department of Natural Resources has required the City’s financial assurance instrument to be \$105,961.

Effect: The City was in violation of Section 260.227.5, RSMo.

Cause: Oversight by management.

Recommendation: We recommend the City transfer \$14,734 to the financial assurance instrument to comply with the requirement established by the Missouri Department of Natural Resources.

Response: The City of Savannah, MO recognizes and acknowledges that the financial assurance instrument held by the City for landfill post-closure contains a fund balance of \$14,734 less than is required by the State of Missouri. The City shall endeavor to transfer \$14,734 to the financial assurance instrument to comply with the requirement established by the Missouri Department of Natural Resources when funds are available to do so.

Section III – Federal Award Findings and Questioned Costs

10-3 INTERFUND PAYABLES AND RECEIVABLES

Condition: At September 30, 2010, the total amount of pooled cash was \$344,319 less than the amount of restricted cash. At September 30, 2010, the general fund had \$159,498 due to other funds. At September 30, 2010, the park and recreation fund had \$13,744 due to other funds. At September 30, 2010 the park and recreation certificates of participation fund had \$50,000 due to other funds. At September 30, 2010, the Neighborhood Improvement District principal and interest fund had \$8,129 due to other funds. At September 30, 2010, the combined water and wastewater fund had \$83,554 due to other funds. At September 30, 2010, the Cemetery fund had \$28,732 due to other funds. At September 30, 2010 the sanitation fund had \$643 due to other funds. At September 30, 2010, the Clasbey Center fund had \$19 due to other funds. See finding 10-3 in Section II – Financial Statement Findings above for more information.

Recommendation: We recommend that the City pay back to the restricted funds any amounts of restricted cash due to those funds. In addition, we recommend that the City maintain in pooled cash an amount no less than the amount of restricted cash.

Response: The City of Savannah, Mo., recognizes and acknowledges that the negative cash balances of the General Fund, the Parks & Recreation Fund, the Parks & Recreation COP Fund, the Neighborhood Improvement District P&I Fund, the Combined Water and Wastewater Fund, the Cemetery Fund, the Sanitation Fund and the Clasbey Center Fund. These above-mentioned funds borrowed from the Motor Fuel Tax Fund in order to cover the negative cash balances from the above-mentioned funds. See more detailed response in Section II – Financial Statement Findings, item 10-3.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Audit in accordance with OMB Circular A-133 was not conducted for prior year.