

**CITY OF SAVANNAH
SAVANNAH, MISSOURI
FINANCIAL STATEMENTS
(With Independent Auditors'
Reports Thereon)
SEPTEMBER 30, 2011**

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

SEPTEMBER 30, 2011

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SAVANNAH, MISSOURI**

SEPTEMBER 30, 2011

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SECTION I
FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

February 28, 2012

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, 2011, 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, 2011, 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 February 28, 2012, 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 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information on pages 33 through 35 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.

ARTHUR WHITE & ASSOCIATES, L.L.C.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 355,851	\$ 503,205	\$ 859,056
Certificates of deposit		63,034	63,034
Accounts receivable, net		174,201	174,201
Taxes receivable	167,443		167,443
Total current assets	<u>523,294</u>	<u>740,440</u>	<u>1,263,734</u>
RESTRICTED ASSETS:			
Cash	<u>336,761</u>	<u>204,629</u>	<u>541,390</u>
Total restricted assets	<u>336,761</u>	<u>204,629</u>	<u>541,390</u>
NONCURRENT ASSETS:			
Debt issue fees, net of amortization		13,399	13,399
Capital assets	5,943,488		5,943,488
Capital assets, net of accumulated depreciation		10,834,782	10,834,782
Total noncurrent assets	<u>5,943,488</u>	<u>10,848,181</u>	<u>16,791,669</u>
TOTAL ASSETS	<u>\$ 6,803,543</u>	<u>\$ 11,793,250</u>	<u>\$ 18,596,793</u>

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Current portion of bonds payable	\$ 67,000	\$ 537,000	\$ 604,000
Current portion of leases payable		83,000	83,000
Current portion of certificates of participation	165,000	50,000	215,000
Accounts payable	13,757	98,429	112,186
Accrued payroll	23,200	15,073	38,273
Accrued interest	35,673	209,644	245,317
Customer deposits		77,023	77,023
Total current liabilities	<u>304,630</u>	<u>1,070,169</u>	<u>1,374,799</u>
LONG-TERM LIABILITIES:			
Bonds payable, less current portion	95,000	9,982,000	10,077,000
Leases payable, less current portion		223,000	223,000
Certificates of participation, less current portion	2,815,000	530,000	3,345,000
Accrued landfill post-closure costs		105,961	105,961
Total long-term liabilities	<u>2,910,000</u>	<u>10,840,961</u>	<u>13,750,961</u>
Total liabilities	<u>3,214,630</u>	<u>11,911,130</u>	<u>15,125,760</u>
NET ASSETS:			
Invested in capital assets, net of related debt	2,801,488	(556,819)	2,244,669
Restricted net assets - expendable	336,761	204,629	541,390
Unrestricted net assets	450,664	234,310	684,974
Total net assets	<u>3,588,913</u>	<u>(117,880)</u>	<u>3,471,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,803,543</u>	<u>\$ 11,793,250</u>	<u>\$ 18,596,793</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<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	\$ 966,268	\$ 109	\$ 22,235	\$ 525,598
Culture and Recreation	388,981	142,371		
Public Works	160,583			
Total governmental activities	1,515,832	142,480	22,235	525,598
Business-type Activities:				
Water and wastewater	1,801,899	1,828,264		
Sanitation	210,778	222,087		
Golf course	571,205	563,059		
Duncan Community Development	3,240			
Clasbey Community Center	33,793	27,568		
Cemetery	76,082	37,650		
Total business-type activities	2,696,997	2,678,628		
Total primary government	\$ 4,212,829	\$ 2,821,108	\$ 22,235	\$ 525,598
General Revenues:				
Property taxes				
Franchise taxes				
Sales and use taxes				
Other taxes				
License, permits and fees				
Investment income				
Gain on sale of property				
Miscellaneous				
Total general revenues				
Transfers in (out)				
Change in net assets				
Net Assets - Beginning of year, as previously reported				
Prior Period Adjustment				
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
\$ (418,326)		\$ (418,326)
(246,610)		(246,610)
<u>(160,583)</u>		<u>(160,583)</u>
<u>(825,519)</u>		<u>(825,519)</u>
	\$ 26,365	26,365
	11,309	11,309
	(8,146)	(8,146)
	(3,240)	(3,240)
	(6,225)	(6,225)
	<u>(38,432)</u>	<u>(38,432)</u>
	<u>(18,369)</u>	<u>(18,369)</u>
		<u>(843,888)</u>
329,745		329,745
402,835		402,835
874,200		874,200
220,000		220,000
19,307		19,307
794	3,519	4,313
500	13,251	13,751
109,257	22,892	132,149
<u>1,956,638</u>	<u>39,662</u>	<u>1,996,300</u>
<u>(33,700)</u>	<u>61,500</u>	<u>27,800</u>
1,097,419	82,793	1,180,212
2,154,733	(316,941)	1,837,792
336,761	116,268	453,029
<u>2,491,494</u>	<u>(200,673)</u>	<u>2,290,821</u>
<u>\$ 3,588,913</u>	<u>\$ (117,880)</u>	<u>\$ 3,471,033</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2011**

			Debt Service Funds	
	Special Revenue Fund	Park and Recreation Fund	Park and Recreation Certificates of Participation Principal & Interest	Street Drainage Certificates of Participation Principal & Interest
<u>ASSETS</u>	<u>General Fund</u>	<u>Park and Recreation Fund</u>	<u>Park and Recreation Certificates of Participation Principal & Interest</u>	<u>Street Drainage Certificates of Participation Principal & Interest</u>
ASSETS:				
Cash and cash equivalents	\$ 203,617	\$ 28,971		\$ 99,612
Taxes receivable, net	113,785	44,884		
Due from other funds	55,546			
	<hr/>	<hr/>		<hr/>
TOTAL ASSETS	<u>\$ 372,948</u>	<u>\$ 73,855</u>		<u>\$ 99,612</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 232	\$ 13,525		
Accrued payroll	21,816	1,384		
Accrued interest			\$ 13,355	\$ 22,134
Due to other funds			50,514	
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	22,048	14,909	63,869	22,134
 FUND BALANCES:				
Unrestricted, unassigned	350,900	58,946	(63,869)	77,478
Total fund balances	<hr/>	<hr/>	<hr/>	<hr/>
	350,900	58,946	(63,869)	77,478
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 372,948</u>	<u>\$ 73,855</u>	<u>\$ -</u>	<u>\$ 99,612</u>

<u>Debt Service Funds</u>		
<u>Neighborhood Improvement District Principal & Interest</u>	<u>Pool Bond Principal & Interest</u>	<u>Total</u>
\$ 135	\$ 23,651 8,639	\$ 355,851 167,443 55,546
<u>\$ 135</u>	<u>\$ 32,290</u>	<u>\$ 578,840</u>
		\$ 13,757 23,200 35,673 55,546
\$ 184 5,032 <u>5,216</u>		<u>128,176</u>
(5,081) <u>(5,081)</u>	\$ 32,290 <u>32,290</u>	450,664 <u>450,664</u>
<u>\$ 135</u>	<u>\$ 32,290</u>	<u>\$ 578,840</u>

See notes to the financial statements

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2011**

Total Governmental Fund Balances	\$ 450,664
Amounts reported in governmental activities in the statement of net assets are different because:	
Restricted cash is not a financial resource and is therefore not reported in the funds.	336,761
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds	5,943,488
Long-term liabilities, including current portion, have original maturities of more than one year and therefore are not reported in the funds	<u>(3,142,000)</u>
Net Assets of Governmental Activities	<u>\$ 3,588,913</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, 2011**

	Special Revenue Funds			
	General Fund	Park and Recreation Fund	Motor Fuel Tax Fund	Sales Tax Fund
REVENUES:				
Property taxes	\$ 165,450	\$ 98,147		
Franchise taxes	402,835			
Sales and use taxes	655,657	218,543		
Other taxes	213,540	4,410		
Charges for services	109	142,371		
Licenses, permits and fees	19,307			
Grants	525,598			
Interest	516	197		
Reimbursement from fire department	22,235			
Gain on sale of property	500			
Miscellaneous	106,841	2,416		
Total revenues	2,112,588	466,084		
EXPENDITURES:				
Current:				
Salaries and wages	440,197	164,046		
Payroll taxes and fringe benefits	182,812	34,334		
Training	1,962	180		
Office	2,597			
Utilities	72,606	22,053		
Professional services	127,054	3,733		
Fuel	8,914	8,496		
Repairs and maintenance	51,788	16,534		
Merchandise		34,565		
Recreation program		13,575		
Supplies	22,513	24,860		
Election expenses	1,442			
Printing and publication	5,186	960		
Miscellaneous	6,744	845		
Insurance	35,519	10,106		
Dream initiative	30			
Dues and permits	6,904			
Capital outlay	804,272	34,506		
Debt service:				
Principal				
Interest				
Total expenditures	1,770,540	368,793		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	342,048	97,291		
OTHER FINANCING SOURCES (USES):				
Transfers in from other funds	9,600	24,877		
Transfers out to other funds	(379,000)	(66,828)		
Net other financing sources (uses)	(369,400)	(41,951)		
NET CHANGE IN GOVERNMENTAL FUND BALANCES	(27,352)	55,340		
FUND BALANCE - Beginning of year, as previously reported	(124,413)	3,606	407,970	72,604
PRIOR PERIOD ADJUSTMENT	502,665		(407,970)	(72,604)
FUND BALANCE - Beginning of year, as restated	378,252	3,606	-	-
FUND BALANCE - End of year	\$ 350,900	\$ 58,946	\$ -	\$ -

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	
					\$ 7,772	\$ 58,376	\$ 329,745
							402,835
							874,200
						2,050	220,000
							142,480
							19,307
							525,598
				\$ 60		21	794
							22,235
							500
							109,257
				<u>60</u>	<u>7,772</u>	<u>60,447</u>	<u>2,646,951</u>
							604,243
							217,146
							2,142
							2,597
							94,659
							130,787
							17,410
							68,322
							34,565
							13,575
							47,373
							1,442
							6,146
							7,589
							45,625
							30
							6,904
							838,778
			\$ 25,000	135,000	2,000	55,000	217,000
			46,097	160,583	2,859	5,738	215,277
			<u>71,097</u>	<u>295,583</u>	<u>4,859</u>	<u>60,738</u>	<u>2,571,610</u>
			(71,097)	(295,523)	2,913	(291)	75,341
			57,228	328,000			419,705
			<u>57,228</u>	<u>328,000</u>	<u>-</u>	<u>(7,577)</u>	<u>(453,405)</u>
							(33,700)
			(13,869)	32,477	2,913	(7,868)	41,641
1,652	10	20,429	(50,000)	45,001	(7,994)	40,158	409,023
<u>(1,652)</u>	<u>(10)</u>	<u>(20,429)</u>					-
-	-	-	(50,000)	45,001	(7,994)	40,158	409,023
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63,869)</u>	<u>\$ 77,478</u>	<u>\$ (5,081)</u>	<u>\$ 32,290</u>	<u>\$ 450,664</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, 2011**

Net Change in Governmental Fund Balances	\$ 41,641
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	838,778
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>217,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,097,419</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**FIDUCIARY FUNDS BALANCE SHEET
SEPTEMBER 30, 2011**

	Private-Purpose Trust Funds			Total
	Alma Martin Trust	Duncan-Kubach Trust	Messick Trust	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,012	\$ 1,592		\$ 2,604
Certificates of deposit	60,469	100,558		161,027
Total current assets	61,481	102,150		163,631
CAPITAL ASSETS:				
Property and equipment			\$ 268,583	268,583
Total			268,583	268,583
Accumulated depreciation			(198,137)	(198,137)
Net capital assets			70,446	70,446
TOTAL ASSETS	\$ 61,481	\$ 102,150	\$ 70,446	\$ 234,077
<u>LIABILITIES AND NET ASSETS</u>				
NET ASSETS:				
Restricted	\$ 61,481	\$ 102,150	\$ 70,446	\$ 234,077
Total net assets	61,481	102,150	70,446	234,077
TOTAL NET ASSETS	\$ 61,481	\$ 102,150	\$ 70,446	\$ 234,077

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, 2011**

	Private-Purpose Trust Funds			Total
	Alma Martin Trust	Duncan-Kubach Trust	Messick Trust	
REVENUES:				
Interest	\$ 1,819	\$ 3,029		\$ 4,848
Revenues	1,819	3,029	-	4,848
EXPENSES:				
Depreciation			\$ 7,828	7,828
Total expenses	-	-	7,828	7,828
CHANGE IN NET ASSETS	1,819	3,029	(7,828)	(2,980)
NET TRANSFER IN (OUT)	(7,400)	(20,400)		(27,800)
NET ASSETS - Beginning of year, as restated	67,062	119,521	78,274	264,857
NET ASSETS - End of year	\$ 61,481	\$ 102,150	\$ 70,446	\$ 234,077

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**PROPRIETARY FUNDS BALANCE SHEET
SEPTEMBER 30, 2011**

	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 262,108	\$ 121,041	\$ 107,662
Certificates of deposit			
Accounts receivable, net	158,243	15,958	
Total current assets	<u>420,351</u>	<u>136,999</u>	<u>107,662</u>
RESTRICTED ASSETS:			
Cash	204,629		
Certificates of deposit			
Total restricted assets	<u>204,629</u>		
NONCURRENT ASSETS:			
Debt issue fees, net of amortization	13,399		
Capital assets, net of accumulated depreciation	10,133,786	12,229	248,449
Total noncurrent assets	<u>10,147,185</u>	<u>12,229</u>	<u>248,449</u>
TOTAL ASSETS	<u>\$ 10,772,165</u>	<u>\$ 149,228</u>	<u>\$ 356,111</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Current portion of bonds payable	\$ 537,000		
Current portion of leases payable	83,000		
Current portion of certificates of participation	25,000		\$ 25,000
Accounts payable	94,568		3,861
Accrued payroll	7,194		5,592
Accrued interest	209,122		522
Customer deposits	77,023		
Total current liabilities	<u>1,032,907</u>		<u>34,975</u>
LONG-TERM LIABILITIES:			
Bonds payable, net of current portion	9,982,000		
Lease payable, net of current portion	223,000		
Certificates of participation, net of current portion	400,000		130,000
Accrued landfill post-closure costs		\$ 105,961	
Total long-term liabilities	<u>10,605,000</u>	<u>105,961</u>	<u>130,000</u>
TOTAL LIABILITIES	<u>11,637,907</u>	<u>105,961</u>	<u>164,975</u>
NET ASSETS:			
Invested in (Deficit of) capital assets, net of related debt	(1,102,815)	12,229	93,449
Restricted for debt service - expendable	204,629		
Unrestricted (Deficit)	32,444	31,038	97,687
Total net assets	<u>(865,742)</u>	<u>43,267</u>	<u>191,136</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,772,165</u>	<u>\$ 149,228</u>	<u>\$ 356,111</u>

<u>Duncan Community Development</u>	<u>Clasbey Community Center</u>	<u>Cemetery</u>	<u>Total</u>
	\$ 9,954	\$ 2,440	\$ 503,205
	12,076	50,958	63,034
	<u>22,030</u>	<u>53,398</u>	<u>174,201</u>
			740,440
			204,629
			<u>204,629</u>
			13,399
<u>\$ 308,779</u>	<u>112,307</u>	<u>19,232</u>	<u>10,834,782</u>
<u>308,779</u>	<u>112,307</u>	<u>19,232</u>	<u>10,848,181</u>
<u>\$ 308,779</u>	<u>\$ 134,337</u>	<u>\$ 72,630</u>	<u>\$ 11,793,250</u>
			\$ 537,000
			83,000
			50,000
			98,429
		\$ 2,287	15,073
			209,644
			<u>77,023</u>
		<u>2,287</u>	<u>1,070,169</u>
			9,982,000
			223,000
			530,000
			<u>105,961</u>
			<u>10,840,961</u>
		<u>2,287</u>	<u>11,911,130</u>
\$ 308,779	\$ 112,307	19,232	(556,819)
			204,629
	22,030	51,111	234,310
<u>308,779</u>	<u>134,337</u>	<u>70,343</u>	<u>(117,880)</u>
<u>\$ 308,779</u>	<u>\$ 134,337</u>	<u>\$ 72,630</u>	<u>\$ 11,793,250</u>

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, 2011**

	Combined Water and Wastewater	Sanitation	Golf
REVENUES FROM OPERATIONS:			
Charges for services	\$ 1,786,133	\$ 222,087	\$ 139,957
Memberships			138,792
Cart rental and storage			110,455
Concessions and merchandise			173,855
Purchases of services and materials			(100,829)
Total revenues from operations	1,786,133	222,087	462,230
OPERATING EXPENSES:			
Salaries and wages	288,764	23,344	194,618
Payroll taxes and fringe benefits	89,106	7,841	36,125
Training	897		2,281
Office	11,857	2,101	5,595
Utilities	157,633		15,333
Professional services	29,061	8,160	2,254
Fuel	10,693	5,615	17,222
Repairs and maintenance	46,473	2,712	40,157
Chemicals	92,347		37,944
Contractor		146,145	
Supplies	8,785	36	23,828
Printing and publication	1,323	315	3,922
Miscellaneous	13,543	6,179	341
Insurance	12,321	365	4,700
Dues, permits, and fees	15,934		8,433
Depreciation	387,657	7,965	66,994
Amortization	2,515		
Total operating expenses	1,168,909	210,778	459,747
OPERATING INCOME (LOSS)	617,224	11,309	2,483
OTHER INCOME (EXPENSE):			
Interest income	1,786	130	125
Penalties	42,131		
Miscellaneous income	19,118		2,629
Gain on sale of property		11,450	
Interest expense	(632,990)		(10,629)
Net other income (expense)	(569,955)	11,580	(7,875)
Transfers in	635,407		
Transfers out	(635,407)		
NET TRANSFERS IN (OUT)	-		
NET INCOME	47,269	22,889	(5,392)
NET ASSETS - Beginning of year, as previously reported	(1,029,279)	20,378	196,528
PRIOR PERIOD ADJUSTMENT	116,268		
NET ASSETS - Beginning of year, as restated	(913,011)	20,378	196,528
NET ASSETS - End of year	\$ (865,742)	\$ 43,267	\$ 191,136

<u>Duncan Community Development</u>	<u>Clasbey Community Center</u>	<u>Cemetery</u>	<u>Total</u>
	\$ 27,568	\$ 37,650	\$ 2,213,395
			138,792
			110,455
			173,855
			(100,829)
	<u>27,568</u>	<u>37,650</u>	<u>2,535,668</u>
	5,493	44,912	557,131
	420	15,724	149,216
			3,178
			19,553
	7,863	2,298	183,127
	357	1,679	41,511
		3,322	36,852
	2,535	1,509	93,386
		68	130,359
			146,145
	736	368	33,753
			5,560
		179	20,242
	347	3,472	21,205
			24,367
\$ 3,240	16,042	2,551	484,449
			2,515
<u>3,240</u>	<u>33,793</u>	<u>76,082</u>	<u>1,952,549</u>
<u>(3,240)</u>	<u>(6,225)</u>	<u>(38,432)</u>	<u>583,119</u>
	155	1,323	3,519
			42,131
		1,145	22,892
		1,801	13,251
			(643,619)
	<u>155</u>	<u>4,269</u>	<u>(561,826)</u>
		61,500	696,907
			(635,407)
		<u>61,500</u>	<u>61,500</u>
(3,240)	(6,070)	27,337	82,793
312,019	140,407	43,006	(316,941)
			116,268
<u>312,019</u>	<u>140,407</u>	<u>43,006</u>	<u>(200,673)</u>
<u>\$ 308,779</u>	<u>\$ 134,337</u>	<u>\$ 70,343</u>	<u>\$ (117,880)</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,750,075	\$ 222,371
Cash payments to suppliers for goods and services	(400,606)	(172,952)
Cash payments to employees	(370,676)	(31,185)
Net cash provided (used) by operating activities	<u>978,793</u>	<u>18,234</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Miscellaneous income	19,118	
Penalties	42,131	
Cash transfers in (out)	-	
Net cash provided (used) by non-capital financing activities	<u>61,249</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long-term debt	116,268	
Payments on long-term debt	(609,000)	
Interest paid	(577,312)	
Net cash provided (used) by capital and related financing activities	<u>(1,070,044)</u>	
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of property		11,450
Interest income	1,786	130
Purchase of investments		
Purchase of capital assets	(9,926)	
Net cash provided (used) by investing activities	<u>(8,140)</u>	<u>11,580</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(38,142)</u>	<u>29,814</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>504,879</u>	<u>91,227</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 466,737</u>	<u>\$ 121,041</u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 617,224	\$ 11,309
Depreciation expense	387,657	7,965
Amortization expense	2,515	
(Increase) decrease in accounts receivable	(30,116)	284
Increase (decrease) in accounts payable	83,809	(681)
Increase (decrease) in accrued payroll	7,194	
Increase (decrease) in customer credits	(5,348)	
Increase (decrease) in customer deposits	(593)	
Increase (decrease) in due to other funds	(83,549)	(643)
Net cash provided (used) by operating activities	<u>\$ 978,793</u>	<u>\$ 18,234</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 262,108	\$ 121,041
Restricted cash	204,629	
Total	<u>\$ 466,737</u>	<u>\$ 121,041</u>

<u>Golf</u>	<u>Duncan Community Development</u>	<u>Clasbey Community Center</u>	<u>Cemetery</u>	<u>Total</u>
\$ 563,059		\$ 27,568	\$ 37,650	\$ 2,600,723
(259,401)		(11,856)	(39,519)	(884,334)
(225,151)		(5,913)	(60,636)	(693,561)
<u>78,507</u>		<u>9,799</u>	<u>(62,505)</u>	<u>1,022,828</u>
2,629			1,145	22,892
				42,131
			61,500	61,500
<u>2,629</u>			<u>62,645</u>	<u>126,523</u>
				116,268
(25,000)				(634,000)
(10,970)				(588,282)
<u>(35,970)</u>				<u>(1,106,014)</u>
125		155	1,801	13,251
			1,323	3,519
			(824)	(824)
(25,760)				(35,686)
<u>(25,635)</u>		<u>155</u>	<u>2,300</u>	<u>(19,740)</u>
19,531		9,954	2,440	23,597
88,131				684,237
<u>\$ 107,662</u>		<u>\$ 9,954</u>	<u>\$ 2,440</u>	<u>\$ 707,834</u>
\$ 2,483	\$ (3,240)	\$ (6,225)	\$ (38,432)	\$ 583,119
66,994	3,240	16,042	2,551	484,449
				2,515
				(29,832)
3,438			(179)	86,387
5,592			2,287	15,073
				(5,348)
				(593)
		(18)	(28,732)	(112,942)
<u>\$ 78,507</u>	<u>\$ -</u>	<u>\$ 9,799</u>	<u>\$ (62,505)</u>	<u>\$ 1,022,828</u>
\$ 107,662	\$ -	\$ 9,954	\$ 2,440	\$ 503,205
				204,629
<u>\$ 107,662</u>	<u>\$ -</u>	<u>\$ 9,954</u>	<u>\$ 2,440</u>	<u>\$ 707,834</u>

See Notes to Financial Statements.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The City of Savannah, Missouri (the City) is 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, 2011**

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 **Debt Service Funds** (Street Drainage COP P&I, Neighborhood Improvement District 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.

During the year ended June 30, 2011, the City consolidated several funds to improve efficiency in accounting for debt and other needed transfers.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

1. 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, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Allowance for Doubtful Accounts:

There is no allowance for doubtful accounts relating to taxes receivable as the City feels all taxes receivable presented in the financial statements are collectible:

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	\$ 168,633	\$ 17,378	\$ 186,011
Allowance for doubtful accounts	<u>(10,390)</u>	<u>(1,420)</u>	<u>(11,465)</u>
Net receivable	<u>\$ 158,243</u>	<u>\$ 15,958</u>	<u>\$ 174,201</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, 2011**

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. Governmental Funds Balances:

The City has applied the provisions of GASB Statement No. 54 as of June 30, 2011. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of its resources reported in governmental funds.

The District considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The executive board is responsible for determining any committed or assigned fund balances. To establish, modify, or rescind a fund balance commitment, formal action must be taken by the board of directors.

I. 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.

J. 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.

K. 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.

L. 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.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. 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, 2011, 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.

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, 2011, 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>
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	4.75%	30,000	26,238	56,238
2017 – 2021	4.75%	175,000	108,387	283,387
2022 – 2026	5.00%	220,000	61,750	281,750
2027	5.00%	<u>110,000</u>	<u>5,500</u>	<u>115,500</u>
TOTAL		645,000	\$ 319,392	\$ 964,392
Less current portion		<u>25,000</u>		
Net long-term liability		<u>\$ 620,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

3. LONG-TERM DEBT, CONTINUED

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, 2011, 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>
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	5.400%	175,000	95,788	270,788
2017 – 2021	5.875%	1,030,000	310,494	1,340,494
2022	5.875%	<u>520,000</u>	<u>15,275</u>	<u>535,275</u>
TOTAL		2,335,000	<u>\$ 891,024</u>	<u>\$3,226,024</u>
Less current portion		<u>140,000</u>		
Net long-term liability		<u>\$2,195,000</u>		

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, 2011, 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>
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	6.00%	3,000	1,470	4,470
2017 – 2021	6.00%	19,000	4,170	23,170
2022	6.00%	<u>4,000</u>	<u>120</u>	<u>4,120</u>
TOTAL		37,000	<u>\$13,403</u>	<u>\$50,403</u>
Less current portion		<u>2,000</u>		
Net long-term liability		<u>\$35,000</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.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

3. LONG-TERM DEBT, CONTINUED

Remaining annual payments as of September 30, 2011, 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>
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		125,000	\$ 4,684	\$ 129,684
Less current portion		<u>65,000</u>		
Net long-term liability		<u>\$ 60,000</u>		

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, 2011, 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>
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		306,000	\$ 28,929	\$ 334,929
Less current portion		<u>83,000</u>		
Net long-term liability		<u>\$ 223,000</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, 2011, 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>
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	4.50%	100,000	126,645	226,645
2017-2021	4.50 – 5.25%	600,000	550,538	1,150,538
2022-2026	4.80 – 5.25%	<u>1,905,000</u>	<u>316,245</u>	<u>2,221,245</u>
TOTAL		3,000,000	\$1,543,322	\$4,543,322
Less current portion		<u>115,000</u>		
Net long-term liability		<u>\$2,885,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

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, 2011, 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>
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	4.125%	415,000	204,007	619,007
2017-2021	4.25-4.65%	2,350,000	729,340	3,079,340
2022-2024	4.75-5.00%	<u>1,840,000</u>	<u>147,831</u>	<u>1,987,831</u>
TOTAL		5,845,000	<u>\$2,030,499</u>	<u>\$7,875,499</u>
Less current portion		<u>275,000</u>		
Net long-term liability		<u>\$5,570,000</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, 2011, 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>
2012	3.625%	\$ 25,000	\$ 19,608	\$ 44,608
2013	3.875%	25,000	18,671	43,671
2014	4.125%	25,000	17,671	42,671
2015	4.250%	30,000	16,518	46,518
2016	4.800%	30,000	15,160	45,160
2017-2021	4.800%	130,000	13,720	143,720
2022-2024	5.125%	<u>160,000</u>	<u>26,000</u>	<u>186,000</u>
TOTAL		425,000	<u>\$127,348</u>	<u>\$552,348</u>
Less current portion		<u>25,000</u>		
Net long-term liability		<u>\$400,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

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, 2011, 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>
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	5.125%	25,000	12,444	37,444
2017-2021	5.125-5.375%	140,000	39,319	179,319
2022-2024	5.375%	<u>70,000</u>	<u>5,644</u>	<u>75,644</u>
TOTAL		325,000	<u>\$118,890</u>	<u>\$443,890</u>
Less current portion		<u>20,000</u>		
Net long-term liability		<u>\$305,000</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, 2011, 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>
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		259,000	<u>\$ 37,836</u>	<u>\$(22,130)</u>	<u>\$274,706</u>
Less current portion		<u>62,000</u>			
Net long-term liability		<u>\$ 197,000</u>			

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

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, 2011, 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>
2012	3.50%	\$ 65,000	\$ 51,293	\$ (32,430)	\$ 83,863
2013	3.70%	65,000	49,083	(30,590)	83,493
2014	3.80%	70,000	46,743	(28,749)	82,994
2015	5.00%	70,000	44,210	(26,837)	87,373
2016	5.00%	75,000	41,130	(24,779)	91,351
2017-2021	4.00-5.00%	430,000	151,045	(89,740)	491,305
2022-2025	4.70-5.00%	<u>315,000</u>	<u>41,095</u>	<u>(24,189)</u>	<u>331,906</u>
TOTAL		1,090,000	<u>\$424,599</u>	<u>\$(257,314)</u>	<u>\$1,257,285</u>
Less current portion		<u>65,000</u>			
Net long-term liability		<u>\$1,025,000</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, 2011, 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>
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	5.75%	25,000	2,444	27,444
2017	5.75%	<u>30,000</u>	<u>863</u>	<u>30,863</u>
TOTAL		155,000	<u>\$27,457</u>	<u>\$ 182,457</u>
Less current portion		<u>25,000</u>		
Net long-term liability		<u>\$ 130,000</u>		

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

3. LONG-TERM DEBT, CONTINUED

Changes in long-term debt for the year ended September 30, 2011, are as follows:

	Balance Beginning <u>of Year</u>	Acquired <u>Debt</u>	Principal <u>Payments</u>	Balance End <u>of Year</u>
2007 Park COP	\$ 670,000		\$ 25,000	\$ 645,000
2002 Street drainage COP	2,470,000		135,000	2,335,000
2002 Neighborhood Improvement District bonds	39,000		2,000	37,000
2003 Pool bonds	<u>180,000</u>		<u>55,000</u>	<u>125,000</u>
Total governmental activities	<u>3,359,000</u>		<u>217,000</u>	<u>3,142,000</u>
2010 Water meter lease	385,000		79,000	306,000
2007 Water and sewer revenue bonds	3,090,000		90,000	3,000,000
2004 Water and sewer revenue bonds	6,110,000		265,000	5,845,000
2004 Sewer COP	455,000		30,000	425,000
2003 Water and sewer revenue bonds	345,000		20,000	325,000
1994 Sewer revenue bonds	319,000		60,000	259,000
2003 Sewer revenue bonds	1,155,000		65,000	1,090,000
1999 Golf COP	<u>180,000</u>		<u>25,000</u>	<u>155,000</u>
Total business-type activities	<u>12,039,000</u>		<u>634,000</u>	<u>11,405,000</u>
Total	<u>\$15,398,000</u>	<u>\$ -0-</u>	<u>\$851,000</u>	<u>\$14,547,000</u>

Interest expense charged directly to the park and recreation activities on the statement of activities was \$52,265 for the year ended September 30, 2011. Interest expense charged directly to the public works activities on the statement of activities was \$163,442 for the year ended September 30, 2011. Interest expense charged directly to the water and wastewater activities on the statement of activities was \$955,464 for the year ended September 30, 2011. Interest expense charged directly to the golf activities on the statement of activities was \$10,629 for the year ended September 30, 2011.

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, 2011 is as follows:

General	\$ 0.4600
Park and Recreation Fund	0.2935
Bond and Interest Fund	<u>0.1360</u>
Total	<u>\$ 0.8895</u>

The assessed valuation for the City of Savannah at September 30, 2011, is as follows:

Real Estate	<u>\$37,400,590</u>
Total	<u>\$37,400,590</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2011, 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	\$ 2,443,357			\$2,443,357
Vehicles & equipment	<u>2,661,353</u>	<u>\$ 838,778</u>		<u>3,500,131</u>
Total	<u>\$ 5,104,710</u>	<u>\$ 838,778</u>	<u>\$ -0-</u>	<u>\$5,943,488</u>
 <u>Business-Type Activities</u>				
Land and improvements	\$ 1,393,289			\$ 1,393,289
Buildings	7,336,931			7,336,931
Plant improvements	10,235,552			10,235,552
Plant equipment	3,142,990	\$ 35,686		3,178,676
Auto equipment	<u>70,871</u>			<u>70,871</u>
Total	<u>22,179,633</u>	<u>35,686</u>		<u>22,215,319</u>
Less accumulated depreciation	<u>(10,896,088)</u>	<u>(484,449)</u>		<u>(11,380,537)</u>
Net capital assets	<u>11,283,545</u>	<u>(448,763)</u>		<u>10,834,782</u>
 TOTAL	 <u>\$16,388,255</u>	 <u>\$ 390,015</u>	 <u>\$ -0-</u>	 <u>\$16,778,270</u>

Depreciation expense was charged to direct expenses for the following programs for the year ended September 30, 2011:

<u>Business-Type Activities</u>	
Water and wastewater	\$387,657
Sanitation	7,965
Golf course	66,994
Duncan Community Development	3,240
Clasbey Community Center	16,042
Cemetery	<u>2,551</u>
Total business-type activities	<u>\$484,449</u>

6. DEBT ISSUE FEES

A summary of changes in debt issue fees for the year ended September 30, 2011, is as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Water construction	\$ 69,098			\$ 86,435
Wastewater construction	57,582			40,245
Water meter	<u>12,230</u>			<u>12,230</u>
Total	<u>138,910</u>			<u>138,910</u>
Less accumulated amortization	<u>(122,996)</u>	<u>\$(2,515)</u>		<u>(125,511)</u>
Net debt issue fees	<u>\$ 15,914</u>	<u>\$(2,515)</u>	<u>\$ -0-</u>	<u>\$ 13,399</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

7. INTERFUND TRANSFERS AND BALANCES

The following is a summary of interfund transfers for all funds for the year ended September 30, 2011:

<u>Fund</u>	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ 9,600	\$ 379,000
Park and Recreation Fund	24,877	66,828
Park and Recreation COP P&I	57,228	
Street Drainage COP P&I	328,000	
Pool Bond Fund		7,577
Cemetery Fund	61,500	
Alma Martin Trust		7,400
Duncan-Kubach Trust		<u>20,400</u>
Totals	<u>\$ 481,205</u>	<u>\$ 481,205</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, 2011:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund		\$ 55,546
Parks fund	\$ 50,514	
Neighborhood improvement district	<u>5,032</u>	
Totals	<u>\$ 55,546</u>	<u>\$ 55,546</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, 2011**

8. RESTRICTED ASSETS

Restricted assets of \$336,761 appear on the statement of net assets for governmental activities. Restricted assets of \$204,629 appear on the statement of net assets for business-type activities. These restricted assets are portions of the proceeds certificates of participation held back by the financial institution. These funds serve as reserves, which can be used to make up a portion of principal and interest payments on the certificates of participation should the City fail to make payments as scheduled.

The City is required to establish a bond principal and interest account for the purpose of meeting principal and interest payments. The City had a balance of \$41,456 at September 30, 2010, in this account. Because of the fund consolidation process this account has not been held intact. The balance as of September 30, 2010 was absorbed into other accounts in the water fund and there is no reportable balance of this restricted asset as of September 30, 2011.

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 had a balance at September 30, 2010, of \$302,163 in this account, which was included as a restricted asset on the statement of activities and the proprietary funds balance sheet. Because of the fund consolidation process this account has not been held intact. The balance as of September 30, 2010 was absorbed into other accounts in the water fund and there is no reportable balance of this restricted asset as of September 30, 2011.

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 had a balance at September 30, 2010, of \$27,464 in this account, which was included as a restricted asset on the statement of activities and the proprietary funds balance sheet. Because of the fund consolidation process this account has not been held intact. The balance as of September 30, 2010 was absorbed into other accounts in the water fund and there is no reportable balance of this restricted asset as of September 30, 2011.

The City has cash restricted in the amount of \$76,778 at September 30, 2011, 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:

COP reserves for governmental activities	\$ 336,761
COP reserves for business-type activities	1,088,038
Utility deposits	<u>76,778</u>
Total	<u>\$ 1,501,577</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 \$50,958 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, 2011**

9. 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, 2011, was \$1,082,173. The City contributed \$97,811, \$108,451, and \$94,396 to the plan in the years ended September 30, 2011, 2010, and 2009, respectively. The contribution rates for the year ended September 30, 2011, were 13.1% (general), and 7.2% (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.

10. 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, 2011.

The assessment to the City for the coverage period July 1, 2011, through June 30, 2012, was \$112,582.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

11. 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 \$ 105,961 at September 30, 2011. 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.

12. RESTATEMENT OF FUND BALANCES AND NET ASSETS

During the year ended September 30, 2011, the Motor Fuel Tax Fund, the Sales Tax Fund, the Police Training Fund, the Tree Board Fund, and the Revolving Loan Fund were consolidated into the general fund. This consolidation of funds decreased the fund balance for special revenue funds, and increased the fund balance of the General Fund, by \$502,665.

During the year ended September 30, 2011, the Water Principal and Interest Fund, the Bond Reserve Fund, and the Water Construction Fund were consolidated into the Water Fund. This consolidation of the funds decreased the fund balance to \$-0- for these special revenue funds and increased the fund balance of the Water Fund by \$3,989,293.

During the year ended September 30, 2011, the Depreciation Reserve Fund and the Wastewater Construction funds were consolidated into the Wastewater Fund. This consolidation of the funds increased or decreased the fund balance to \$-0- for these special revenue funds and increased the fund balance of the Wastewater Fund by \$1,651,145.

During the year ended September 30, 2011, debt reserve accounts that represent restricted cash to the City were recognized in the City's financial records. This resulted in an increase to restricted cash and restricted net assets on the statement of net assets of \$376,761.

During the year ended September 30, 2011, debt reserve accounts that represent restricted cash to the City were recognized in the City's financial records. This resulted in an increase to restricted cash and restricted net assets of the Combined Water and Wastewater funds of \$204,629.

13. 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.

SECTION II
REQUIRED SUPPLEMENTARY INFORMATION

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Tarkio, Missouri 64491
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**INDEPENDENT AUDITORS' REPORT ON
REQUIRED SUPPLEMENTARY INFORMATION**

February 28, 2012

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, 2011, 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 31 through 32 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.

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, 2011**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 168,665	\$ 165,450	\$ (3,215)
Franchise taxes	479,605	402,835	(76,770)
Sales and use taxes		655,657	655,657
Other taxes	751,045	213,540	(537,505)
Licenses, permits and fees	12,605	19,307	6,702
Grants	1,025,492	525,598	(499,894)
Interest	1,860	516	(1,344)
Gain on sale of property		500	500
Reimbursement from fire department	26,600	22,235	(4,365)
Miscellaneous	52,505	106,950	54,445
Total revenues	2,518,377	2,112,588	(405,789)
EXPENDITURES:			
Current:			
Salaries and wages	465,639	440,197	25,442
Payroll taxes and fringe benefits	171,706	182,812	(11,106)
Training	3,000	1,962	1,038
Office	6,260	2,597	3,663
Utilities	39,700	72,606	(32,906)
Professional services	109,307	127,054	(17,747)
Fuel	29,400	8,914	20,486
Repairs and maintenance	1,351,533	51,788	1,299,745
Program expense	6,640		6,640
Supplies	267,350	22,513	244,837
Election expenses	3,000	1,442	1,558
Printing and publication	5,600	5,186	414
Miscellaneous	2,450	6,744	(4,294)
Insurance	46,555	35,519	11,036
Dues and permits	4,810	6,904	(2,094)
Dream Initiative	14,500	30	14,470
Capital outlay	210,235	804,272	(594,037)
Total expenditures	2,737,685	1,770,540	967,145
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(219,308)	342,048	561,356
OTHER FINANCING SOURCES (USES):			
Transfers in from other funds	131,260	9,600	(121,660)
Transfers out to other funds	(275,100)	(379,000)	(103,900)
Loan proceeds			-
Net other financing sources (uses)	(143,840)	(369,400)	(225,560)
NET CHANGE IN GOVERNMENTAL FUND BALANCES	(363,148)	(27,352)	335,796
FUND BALANCE - Beginning of year as previously reported	378,252	(124,413)	502,665
PRIOR PERIOD ADJUSTMENT		502,665	502,665
FUND BALANCE - Beginning of year, as restated	378,252	378,252	-
FUND BALANCE - End of year	\$ 15,104	\$ 350,900	\$ 335,796

**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, 2011**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 107,610	\$ 98,147	\$ (9,463)
Sales and use taxes	183,265	218,543	35,278
Other taxes	4,000	4,410	410
Charges for services	142,500	142,371	(129)
Interest	1,000	197	(803)
Miscellaneous	5,250	2,416	(2,834)
Total revenues	443,625	466,084	22,459
EXPENDITURES:			
Current:			
Salaries and wages	159,205	164,046	(4,841)
Payroll taxes and fringe benefits	33,542	34,334	(792)
Training		180	(180)
Utilities	23,820	22,053	1,767
Professional services	2,000	3,733	(1,733)
Fuel	7,000	8,496	(1,496)
Repairs and maintenance	29,000	16,534	12,466
Merchandise	30,000	34,565	(4,565)
Recreation program	19,800	13,575	6,225
Supplies	3,300	24,860	(21,560)
Printing and publication	700	960	(260)
Miscellaneous	35,735	845	34,890
Insurance	17,300	10,106	7,194
Interest	32,228	-	32,228
Capital outlay	90,230	34,506	55,724
Total expenditures	483,860	368,793	115,067
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(40,235)	97,291	137,526
OTHER FINANCING SOURCES (USES):			
Transfers out to other funds	(9,600)	(66,828)	(57,228)
Transfers in from other funds	121,230	24,877	(96,353)
Net other financing sources (uses)	111,630	(41,951)	(153,581)
NET CHANGE IN GOVERNMENTAL FUND BALANCES	71,395	55,340	(16,055)
FUND BALANCE - Beginning of year	3,606	3,606	-
FUND BALANCE - End of year	\$ 75,001	\$ 58,946	\$ (16,055)

SECTION III
SUPPLEMENTARY INFORMATION

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**COMBINING BALANCE SHEET - COMBINED WATER AND WASTEWATER FUND
SEPTEMBER 30, 2011**

	Water	Wastewater
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 240,140	\$ 4,299
Accounts receivable, net	105,143	53,100
Total current assets	345,283	57,399
RESTRICTED ASSETS:		
Cash	13	127,838
Total restricted assets	13	127,838
NONCURRENT ASSETS:		
Debt issue fees, net of amortization	10,861	2,538
Capital assets, net of accumulated depreciation	8,572,053	1,561,733
Net capital assets	8,582,914	1,564,271
TOTAL ASSETS	\$ 8,928,210	\$ 1,749,508
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current portion of bonds payable	\$ 410,000	\$ 127,000
Current portion of leases payable	83,000	
Current portion of certificates of participation		25,000
Accounts payable	87,881	6,687
Accrued payroll	4,358	2,836
Accrued interest	202,154	6,968
Customer deposits	245	
Total current liabilities	787,638	168,491
LONG-TERM LIABILITIES:		
Bonds payable, net of current portion	8,760,000	1,222,000
Leases payable, net of current portion	223,000	
Certificates of participation, net of current portion		400,000
Total long-term liabilities	8,983,000	1,622,000
TOTAL LIABILITIES	9,770,638	1,790,491
NET ASSETS:		
Invested in (Deficit of) capital assets, net of related debt	(893,086)	(209,729)
Restricted for debt service - expendable	13	127,838
Unrestricted	50,645	40,908
Total net assets	(842,428)	(40,983)
TOTAL LIABILITIES AND NET ASSETS	\$ 8,928,210	\$ 1,749,508

<u>Utility Deposits</u>	<u>Total</u>
\$ 17,669	\$ 262,108
	158,243
<u>17,669</u>	<u>420,351</u>
<u>76,778</u>	<u>204,629</u>
<u>76,778</u>	<u>204,629</u>
	13,399
	<u>10,133,786</u>
	<u>10,147,185</u>
<u>\$ 94,447</u>	<u>\$ 10,772,165</u>
	\$ 537,000
	83,000
	25,000
	94,568
	7,194
	209,122
<u>\$ 76,778</u>	<u>77,023</u>
<u>76,778</u>	<u>1,032,907</u>
	9,982,000
	223,000
	<u>400,000</u>
	<u>10,605,000</u>
<u>76,778</u>	<u>11,637,907</u>
	(1,102,815)
76,778	204,629
(59,109)	32,444
<u>17,669</u>	<u>(865,742)</u>
<u>\$ 94,447</u>	<u>\$ 10,772,165</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, 2011**

	<u>Water</u>	<u>Wastewater</u>	<u>Principal & Interest</u>
REVENUES FROM OPERATIONS:			
Charges for services	<u>\$ 1,237,488</u>	<u>\$ 548,645</u>	
Total revenues from operations	<u>1,237,488</u>	<u>548,645</u>	
OPERATING EXPENSES:			
Salaries and wages	170,695	118,069	
Payroll taxes and fringe benefits	59,357	29,749	
Training	897		
Office	7,743	4,114	
Utilities	83,803	73,830	
Professional services	11,551	17,510	
Fuel	6,652	4,041	
Repairs and maintenance	26,137	20,336	
Chemicals	92,107	240	
Supplies	8,135	650	
Printing and publication	1,059	264	
Miscellaneous	9,188	4,355	
Insurance	6,267	6,054	
Dues, permits, and fees	15,859	75	
Depreciation	273,726	113,931	
Amortization	<u>2,284</u>	<u>231</u>	
Total operating expenses	<u>775,460</u>	<u>393,449</u>	
OPERATING INCOME	<u>462,028</u>	<u>155,196</u>	
OTHER INCOME (EXPENSE):			
Interest income	199	1,513	
Penalties	42,131		
Miscellaneous income	19,118		
Interest expense	<u>(590,736)</u>	<u>(42,254)</u>	
Net other income (expense)	<u>(529,288)</u>	<u>(40,741)</u>	
Transfers in	513,683	121,724	
Transfers out	<u>(496,264)</u>	<u>(139,143)</u>	
NET TRANSFERS IN (OUT)	<u>17,419</u>	<u>(17,419)</u>	
NET INCOME	(49,841)	97,036	
NET ASSETS - Beginning of year, as previously reported	1,190,740	82,487	\$(11,662,910)
PRIOR PERIOD ADJUSTMENTS	<u>(1,983,327)</u>	<u>(220,506)</u>	<u>11,662,910</u>
NET ASSETS - Beginning of year, as restated	<u>(792,587)</u>	<u>(138,019)</u>	<u>-</u>
NET ASSETS - End of year	<u>\$ (842,428)</u>	<u>\$ (40,983)</u>	<u>\$ -</u>

<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>
						\$ 1,786,133
						<u>1,786,133</u>
						288,764
						89,106
						897
						11,857
						157,633
						29,061
						10,693
						46,473
						92,347
						8,785
						1,323
						13,543
						12,321
						15,934
						387,657
						2,515
						<u>1,168,909</u>
						<u>617,224</u>
					\$ 74	1,786
						42,131
						19,118
						(632,990)
					<u>74</u>	<u>(569,955)</u>
						635,407
						<u>(635,407)</u>
						<u>-</u>
					74	47,269
\$ 302,163	\$ 27,464	\$ 7,371,454	\$ 1,623,681	\$ 18,047	17,595	(1,029,279)
<u>(302,163)</u>	<u>(27,464)</u>	<u>(7,371,454)</u>	<u>(1,623,681)</u>	<u>(18,047)</u>		<u>116,268</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	17,595	<u>(913,011)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,669</u>	<u>\$ (865,742)</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**COMBINING STATEMENT OF CASH FLOWS - COMBINED
WATER AND WASTEWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,212,399	\$ 538,514
Cash payments to suppliers for goods and services	(192,110)	(208,496)
Cash payments to employees	(225,694)	(144,982)
Net cash provided (used) by operating activities	794,595	185,036
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Miscellaneous income	19,118	
Penalties	42,131	
Cash transfers in (out)	17,419	(17,419)
Net cash provided (used) by non-capital financing activities	78,668	(17,419)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Prior period adjustment		116,268
Payments on long term debt	(454,000)	(155,000)
Interest paid	(535,058)	(42,254)
Net cash provided (used) by capital and related financing activities	(989,058)	(80,986)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest income	199	1,513
Purchase of capital assets		(9,926)
Net cash provided (used) by investing activities	199	(8,413)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(115,596)	78,218
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	355,749	53,919
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 240,153	\$ 132,137
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 462,028	\$ 155,196
Depreciation expense	273,726	113,931
Amortization expense	2,284	231
(Increase) decrease in accounts receivable	(19,985)	(10,131)
Increase (decrease) in accounts payable	77,287	6,522
Increase (decrease) in customer credits	(5,348)	
Increase (decrease) in customer deposits	245	
Increase (decrease) in accrued payroll	4,358	2,836
Increase (decrease) in due to other funds		(83,549)
Net cash provided (used) by operating activities	\$ 794,595	\$ 185,036
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 240,140	\$ 4,299
Restricted cash	13	127,838
Total	\$ 240,153	\$ 132,137

<u>Utility Deposits</u>	<u>Total</u>
\$ (838)	\$ 1,750,075
	(400,606)
	<u>(370,676)</u>
<u>(838)</u>	<u>978,793</u>
	19,118
	42,131
	-
	<u>61,249</u>
	116,268
	(609,000)
	<u>(577,312)</u>
	<u>(1,070,044)</u>
74	1,786
	<u>(9,926)</u>
<u>74</u>	<u>(8,140)</u>
(764)	(38,142)
<u>95,211</u>	<u>504,879</u>
<u>\$ 94,447</u>	<u>\$ 466,737</u>
	\$ 617,224
	387,657
	2,515
	(30,116)
	83,809
	(5,348)
\$ (838)	(593)
	7,194
	<u>(83,549)</u>
<u>\$ (838)</u>	<u>\$ 978,793</u>
\$ 17,669	\$ 262,108
76,778	204,629
<u>\$ 94,447</u>	<u>\$ 466,737</u>

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Federal Grantor Pass through Grantor Program Title	Pass-through Identifying Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Missouri Department of Economic Development; Business and Community Services	2008-DF-09	14.218	<u>\$ 529,780</u>
TOTAL			<u>\$ 529,780</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.

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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**

February 28, 2012

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, 2011, which collectively comprise the City of Savannah, Missouri's basic financial statements and have issued our report thereon dated February 28, 2012. 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.

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.

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

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 11-1 and 11-2.

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.



ARTHUR WHITE & ASSOCIATES, L.L.C.

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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**

February 28, 2012

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, 2011. 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, 2011.

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.

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.

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

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.

ARTHUR WHITE & ASSOCIATES, L.L.C.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified opinion on governmental activities
Unqualified opinion on all other opinion units

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified? _____ Yes X None Reported

Noncompliance material to the financial statements noted? X Yes _____ No

Federal Awards

Internal control over major program:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified? _____ Yes X None Reported

Type of auditors' report issued on compliance for major program: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ Yes X No

Identification of major program:

CFDA <u>No.</u>	_____ Title _____
20.228	Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

Auditee qualified as a low-risk auditee? _____ Yes X No

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section II – Financial Statement Findings

11-1 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 \$3,000, which was \$15,000 less than required. Transfers to debt service accounts were \$836,356 which was \$117,472 less than required. Transfers to debt service reserve accounts were \$-0-, which was \$51,600 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 \$953,828; 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.

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.

Response: The City was not able to make the required transfers on a monthly basis because the Water and Wastewater revenues were not sufficient to make that transfers, while making debt payments, maintaining operating expenses and providing for minimal capital repairs.

In this current fiscal year (Oct 1, 2011 – Sept. 30, 2012) the Council raised Wastewater (sewer) rates to sufficiently meet the revenues needed to make transfers, make debt payment and maintain operating and capital expenses.

In the near future, the Council will decide whether or not to raise Water rates to a level to sufficiently meet the revenues needed to make transfers, make debt payment and maintain operating and capital expenses. Once the rate decision has been made, and if that decision is to raise rates, the City will see sufficient revenues to make the required transfers on a monthly basis. Additionally, the City will endeavor to make good on the amount of the deficiencies by making additional payments out of the revenues of the Water and Sewer system into the depreciation, debt service and debt service reserve "restricted" accounts.

11-2 INTERFUND PAYABLES AND RECEIVABLES

Condition: At September 30, 2011, the total amount of pooled cash was \$55,546 less than the amount of restricted cash. At September 30, 2010, the parks fund had \$50,514 due to other funds. At September 30, 2010, the neighborhood improvement fund had \$5,032 due to other funds.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

11-2 INTERFUND PAYABLES AND RECEIVABLES, CONTINUED

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 began restricting cash and accounting for that restricted cash in the fall of 2012. The City marks all monies set aside for depreciation and replacement, debt service and debt service reserves as restricted. As of this date, Feb. 27, 2012, the City's total pooled cash is almost twice the total of restricted cash. The new Treasurer's Report to the City Council clearly indicates which monies are restricted and unrestricted, thus providing the Council with an accurate accounting of cash that is available for spending in each fund.

Additionally, the City will endeavor to make good on the amount of the deficiencies by making additional payments out of the revenues of the Parks fund and the Neighborhood Improvement fund into the restricted accounts.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

10-1 UN-ALLOWED TRANSFERS

Condition: The City transferred \$94,815 from the combined water and wastewater fund to the general fund during the year ended September 30, 2010.

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

Current Status: The city has not repaid the balance of \$94,815 which was an un-allowed transfer from the combined water and wastewater fund to the general fund. The City has exercised layoffs, cutback in employee benefits, and other activities to reduce the operating costs within the general fund.

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 during the year ended September 30, 2010. Transfers to debt service accounts were \$731,145, which was \$222,653 less than required during the year ended September 30, 2010. Transfers to debt service reserve accounts were \$17,200, which was \$34,400 less than required during the year ended September 30, 2010.

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 recommended 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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

10-2 REQUIRED TRANSFERS, CONTINUED

Current Status: As reported in finding 11-1, the City did not make the required transfers. As of October, 2011, the City's financial tracking and reporting system is designed to, and functioning so as to present restricted funds to users at all times for proper accountability. The budget for the year to end September 30, 2012, provides for transfers larger than in previous years to restricted cash for debt payment, replacement, and reserves.

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

Current Status: As reported in finding 11-2, at September 30, 2011, the total amount of pooled cash was \$55,546 less than the amount of restricted cash.

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 during the year ended September 30, 2010.

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.

**CITY OF SAVANNAH
SAVANNAH, MISSOURI**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

10-4 ACTUAL EXPENDITURES EXCEEDED BUDGETED EXPENDITURES, CONTINUED

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.

Current Status: Actual expenditures were less than budgeted expenditures for the year ended September 30, 2011.

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 during the year ended September 30, 2010.

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 recommended the City review the budget and monitor expenditures to prevent expenditures in excess of budgeted amounts.

Current Status: The recommendation has been implemented.

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

Current Status: The recommendation has been implemented.