

**CITY OF SAVANNAH, MISSOURI**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2013**



**CliftonLarsonAllen**

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## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

Board of Aldermen and Mayor  
City of Savannah, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information, and were engaged to audit the accompanying financial statements of the governmental activities of the City of Savannah, Missouri (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities.

We conducted our audit of the business-type activities, each major fund, and the aggregate remaining fund information 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 from material misstatement.

***Auditor's Responsibility (Continued)***

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the business-type activities, each major fund, and the aggregate remaining fund information.

***Basis for Disclaimer of Opinion***

We were not provided a listing of governmental activities capital assets, nor has the City recorded depreciation expense on those assets. Governmental activities capital assets represent a significant portion of the City's governmental activities assets.

***Disclaimer of Opinion***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities. Accordingly, we do not express an opinion on the financial statements of the governmental activities.

***Opinions***

In our opinion, the business-type activities, each major fund, and the aggregate remaining fund information referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah, Missouri as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter Regarding a Correction of an Error***

As discussed in Note 12 to the financial statements, certain errors resulting in understatement of amounts previously reported for inventory in the Golf Enterprise Fund as of September 30, 2012 were discovered by management of the City during the current year. Accordingly, an adjustment has been made to net position as of October 1, 2012, to correct the error. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedule of funding progress on pages 40 through 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements on pages 44 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Aldermen and Mayor  
City of Savannah, Missouri

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

St. Joseph, Missouri  
February 7, 2014

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SAVANNAH, MISSOURI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 1,220,942	\$ 895,814	\$ 2,116,756
Taxes receivable	227,428	-	227,428
Special assessments receivable	30,428	-	30,428
Accounts receivable, net	-	405,676	405,676
Due from other governments	91,705	-	91,705
Prepaid items	50,772	36,437	87,209
Inventory	-	28,031	28,031
Restricted assets - Cash and cash equivalents	333,947	1,269,187	1,603,134
Bond issuance costs, net	73,691	92,657	166,348
Capital assets:			
Nondepreciable	8,006,050	71,081	8,077,131
Depreciable, net	-	9,652,984	9,652,984
Total assets	<u>10,034,963</u>	<u>12,451,867</u>	<u>22,486,830</u>
<b>LIABILITIES</b>			
Accounts payable	144,883	105,393	250,276
Accrued payroll and related benefits	20,906	19,011	39,917
Accrued interest	34,388	108,152	142,540
Customer deposits	-	84,169	84,169
Long-term liabilities:			
Due within one year	293,640	689,430	983,070
Due in more than one year	3,318,588	9,596,647	12,915,235
Total liabilities	<u>3,812,405</u>	<u>10,602,802</u>	<u>14,415,207</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,447,132	(430,935)	4,016,197
Restricted for debt service	441,472	1,010,261	1,451,733
Restricted for streets and public works	501,378	-	501,378
Restricted for parks	46,710	-	46,710
Restricted for cemetery	-	45,596	45,596
Restricted for permanent funds:			
Expendable	8,227	-	8,227
Nonexpendable	158,558	-	158,558
Unrestricted	619,081	1,224,143	1,843,224
Total net position	<u>\$ 6,222,558</u>	<u>\$ 1,849,065</u>	<u>\$ 8,071,623</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF SAVANNAH, MISSOURI**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Pool Bond</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Pooled cash	\$ 818,723	\$ 64,246	\$ -	\$ 177,415	\$ 1,060,384
Restricted cash	18,131	-	6,379	309,437	333,947
Certificates of deposit	-	-	-	160,558	160,558
Taxes receivable	186,284	36,006	5,138	-	227,428
Special assessments receivable	-	-	-	30,428	30,428
Due from other governments	91,705	-	-	-	91,705
Prepaid items	37,657	13,115	-	-	50,772
	<u>1,152,500</u>	<u>113,367</u>	<u>11,517</u>	<u>677,838</u>	<u>1,955,222</u>
Total assets	<u>\$ 1,152,500</u>	<u>\$ 113,367</u>	<u>\$ 11,517</u>	<u>\$ 677,838</u>	<u>\$ 1,955,222</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 131,508	\$ 13,375	\$ -	\$ -	\$ 144,883
Accrued payroll and related benefits	15,976	4,930	-	-	20,906
Deferred revenue	14,462	9,170	4,894	-	28,526
Deferred assessments	-	-	-	30,428	30,428
	<u>161,946</u>	<u>27,475</u>	<u>4,894</u>	<u>30,428</u>	<u>224,743</u>
Total liabilities	<u>161,946</u>	<u>27,475</u>	<u>4,894</u>	<u>30,428</u>	<u>224,743</u>
<b>FUND BALANCES</b>					
Nonspendable	37,657	13,115	-	158,558	209,330
Restricted	501,378	-	6,623	488,852	996,853
Assigned	-	72,777	-	-	72,777
Unassigned	451,519	-	-	-	451,519
	<u>990,554</u>	<u>85,892</u>	<u>6,623</u>	<u>647,410</u>	<u>1,730,479</u>
Total fund balances	<u>990,554</u>	<u>85,892</u>	<u>6,623</u>	<u>647,410</u>	<u>1,730,479</u>
Total liabilities and fund balances	<u>\$ 1,152,500</u>	<u>\$ 113,367</u>	<u>\$ 11,517</u>	<u>\$ 677,838</u>	<u>\$ 1,955,222</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF  
NET POSITION – GOVERNMENTAL ACTIVITIES  
SEPTEMBER 30, 2013**

<b>Total Fund Balances - Governmental Funds</b>	\$ 1,730,479
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>	8,006,050
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Compensated absences payable	(47,733)
Bond issuance costs, net	73,691
Bonds payable	(3,558,918)
Other postemployment benefit payable	(5,577)
<p>Delinquent taxes and special assessments receivable are earned, but not available in the current period. Therefore, they are recorded as a deferred revenue in the funds but are part of net position.</p>	58,954
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>	<u>(34,388)</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 6,222,558</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2013**

	General	Parks and Recreation	Pool Bond
<b>REVENUES</b>			
Property taxes	\$ 209,360	\$ 131,913	\$ 47,054
Sales taxes	813,550	212,170	-
Franchise taxes	464,158	-	-
Other taxes	1,926	1,212	430
Special assessments	-	-	-
Penalties and interest on delinquent taxes	1,315	831	341
Licenses and permits	36,384	24,417	-
Intergovernmental revenues	229,070	850	-
Charges for services	-	77,902	-
Fines and forfeits	20,260	-	-
Interest	1,490	112	193
Donations	-	17	-
Other revenue	13,553	1,630	-
Total revenues	<u>1,791,066</u>	<u>451,054</u>	<u>48,018</u>
<b>EXPENDITURES</b>			
General government:			
Current	237,415	-	-
Public safety:			
Current	354,322	-	-
Capital outlay	22,750	-	-
Public works:			
Current	363,708	-	-
Capital outlay	431,083	-	-
Culture and recreation:			
Current	-	318,446	5,031
Capital outlay	-	-	644,335
Debt service:			
Principal	-	35,000	60,000
Interest	-	-	1,454
Fees	-	-	14,176
Total expenditures	<u>1,409,278</u>	<u>353,446</u>	<u>724,996</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>381,788</u>	<u>97,608</u>	<u>(676,978)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	-	650,000
Transfers in	19,600	34,510	64,500
Transfers out	(251,093)	(93,469)	(50,000)
Total other financing sources (uses)	<u>(231,493)</u>	<u>(58,959)</u>	<u>664,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	150,295	38,649	(12,478)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>840,259</u>	<u>47,243</u>	<u>19,101</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 990,554</u>	<u>\$ 85,892</u>	<u>\$ 6,623</u>

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 388,327
-	1,025,720
-	464,158
-	3,568
4,713	4,713
-	2,487
-	60,801
-	229,920
-	77,902
-	20,260
5,537	7,332
-	17
14	15,197
10,264	2,300,402
-	237,415
-	354,322
-	22,750
-	363,708
-	431,083
-	323,477
-	644,335
60,000	155,000
103,994	105,448
-	14,176
163,994	2,651,714
(153,730)	(351,312)
-	650,000
278,562	397,172
(51,080)	(445,642)
227,482	601,530
73,752	250,218
573,658	1,480,261
\$ 647,410	\$ 1,730,479

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2013**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 250,218</b>
 Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the expenditures are capitalized.	1,098,168
Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period, this amount consists of:	
Change in compensated absences	(9,066)
Change in other postemployment benefits payable	(3,079)
Bond principal retirement	155,000
Amortization of bond issuance costs	(8,237)
Bond issuance costs	14,176
Proceeds of long term-debt is reported as an other financing source in the governmental funds, but the proceeds increase long-term liabilities on the statement of net position.	(650,000)
Delinquent property taxes receivable and special assessments receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	16,355
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as interest accrues, regardless of when it is due.	<u>(11,497)</u>
<b>Change in Net Position - Governmental Activities</b>	<b><u><u>\$ 852,038</u></u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2013**

ASSETS	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
<b>CURRENT ASSETS</b>					
Pooled cash and cash equivalents	\$ 491,571	\$ 119,025	\$ 159,814	\$ 125,404	\$ 895,814
Accounts receivable, net	369,448	36,228	-	-	405,676
Prepaid items	15,942	35	14,828	5,632	36,437
Inventory	-	-	28,031	-	28,031
Total current assets	<u>876,961</u>	<u>155,288</u>	<u>202,673</u>	<u>131,036</u>	<u>1,365,958</u>
<b>RESTRICTED ASSETS</b>					
Cash and cash equivalents	<u>1,179,588</u>	<u>66,780</u>	<u>22,819</u>	<u>-</u>	<u>1,269,187</u>
Total restricted assets	<u>1,179,588</u>	<u>66,780</u>	<u>22,819</u>	<u>-</u>	<u>1,269,187</u>
<b>CAPITAL ASSETS</b>					
Non-depreciable:					
Land	55,382	-	-	15,699	71,081
Depreciable:					
Property, plant and equipment, at cost	18,608,858	185,983	2,028,552	650,173	21,473,566
Accumulated depreciation	<u>(9,219,149)</u>	<u>(185,983)</u>	<u>(1,845,500)</u>	<u>(569,950)</u>	<u>(11,820,582)</u>
Total property and equipment, net	<u>9,445,091</u>	<u>-</u>	<u>183,052</u>	<u>95,922</u>	<u>9,724,065</u>
<b>OTHER ASSETS</b>					
Capitalized bond financing costs	175,035	-	18,700	-	193,735
Accumulated amortization	<u>(82,378)</u>	<u>-</u>	<u>(18,700)</u>	<u>-</u>	<u>(101,078)</u>
Total other assets	<u>92,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,657</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,594,297</u></u>	<u><u>\$ 222,068</u></u>	<u><u>\$ 408,544</u></u>	<u><u>\$ 226,958</u></u>	<u><u>\$ 12,451,867</u></u>

LIABILITIES AND NET POSITION	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 59,307	\$ 13,004	\$ 30,678	\$ 2,404	\$ 105,393
Accrued payroll and benefits	10,491	810	6,235	1,475	19,011
Accrued interest	107,649	-	503	-	108,152
Customer deposits	84,169	-	-	-	84,169
Current maturities of long-term liabilities	<u>657,323</u>	<u>1,010</u>	<u>27,012</u>	<u>4,085</u>	<u>689,430</u>
Total current liabilities	918,939	14,824	64,428	7,964	1,006,155
<b>LONG-TERM LIABILITIES</b>					
Long-term liabilities, less current maturities above	<u>9,443,548</u>	<u>67,797</u>	<u>82,074</u>	<u>3,228</u>	<u>9,596,647</u>
Total liabilities	<u>10,362,487</u>	<u>82,621</u>	<u>146,502</u>	<u>11,192</u>	<u>10,602,802</u>
<b>NET POSITION</b>					
Net investment in capital assets	(604,909)	-	78,052	95,922	(430,935)
Restricted for debt service	987,945	-	22,316	-	1,010,261
Restricted for cemetery	-	-	-	45,596	45,596
Unrestricted	<u>848,774</u>	<u>139,447</u>	<u>161,674</u>	<u>74,248</u>	<u>1,224,143</u>
Total net position	<u>1,231,810</u>	<u>139,447</u>	<u>262,042</u>	<u>215,766</u>	<u>1,849,065</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 11,594,297</u>	<u>\$ 222,068</u>	<u>\$ 408,544</u>	<u>\$ 226,958</u>	<u>\$ 12,451,867</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2013**

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 2,629,856	\$ 280,647	\$ 447,928	\$ 75,206	\$ 3,433,637
<b>OPERATING EXPENSES</b>					
Personnel services	333,533	31,838	171,248	38,390	575,009
Utilities	181,127	-	38,098	11,528	230,753
Contractual services	24,051	216,605	3,451	-	244,107
Insurance	5,313	12	4,942	1,877	12,144
Repair and maintenance	121,678	3,090	34,916	12,322	172,006
Materials and supplies	142,839	4,604	143,646	5,015	296,104
Depreciation and amortization	381,239	1,561	29,075	17,347	429,222
Total operating expenses	1,189,780	257,710	425,376	86,479	1,959,345
Operating income (loss)	1,440,076	22,937	22,552	(11,273)	1,474,292
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	8,086	158	220	661	9,125
Interest expense	(460,105)	-	(7,736)	-	(467,841)
Other income	336	-	1,500	150	1,986
Total non-operating revenues (expenses)	(451,683)	158	(6,016)	811	(456,730)
<b>TRANSFERS</b>					
Transfers in	54,400	-	1,260	2,410	58,070
Transfers out	-	-	(9,600)	-	(9,600)
Net transfers in (out)	54,400	-	(8,340)	2,410	48,470
<b>CHANGE IN NET POSITION</b>	1,042,793	23,095	8,196	(8,052)	1,066,032
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	189,017	116,352	253,846	223,818	783,033
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,231,810</u>	<u>\$ 139,447</u>	<u>\$ 262,042</u>	<u>\$ 215,766</u>	<u>\$ 1,849,065</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2013**

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,614,446	\$ 281,728	\$ 449,428	\$ 75,356	\$ 3,420,958
Cash paid to suppliers	(444,919)	(228,091)	(216,923)	(34,363)	(924,296)
Cash paid to employees	(327,189)	(34,485)	(166,312)	(40,771)	(568,757)
Net cash provided by operating activities	<u>1,842,338</u>	<u>19,152</u>	<u>66,193</u>	<u>222</u>	<u>1,927,905</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash transferred to (from) other funds	<u>54,400</u>	<u>-</u>	<u>(8,340)</u>	<u>2,410</u>	<u>48,470</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of equipment	(22,500)	-	(11,250)	-	(33,750)
Proceeds from long-term debt	5,670,000	-	-	-	5,670,000
Payments on long-term debt	(6,205,000)	-	(25,000)	-	(6,230,000)
Payments for bond issue costs	(83,600)	-	-	-	(83,600)
Interest paid on long-term debt	(500,507)	-	(7,856)	-	(508,363)
Net cash used in capital and related financing activities	<u>(1,141,607)</u>	<u>-</u>	<u>(44,106)</u>	<u>-</u>	<u>(1,185,713)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>8,086</u>	<u>158</u>	<u>220</u>	<u>661</u>	<u>9,125</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>763,217</b>	<b>19,310</b>	<b>13,967</b>	<b>3,293</b>	<b>799,787</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>907,942</b>	<b>166,495</b>	<b>168,666</b>	<b>122,111</b>	<b>1,365,214</b>
<b>CASH - END OF YEAR</b>	<b><u>\$ 1,671,159</u></b>	<b><u>\$ 185,805</u></b>	<b><u>\$ 182,633</u></b>	<b><u>\$ 125,404</u></b>	<b><u>\$ 2,165,001</u></b>
<b>CASH REPORTED ON THE STATEMENT OF NET POSITION:</b>					
Pooled cash and cash equivalents	\$ 491,571	\$ 119,025	\$ 159,814	\$ 125,404	\$ 895,814
Restricted cash and cash equivalents	<u>1,179,588</u>	<u>66,780</u>	<u>22,819</u>	<u>-</u>	<u>1,269,187</u>
Total cash and cash equivalents	<b><u>\$ 1,671,159</u></b>	<b><u>\$ 185,805</u></b>	<b><u>\$ 182,633</u></b>	<b><u>\$ 125,404</u></b>	<b><u>\$ 2,165,001</u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2013**

	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 1,440,076	\$ 22,937	\$ 22,552	\$ (11,273)	\$ 1,474,292
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	378,950	4,265	29,075	17,347	429,637
Amortization	2,289	(2,704)	-	-	(415)
Nonoperating revenues	336	-	1,500	150	1,986
(Increase) Decrease in:					
Accounts receivable	(21,261)	1,081	-	-	(20,180)
Prepaid items	(15,942)	(35)	(14,828)	(5,632)	(36,437)
Increase (Decrease) in:					
Accounts payable	46,031	(3,745)	22,958	2,011	67,255
Accrued payroll	3,161	147	2,942	607	6,857
Compensated absences and net pension obligations	3,183	(2,794)	1,994	(2,988)	(605)
Customer deposits	5,515	-	-	-	5,515
Net cash provided by operating activities	<u>\$ 1,842,338</u>	<u>\$ 19,152</u>	<u>\$ 66,193</u>	<u>\$ 222</u>	<u>\$ 1,927,905</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The financial statements of the City of Savannah, Missouri (the City), have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**REPORTING ENTITY**

The City is incorporated as a fourth class city under the provisions of the State of Missouri. The City operates under a Mayor/Board of Aldermen 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's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include: whether or not the primary government appoints the voting majority of the potential component units governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, the Savannah Community Foundation, Inc. (the Foundation) would be considered a component unit of the City. The Foundation was established by the City to support, enhance and coordinate charitable and civic opportunities for the City and its citizens. As of September 30, 2013, the Foundation has had no activity, and as such, is not shown in these financial statements.

**BASIC FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales for support.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIC FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by the City.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period.

State aids are recorded as revenue in the calendar year for which the aids are designated by statute.

Other revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is not greater than 60 days.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**USE OF ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

**FUND ACCOUNTING**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, and revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

**MAJOR GOVERNMENTAL FUNDS**

**General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Parks and Recreation 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 baseball fields.

**Pool Bond Fund**

The Pool Bond Fund is a debt service fund and used to account for the accumulation of resources for the payment of principal, interest and related costs on the City's 2003 and 2013 general obligation bonds for improvements to the City's pool.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND ACCOUNTING (CONTINUED)**

**MAJOR PROPRIETARY FUNDS**

**Enterprise Funds**

Enterprise Funds are used to account for those operations of the City's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

**Combined Water and Wastewater Fund**

The Combined Water and Wastewater Fund accounts for the provision of water and sewer utility services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

**Sanitation Fund**

The Sanitation Fund accounts for the provision of sanitation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

**Golf Fund**

The Golf Fund accounts for the operation of the Duncan Hills Golf Course by the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

**CASH**

Cash consists of demand deposits and short-term investments with original maturities of three months or less. Interest earned is allocated to specific funds based on the average cash balance carried in each fund during the year. The city maintains a cash and investment pool, which is available for use by most funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

**INVENTORY**

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the Golf Fund consists of merchandise that is available for sale to customers.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PROPERTY TAXES**

Property tax levies are set by the City Council in September of each year, on the assessed value as of the prior January 1 for all real property located in the City. Taxes are levied on approximately November 1 and are due by December 31. Taxes are considered delinquent on January 1 (the lien date) following the levy date. Taxes are collected by Andrew County and remitted to the City on a monthly basis.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable and are fully offset by deferred revenue in the governmental funds because they are not known to be available to finance current expenditures. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material.

**DELINQUENT TAXES RECEIVABLE**

Taxes receivable represents amounts remaining unpaid from previous years' levies.

**DUE FROM OTHER GOVERNMENTS**

Due from other governments includes amounts due from grantors for grants related to specific financial assistance programs. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

**ACCOUNTS RECEIVABLE**

Accounts receivable result primarily from sales of water, wastewater, sanitation, and other services accounted for in their respective proprietary funds, net of an allowance for uncollectable accounts of \$111,409 and \$10,445 in the Combined Water and Wastewater and Sanitation funds, respectively. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year.

**SPECIAL ASSESSMENTS RECEIVABLE**

Special Assessments receivable represents amounts that have been assessed to property owners for improvements.

**PREPAID ITEMS**

Prepaid items consist of amounts paid during the year ended September 30, 2013, which will be recognized as expenses in future periods.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL AND INTANGIBLE ASSETS**

Capital and intangible assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$2,000 or more for capitalizing capital assets. The system for accumulation of capital assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital and intangible assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are sold for an immaterial amount when declared as no longer needed for public purpose by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 30 to 60 years for buildings, 10 to 20 years for improvements other than buildings, 5 to 15 years for equipment, 5 to 60 years for infrastructure, and 40 to 65 years for water and wastewater systems.

Capital and intangible assets not being depreciated include land, construction in progress, and permanent easements, if any.

The city has not maintained a complete listing of governmental activities capital assets or developed a system of depreciating governmental activities capital assets.

**RESTRICTED ASSETS**

Certain accounts related to debt issuances are classified as restricted assets on the balance sheet because their use is limited by applicable debt agreements.

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements and the enterprise fund statement of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported separately and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**COMPENSATED ABSENCES**

Under terms of the City's personnel policy, City employees are granted vacation based upon length of service. Sick leave is granted at the rate of eight hours per month. Sick leave may be accumulated up to 90 days. Upon completion of at least five years of service, compensation for accrued sick leave is paid upon retirement, resignation or death in varying amounts up to a maximum of 30 days.

**FUND EQUITY**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance – Amounts a government intends to use for a specific purpose. Intent can be expressed by the government body or by an official or body to which the governing body delegates the authority. The Board of Aldermen has not officially delegated an individual as the responsible party in determining assigned fund balance.

Unassigned fund balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City does not have a formal fund balance policy that provides guidance for programs with multiple revenue sources. The City uses restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

**NET POSITION**

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PERMANENT FUNDS**

The City from time to time receives endowments from outside donors. The nature of these endowments is that the principal of the gift is to remain intact and the interest is to be spent on certain activities of the City. These donations are accounted for in permanent funds. The State of Missouri requires that recipients of endowment gifts maintain the original principal intact at the original donation date. Currently, the City maintains two permanent funds, the Alma Martin and Duncan-Kubach Trusts.

During the year ended September 30, 2013, the Alma Martin Trust Fund had net appreciation on cash and investments of \$1,815. It is the City's policy to expend income earned as necessary to fund park and cemetery operations to the extent they are available. Restricted fund balance available for spending was \$4,362 as of September 30, 2013.

During the year ended September 30, 2013, the Duncan-Kubach Trust Fund had net appreciation on cash and investments of \$3,020. It is the City's policy to expend income earned as necessary to fund park and Clasbey Center operations to the extent they are available. Restricted fund balance available for spending was \$3,865 as of September 30, 2013.

**NOTE 2 – BUDGETARY DATA**

Annual appropriated budgets are legally adopted for all funds prior to the beginning of each year. The Board of Aldermen sets the budget based on prior years' experience and projections for future revenues. Budgeted expenditure appropriations lapse at year end. The budget was prepared on the same basis and uses the same accounting practices as are used to account for and prepare financial reports for the funds. The budgetary comparison schedules presented in this report are presented in accordance with generally accepted accounting principles.

Actual expenditures and transfers out exceed budgeted appropriations in the City's Pool Bond, Cemetery, and Clasbey Center funds for the year ended September 30, 2013.

**NOTE 3 – DEPOSITS**

Missouri state statutes authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits, investment pools, and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or an independent third party, and must be of the kind prescribed by state statutes.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The City's deposits at September 30, 2013, in excess of the FDIC limits, are covered by collateral held in a Federal Reserve Pledge account or by an agent for the City and thus no custodial credit risk exists.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 3 – DEPOSITS (CONTINUED)**

A summary of the City's deposits at September 30, 2013 is as follows:

Cash on hand	\$ 850
Demand deposits	2,970,853
Short-term investments held in trust	417,653
Certificates of deposit	<u>330,534</u>
 Total deposits	 <u><u>\$ 3,719,890</u></u>

Cash and cash equivalents on the government-wide statement of net position is as follows:

Pooled cash and cash equivalents	\$ 2,116,756
Restricted cash and cash equivalents	<u>1,603,134</u>
 Total cash and cash equivalents	 <u><u>\$ 3,719,890</u></u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013 is as follows:

	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance September 30, 2013</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land, buildings, improvements, vehicles, and equipment	\$ 6,907,882	\$ 1,098,168	\$ -	\$ 8,006,050
Governmental Activities Capital Assets	<u>\$ 6,907,882</u>	<u>\$ 1,098,168</u>	<u>\$ -</u>	<u>\$ 8,006,050</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,081	\$ -	\$ -	\$ 71,081
Capital Assets, Being Depreciated:				
Buildings, plant, and improvements	17,845,306	-	80,876	17,764,430
Land improvements	605,577	-	-	605,577
Equipment	3,172,013	33,750	102,204	3,103,559
Total Capital Assets, Being Depreciated	<u>21,622,896</u>	<u>33,750</u>	<u>183,080</u>	<u>21,473,566</u>
Total Capital Assets	21,693,977	33,750	183,080	21,544,647
Less: Accumulated Depreciation	<u>11,574,025</u>	<u>429,637</u>	<u>183,080</u>	<u>11,820,582</u>
Business-Type Activities Capital Assets, Net	<u>\$ 10,119,952</u>	<u>\$ (395,887)</u>	<u>\$ -</u>	<u>\$ 9,724,065</u>

Depreciation expense was charged to functions/programs as follows:

<b>Business-Type Activities</b>	
Water and wastewater	\$ 378,950
Sanitation	4,265
Golf course	29,075
Clasbey Community Center	16,043
Cemetery	<u>1,304</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 429,637</u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 – LONG-TERM INDEBTEDNESS**

The following is a summary of long-term debt of the City at September 30, 2013:

**Governmental Activities**

\$740,000 Series 2007 Certificates of Participation for the purpose of the City's park improvement project. Annual installments of \$20,000 to \$110,000 through 2027; interest at 4.5% to 5.0%.	\$ 595,000
\$2,270,000 Series 2012 Certificates of Participation (Refunding 2002 Stormwater COP's). Annual installments of \$200,000 to \$475,000 through 2022; interest at 2.0% to 3.15%.	2,270,000
\$650,000 Series 2013 General Obligation Bonds for the purpose of improving the municipal pool. Annual installments of \$20,000 to \$50,000 through 2033; interest at 3.25%.	650,000
\$211,510 contractual obligation for the purpose of the City's youth complex field expansion project. Annual installments of \$35,000, until the obligation is paid in 2015; interest at 0%.	43,918
Compensated absences	47,733
Net pension obligation	<u>5,577</u>
Total Governmental Activities	<u><u>\$ 3,612,228</u></u>

For the governmental activities, compensated absences, and pension obligations are generally liquidated by the General and Parks and Recreation Funds.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)**

**Business-Type Activities**

\$3,300,000 Series 2007 Revenue Bonds for the purpose of improving the water and sewer systems. Annual installments of \$60,000 to \$750,000 through 2026; interest at 4.0% to 5.25%.	\$ 2,795,000
\$5,670,000 Series 2013 Revenue Bonds (Refunding Series 2003 and 2004 Revenue Bonds) for the purpose of improving the water and sewer systems. Annual installments of \$205,000 to \$555,000 through 2026; interest at 2.65%.	5,670,000
\$1,500,000 Series 2003 Revenue Bonds with the State Environmental Improvement and Energy Resources Authority, State Revolving Fund program for the purpose of water pollution control improvements. Annual installments of \$55,000 to \$110,000 through 2024; interest at 3.5% to 5.0%. The city receives a subsidy for a portion of the interest.	960,000
\$700,000 Series 1994 Revenue Bonds with the State Environmental Improvement and Energy Resources Authority, State Revolving Fund program for the purpose of water pollution control improvements. Annual installments of \$25,000 to \$67,000 through 2015; interest at 7.2%. The city receives a subsidy for a portion of the interest.	133,000
\$423,000 Series 2010 lease-purchase agreement for acquiring and installing water meters. Semi-annual installments of \$38,000 to \$47,000 through 2015; interest at 4.625%. At September 30, 2013, the City had capital assets related to this lease with a cost of \$410,770, and those assets had related accumulated depreciation of \$65,723.	137,000
\$570,000 Series 2004 Certificates of Participation for the purpose of improving the sewer system. Annual installments of \$15,000 to \$45,000 through 2024; interest at 3.125% to 5.125%.	375,000
\$400,000 Series 1999 Certificates of Participation for the purpose of golf course improvements. Annual installments of \$20,000 to \$30,000 through 2017; interest at 5.5% to 5.75%.	105,000
Landfill	66,780
Compensated absences	39,050
Net pension obligation	5,247
Total Business-Type Activities	<u>\$ 10,286,077</u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2013:

	Balance October 1, 2012	Adjustments/ Additions	Adjustments/ Retired	Balance September 30, 2013	Current Portion
<b>Governmental Activities:</b>					
2007 Park COP	\$ 620,000	\$ -	\$ 25,000	\$ 595,000	\$ 30,000
2012 Street Drainage COP	2,270,000	-	-	2,270,000	200,000
2003 Pool Bonds	60,000	-	60,000	-	-
2013 Pool Bonds	-	650,000	-	650,000	-
2002 NID Bonds	35,000	-	35,000	-	-
Contractual obligation	78,918	-	35,000	43,918	35,000
Compensated absences	38,667	9,066	-	47,733	28,640
Net pension obligation	2,498	3,079	-	5,577	-
Total	<u>\$ 3,105,083</u>	<u>\$ 662,145</u>	<u>\$ 155,000</u>	<u>\$ 3,612,228</u>	<u>\$ 293,640</u>
<b>Business-Type Activities:</b>					
2007 Water and Sewer Revenue Bonds	\$ 2,885,000	\$ -	\$ 90,000	\$ 2,795,000	\$ 95,000
2003 Water and Sewer Revenue Bonds	305,000	-	305,000	-	-
2004 Water and Sewer Revenue Bonds	5,570,000	-	5,570,000	-	-
2013 Water and Sewer Revenue Bonds	-	5,670,000	-	5,670,000	295,000
2003 Sewer Revenue Bonds	1,025,000	-	65,000	960,000	70,000
1994 Sewer Revenue Bonds	197,000	-	64,000	133,000	66,000
2010 Water Meter Lease	223,000	-	86,000	137,000	90,000
2004 Sewer COP	400,000	-	25,000	375,000	25,000
1999 Golf COP	130,000	-	25,000	105,000	25,000
Landfill	69,483	-	2,703	66,780	-
Compensated absences	42,265	-	3,215	39,050	23,430
Net pension obligation	2,638	2,609	-	5,247	-
Total	<u>\$ 10,849,386</u>	<u>\$ 5,672,609</u>	<u>\$ 6,235,918</u>	<u>\$ 10,286,077</u>	<u>\$ 689,430</u>

CITY OF SAVANNAH, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

The annual debt service requirement to amortize all debt outstanding as of September 30, 2013, exclusive of contractual obligation, compensated absences, and net pension obligations, are as follows:

Year Ended September 30,	Governmental Activities											
	2007 COP's			2012 COP's			2013 Pool Bonds			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2014	\$ 30,000	\$ 28,878	\$ 58,878	\$ 200,000	\$ 58,198	\$ 258,198	\$ -	\$ 31,511	\$ 31,511	\$ 230,000	\$ 118,587	\$ 348,587
2015	30,000	27,558	57,558	215,000	54,048	269,048	20,000	20,800	40,800	265,000	102,406	367,406
2016	30,000	26,238	56,238	220,000	49,698	269,698	20,000	20,150	40,150	270,000	96,086	366,086
2017	30,000	24,813	54,813	220,000	45,160	265,160	25,000	19,419	44,419	275,000	89,392	364,392
2018	35,000	23,388	58,388	225,000	39,954	264,954	25,000	18,606	43,606	285,000	81,948	366,948
2019-2023	190,000	91,188	281,188	1,190,000	88,868	1,278,868	145,000	79,544	224,544	1,525,000	259,600	1,784,600
2024-2028	250,000	36,250	286,250	-	-	-	185,000	52,894	237,894	435,000	89,144	524,144
2029-2033	-	-	-	-	-	-	230,000	19,500	249,500	230,000	19,500	249,500
Total	<u>\$ 595,000</u>	<u>\$ 258,313</u>	<u>\$ 853,313</u>	<u>\$ 2,270,000</u>	<u>\$ 335,926</u>	<u>\$ 2,605,926</u>	<u>\$ 650,000</u>	<u>\$ 262,424</u>	<u>\$ 912,424</u>	<u>\$ 3,515,000</u>	<u>\$ 856,663</u>	<u>\$ 4,371,663</u>

CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

Year Ended September 30,	Business-Type Activities											
	2007 Revenue Bonds			2013 Revenue Bonds			2003 SRF Revenue Bonds			1994 SRF Revenue Bonds		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2014	\$ 95,000	\$ 125,775	\$ 220,775	\$ 295,000	\$ 150,255	\$ 445,255	\$ 70,000	\$ 36,480	\$ 106,480	\$ 66,000	\$ 7,200	\$ 73,200
2015	95,000	121,500	216,500	335,000	142,438	477,438	70,000	44,500	114,500	67,000	2,412	69,412
2016	100,000	117,225	217,225	465,000	133,560	598,560	75,000	32,800	107,800	-	-	-
2017	100,000	112,725	212,725	480,000	121,238	601,238	80,000	37,250	117,250	-	-	-
2018	-	126,263	126,263	485,000	108,518	593,518	80,000	33,250	113,250	-	-	-
2019-2023	500,000	578,813	1,078,813	2,640,000	342,115	2,982,115	475,000	98,250	573,250	-	-	-
2024-2028	1,905,000	235,853	2,140,853	970,000	43,195	1,013,195	110,000	5,170	115,170	-	-	-
Total	<u>\$ 2,795,000</u>	<u>\$ 1,418,154</u>	<u>\$ 4,213,154</u>	<u>\$ 5,670,000</u>	<u>\$ 1,041,319</u>	<u>\$ 6,711,319</u>	<u>\$ 960,000</u>	<u>\$ 287,700</u>	<u>\$ 1,247,700</u>	<u>\$ 133,000</u>	<u>\$ 9,612</u>	<u>\$ 142,612</u>

  

Year Ended September 30,	Business-Type Activities											
	2010 Lease Purchase			2004 COP's			1999 COP's			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2014	\$ 90,000	\$ 4,600	\$ 94,600	\$ 25,000	\$ 17,671	\$ 42,671	\$ 25,000	\$ 5,319	\$ 30,319	\$ 666,000	\$ 347,300	\$ 1,013,300
2015	47,000	940	47,940	30,000	9,372	39,372	25,000	3,881	28,881	669,000	325,043	994,043
2016	-	-	-	30,000	15,160	45,160	25,000	2,444	27,444	695,000	301,189	996,189
2017	-	-	-	30,000	13,720	43,720	30,000	863	30,863	720,000	285,796	1,005,796
2018	-	-	-	30,000	12,280	42,280	-	-	-	595,000	280,311	875,311
2019-2023	-	-	-	185,000	35,776	220,776	-	-	-	3,800,000	1,054,954	4,854,954
2024-2028	-	-	-	45,000	1,153	46,153	-	-	-	3,030,000	285,371	3,315,371
Total	<u>\$ 137,000</u>	<u>\$ 5,540</u>	<u>\$ 142,540</u>	<u>\$ 375,000</u>	<u>\$ 105,132</u>	<u>\$ 480,132</u>	<u>\$ 105,000</u>	<u>\$ 12,507</u>	<u>\$ 117,507</u>	<u>\$ 10,175,000</u>	<u>\$ 2,879,964</u>	<u>\$ 13,054,964</u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)**

**CURRENT REFUNDING**

In June 2013, the City issued \$5,670,000 Series 2013 Refunding Water and Sewer Revenue Bonds with an interest rate of 2.65%, to refund Series 2003 Water and Sewer Revenue Bonds, and Series 2004 Water and Sewer Revenue Bonds with interest rates ranging from 2.25% to 5.375%. The refunding was undertaken to reduce the total debt service payments by \$371,603, which resulted in an economic gain of \$368,357.

**CONTRACTUAL OBLIGATION**

The City entered into a contractual agreement to be paid over a three year period related to the City's youth complex field expansion project. The total amount of the agreement, including a change order of \$51,310, totaled \$211,510. The agreement was amended for the City to make annual payments of \$35,000 until the obligation is paid. As of September 30, 2013, the outstanding amount due was \$43,918.

**POST-CLOSURE LANDFILL OBLIGATION**

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City closed the landfill in 1995. The amount reported as landfill post-closure obligation at September 30, 2013 of \$66,780, represents the City's Financial Assurance Instrument (FAI) in its Contract of Obligation with Missouri Department of Natural Resources (MDNR), and is based on the cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Contract of Obligation authorizes MDNR to collect \$66,780 from the City to compensate for State corrective procedures if the City does not properly close and monitor the landfill. MDNR will annually allow the City to decrease the FAI in an amount equal to the estimated post-closure care cost for the previous twelve months, provided the FAI is sufficient to cover the costs for the remaining post-closure care period plus five years.

**NOTE 6 – RESTRICTED ASSETS AND DEBT RESERVE FUNDING**

The City's combined water and wastewater revenue bonds trust indentures require the City to establish various debt service, depreciation and replacement, and reserve accounts. At September 30, 2013, the City's combined water and waste water fund has restricted balances totaling \$1,095,594. The City has not funded the necessary depreciation and replacement account requirements in accordance with the indentures. At September 30, 2013, the depreciation and replacement account was underfunded by \$27,250. The debt service and reserve accounts were overfunded at September 30, 2013.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 6 – RESTRICTED ASSETS AND DEBT RESERVE FUNDING (CONTINUED)**

As provided in those indentures, should the default continue for a period of 60 days after written notice specifying such default has been given to the City by the registered owner of any bond then outstanding, then, at any time thereafter and while such default continues, the registered owners of 25% in principal amount of the bonds then outstanding may, by written notice to the City, declare the principal of all bonds then outstanding to be due and payable immediately. This provision, however, is subject to the condition that if at any time after the default has been cured, then, and in every such case, the registered owners of a majority in principal amount of the bonds then outstanding, by written notice to the City, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

Other restricted assets consisted of customer deposits, and amounts for landfill post-closure are reported in the accompanying balance sheet/statement of position as restricted cash and investments as follows:

	General Fund	Pool Bond Fund	Nonmajor Governmental Funds	Combined Water & Wastewater	Sanitation Fund	Golf Fund	Total
Taxes paid under protest	\$ 18,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,131
Landfill post-closure	-	-	-	-	66,780	-	66,780
Customer deposits	-	-	-	83,994	-	-	83,994
Debt service, replacement, and reserve accounts	-	6,379	309,437	1,095,594	-	22,819	1,434,229
Total	<u>\$ 18,131</u>	<u>\$ 6,379</u>	<u>\$ 309,437</u>	<u>\$ 1,179,588</u>	<u>\$ 66,780</u>	<u>\$ 22,819</u>	<u>\$ 1,603,134</u>

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**PLAN DESCRIPTION**

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**FUNDING POLICY**

The City's full-time employees do not contribute to the pension plan. The statutorily required contribution rates for the year ended September 30, 2013 were 13.3% (general) and 10.1% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

The City's annual pension cost and net pension obligation (NPO) for the current year were as follows:

Annual required contribution	\$ 105,407
Interest on net pension obligation	373
Adjustment to annual required contribution	(213)
Annual pension cost (APC)	<u>105,567</u>
Less contribution made	<u>(99,879)</u>
Increase in net pension obligation	5,688
Net pension obligation - beginning of year	<u>5,136</u>
Net pension obligation - end of year	<u><u>\$ 10,824</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2013 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions were last changed with the February 28, 2011 annual actuarial valuation and included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2013 was 20 years.

The following is a summary of trend information for the prior three years:

<u>September 30,</u>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2011	\$ 112,941	97.4 %	\$ 2,936
2012	95,477	97.7	5,136
2013	105,567	94.6	10,824

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**FUNDED STATUS AND FUNDING PROGRESS**

As of February 29, 2013, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$1,808,099. The actuarial value of assets was \$1,600,633, which results in an deficit funding of the unfunded accrued liability (UAL) of \$207,466 and a funded ratio of 89 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$808,419, which results in a ratio of the deficit funding of the UAL to the covered payroll of 26 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NOTE 8 – INTERFUND TRANSACTIONS**

During normal operations, the City has numerous transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. These transfers are generally recorded as transfers and are reported as other financing sources or uses.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund finance various programs accounted for in other funds in accordance with budgetary authorizations (3) to fund debt service requirements as debt service payments become due. Any transfers within the governmental funds or within the proprietary funds have been eliminated in the government-wide statement of activities.

Transfer In:	Transfer Out:					Total
	General Fund	Parks & Recreation Fund	Pool Bond Fund	Nonmajor Governmental Funds	Golf Fund	
General Fund	\$ -	\$ 10,000	\$ -	\$ -	\$ 9,600	\$ 19,600
Park & Recreation Fund	27,100	-	5,000	2,410	-	34,510
Pool Bond Fund	14,500	5,000	-	45,000	-	64,500
Nonmajor Governmental Funds	155,093	78,469	45,000	-	-	278,562
Combined Water & Wastewater	54,400	-	-	-	-	54,400
Golf Fund	-	-	-	1,260	-	1,260
Other Proprietary Funds	-	-	-	2,410	-	2,410
<b>Total</b>	<b>\$ 251,093</b>	<b>\$ 93,469</b>	<b>\$ 50,000</b>	<b>\$ 51,080</b>	<b>\$ 9,600</b>	<b>\$ 455,242</b>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 – COMPONENTS OF FUND BALANCE**

At September 30, 2013, portions of the City's fund balance are not available for appropriation due to balances that cannot be spent (Nonspendable), legal restrictions (Restricted), Board of Aldermen action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

FUND BALANCES	General	Parks & Recreation	Pool Bond	Other Governmental Funds	Total
Nonspendable:					
Prepaid expenses	\$ 37,657	\$ 13,115	\$ -	\$ -	\$ 50,772
Permanent fund principal	-	-	-	158,558	158,558
Restricted:					
Park improvements	-	-	-	46,710	46,710
Park and cemetery improvements	-	-	-	8,227	8,227
Debt service Streets and public works	-	-	6,623	433,915	440,538
Assigned:	501,378	-	-	-	501,378
Parks and recreation operations	-	72,777	-	-	72,777
Unassigned	451,519	-	-	-	451,519
Total	<u>\$ 990,554</u>	<u>\$ 85,892</u>	<u>\$ 6,623</u>	<u>\$ 647,410</u>	<u>\$ 1,730,479</u>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The City is involved in litigation regarding the collectability of gross receipts (franchise taxes) with a telephone service provider. The telephone service provider has continued to pay the taxes, and the City has segregated the taxes paid under protest into a separate account. The City estimates that the potential claims resulting from such litigation would not materially affect the financial statements of the City. No liability or provision of loss has been recorded in the September 30, 2013 financial statements in relation to any of this matter.

The City has received financial assistance from various federal, state, and local agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, would have a materially adverse effect upon the financial condition of the City.

On September 3, 2013, the City approved an ordinance to purchase and install storm warning sirens. The commitment related to the purchase was \$79,490 at September 30, 2013. In conjunction with the installation of the storm warning sirens, the City approved a proposal for a lease agreement to finance the sirens. The lease, entered into after September 30, 2013, will total \$79,490, with an interest rate of 2.82%, and monthly payments of \$1,422 for 60 months.

Subsequent to September 30, 2013, the City entered into an agreement for lime sludge removal at an estimated cost of \$66,000.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The City entered into a contract for construction services related to the extension of East Main Street. The contract for construction services was for \$349,740. At September 30, 2013, the City's remaining commitment on the contract totaled \$126,835.

**NOTE 11 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and workers compensation. The City is a member of 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 group self-insurer. The purpose of MIRMA is to seek the prevention of 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, 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.

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, \$2,000,000 for liability claims, statutory limit for workers' compensation 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 all or any of the insurance companies cancel, fail to renew or are unable to meet their obligations under excess insurance contracts, MIRMA and its member cities would be responsible for such defaulted amounts. Additionally, the Articles of the Association provide for supplemental assessments in the event the annual assessment is not sufficient to meet obligations. Settled claims have not exceeded coverage in any of the last three fiscal years.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City insurance coverage in any of the prior three years.

The assessment to the City, for the coverage period July 1, 2013 through June 30, 2014, was \$116,277.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 12 – CORRECTION OF ERROR**

During the year ended September 30, 2013, an error was discovered in the reporting of inventory in the Golf Fund, which resulted in an adjustment to the opening net position of the Golf Fund and the business-type activities. While the Golf Fund held certain amounts of inventory, the inventory had not been previously recognized as an asset in the Golf Fund. In order to record the inventory, the balance of net position in the Golf Fund and the business-type activities was increased by \$28,031.

	<b>Balance as Previously Stated</b>	<b>Prior Period Adjustment</b>	<b>Balance as Restated</b>
Net position - Business-type activities	\$ 755,002	\$ 28,031	\$ 783,033
Net position - Golf Fund	225,815	28,031	253,846

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAVANNAH, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
<b>REVENUES</b>			
Taxes	\$ 1,304,700	\$ 1,488,994	\$ 184,294
Penalties and interest on delinquent taxes	1,700	1,315	(385)
Licenses and permits	13,800	36,384	22,584
Intergovernmental revenues	603,200	229,070	(374,130)
Fines and forfeits	26,100	20,260	(5,840)
Interest	1,000	1,490	490
Other revenue	14,040	13,553	(487)
	<u>1,964,540</u>	<u>1,791,066</u>	<u>(173,474)</u>
<b>EXPENDITURES</b>			
General government	234,840	237,415	2,575
Public safety	371,120	377,072	5,952
Public works	1,103,150	794,791	(308,359)
Other expenditures	300,000	-	(300,000)
	<u>2,009,110</u>	<u>1,409,278</u>	<u>(599,832)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(44,570)</u>	<u>381,788</u>	<u>426,358</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	20,000	19,600	(400)
Transfers out	(211,100)	(251,093)	(39,993)
	<u>(191,100)</u>	<u>(231,493)</u>	<u>(40,393)</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	(235,670)	150,295	385,965
<b>FUND BALANCE - BEGINNING OF YEAR</b>			
	<u>840,259</u>	<u>840,259</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>			
	<u>\$ 604,589</u>	<u>\$ 990,554</u>	<u>\$ 385,965</u>

See accompanying Notes to Required Supplementary Information

**CITY OF SAVANNAH, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND**  
**YEAR ENDED SEPTEMBER 30, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
<b>REVENUES</b>			
Taxes	\$ 297,400	\$ 345,295	\$ 47,895
Penalties and interest on delinquent taxes	1,200	831	(369)
Licenses and permits	37,500	24,417	(13,083)
Intergovernmental revenues	-	850	850
Charges for services	84,500	77,902	(6,598)
Interest	200	112	(88)
Donations	-	17	17
Other revenue	500	1,630	1,130
	<u>421,300</u>	<u>451,054</u>	<u>29,754</u>
<b>EXPENDITURES</b>			
Culture and recreation	481,710	318,446	(163,264)
Debt service - principal	32,000	35,000	3,000
	<u>513,710</u>	<u>353,446</u>	<u>(160,264)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(92,410)</u>	<u>97,608</u>	<u>190,018</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	29,410	34,510	5,100
Transfers out	-	(93,469)	(93,469)
	<u>29,410</u>	<u>(58,959)</u>	<u>(88,369)</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	(63,000)	38,649	101,649
<b>FUND BALANCE - BEGINNING OF YEAR</b>			
	<u>47,243</u>	<u>47,243</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>			
	<u>\$ (15,757)</u>	<u>\$ 85,892</u>	<u>\$ 101,649</u>

See accompanying Notes to Required Supplementary Information

**CITY OF SAVANNAH, MISSOURI  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED SEPTEMBER 30, 2013**

**NOTE I – BUDGETARY INFORMATION**

The city follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to September 30 of each year, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. The City adopts the proposed budget as amended and adjusted by the Board of Aldermen.
- B. Public hearings on the City's budget are conducted to obtain taxpayer comments. Prior to its approval by the Board of Aldermen, the budget document is available for public inspection.
- C. On or before September 30, the final budget is legally enacted by City Ordinance.
- D. Subsequent to its formal approval of the budget, the Board of Aldermen has the authority to make necessary adjustments to the budget by formal vote of the board.
- E. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen. Reported budget amounts are as originally adopted or amended by the Board of Aldermen.
- F. In accordance with Chapter 67, RSMo., the City adopts a budget for each fund. The proposed budget includes estimated revenues and proposed expenditure for all city funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Actual expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, miscellaneous services and charges, and capital outlay) within each program. All amounts over budget have been approved by the Board of Aldermen through the disbursement process.
- G. Budgets for the general, certain special revenue funds, and the debt service fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. All annual appropriations lapse at fiscal year-end.

**II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures and transfers out exceeded budgeted amounts in the following funds:

	<b>Expenditures and Transfers Out</b>	<b>Budget</b>	<b>Excess</b>
Pool Bond	\$ 774,996	\$ 725,300	\$ 49,696
Cemetery	46,142	23,570	22,572
Clasbey Center	40,337	24,220	16,117

CITY OF SAVANNAH, MISSOURI  
 SCHEDULE OF FUNDING PROGRESS  
 YEAR ENDED SEPTEMBER 30, 2013

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c)</u>
9/30/2011	2/28/2011	\$1,227,705	\$ 1,623,151	\$ 395,446	76%	\$ 844,857	47%
9/30/2012	2/29/2012	1,450,954	1,738,446	287,492	83%	767,744	37%
9/30/2013	2/28/2013	1,600,633	1,808,099	207,466	89%	808,419	26%

Additional information relating to the pension plan is provided in Note 7.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SAVANNAH, MISSOURI  
COMBINING BALANCE SHEET – NONMAJOR  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	Special Revenue	Debt Service		Permanent		Total Nonmajor Governmental Funds	
	Chester Baum	Park and Recreation COP's	NID Bonds	Street Drainage COP's	Alma Martin		Duncan- Kubach
<b>ASSETS</b>							
Pooled cash	\$ 46,710	\$ -	\$ -	\$ 124,478	\$ 2,362	\$ 3,865	\$ 177,415
Restricted cash	-	82,040	-	227,397	-	-	309,437
Certificates of deposit	-	-	-	-	60,000	100,558	160,558
Special assessments receivable	-	-	30,428	-	-	-	30,428
<b>Total assets</b>	<u>\$ 46,710</u>	<u>\$ 82,040</u>	<u>\$ 30,428</u>	<u>\$ 351,875</u>	<u>\$ 62,362</u>	<u>\$ 104,423</u>	<u>\$ 677,838</u>
<b>LIABILITIES</b>							
Deferred assessments	\$ -	\$ -	\$ 30,428	\$ -	\$ -	\$ -	\$ 30,428
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>30,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,428</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	58,000	100,558	158,558
Restricted	46,710	82,040	-	351,875	4,362	3,865	488,852
<b>Total fund balances</b>	<u>46,710</u>	<u>82,040</u>	<u>-</u>	<u>351,875</u>	<u>62,362</u>	<u>104,423</u>	<u>647,410</u>
<b>Total liabilities and fund balances</b>	<u>\$ 46,710</u>	<u>\$ 82,040</u>	<u>\$ 30,428</u>	<u>\$ 351,875</u>	<u>\$ 62,362</u>	<u>\$ 104,423</u>	<u>\$ 677,838</u>

**CITY OF SAVANNAH, MISSOURI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue	Debt Service			Permanent		Total Nonmajor Governmental Funds
	Chester Baum	Park and Recreation COP's	NID Bonds	Street Drainage COP's	Alma Martin	Duncan- Kubach	
<b>REVENUES</b>							
Special assessments	\$ -	\$ -	\$ 4,713	\$ -	\$ -	\$ -	\$ 4,713
Interest	72	41	10	579	1,815	3,020	5,537
Other revenue	-	-	-	14	-	-	14
Total revenues	72	41	4,723	593	1,815	3,020	10,264
<b>EXPENDITURES</b>							
Debt service:							
Principal	-	25,000	35,000	-	-	-	60,000
Interest	-	31,093	2,231	70,670	-	-	103,994
Total expenditures	-	56,093	37,231	70,670	-	-	163,994
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	72	(56,052)	(32,508)	(70,077)	1,815	3,020	(153,730)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	45,000	78,469	24,593	130,500	-	-	278,562
Transfers out	(45,000)	-	-	-	(2,300)	(3,780)	(51,080)
Total other financing sources (uses)	-	78,469	24,593	130,500	(2,300)	(3,780)	227,482
<b>NET CHANGE IN FUND BALANCES</b>	72	22,417	(7,915)	60,423	(485)	(760)	73,752
<b>FUND BALANCES - BEGINNING OF YEAR</b>	46,638	59,623	7,915	291,452	62,847	105,183	573,658
<b>FUND BALANCES - END OF YEAR</b>	\$ 46,710	\$ 82,040	\$ -	\$ 351,875	\$ 62,362	\$ 104,423	\$ 647,410

**CITY OF SAVANNAH, MISSOURI  
COMBINING STATEMENT OF NET POSITION – NONMAJOR  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013**

<b>ASSETS</b>	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Pooled cash and cash equivalents	\$ 29,399	\$ 96,005	\$ 125,404
Prepaid items	<u>433</u>	<u>5,199</u>	<u>5,632</u>
Total current assets	<u>29,832</u>	<u>101,204</u>	<u>131,036</u>
<b>CAPITAL ASSETS</b>			
Non-depreciable:			
Land	-	15,699	15,699
Depreciable:			
Property, plant and equipment, at cost	531,244	118,929	650,173
Accumulated depreciation	<u>(451,021)</u>	<u>(118,929)</u>	<u>(569,950)</u>
Total property and equipment	<u>80,223</u>	<u>15,699</u>	<u>95,922</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 110,055</u></u>	<u><u>\$ 116,903</u></u>	<u><u>\$ 226,958</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 1,549	\$ 855	\$ 2,404
Accrued payroll and related benefits	379	1,096	1,475
Current maturities of long-term debt	<u>190</u>	<u>3,895</u>	<u>4,085</u>
Total current liabilities	<u>2,118</u>	<u>5,846</u>	<u>7,964</u>
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current maturities above	<u>129</u>	<u>3,099</u>	<u>3,228</u>
Total liabilities	<u>2,247</u>	<u>8,945</u>	<u>11,192</u>
<b>NET POSITION</b>			
Net investment in capital assets	80,223	15,699	95,922
Restricted for cemetery	-	45,596	45,596
Unrestricted	<u>27,585</u>	<u>46,663</u>	<u>74,248</u>
Total net position	<u>107,808</u>	<u>107,958</u>	<u>215,766</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 110,055</u></u>	<u><u>\$ 116,903</u></u>	<u><u>\$ 226,958</u></u>

**CITY OF SAVANNAH, MISSOURI  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2013**

	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 28,171	\$ 47,035	\$ 75,206
<b>OPERATING EXPENSES</b>			
Personnel services	7,963	30,427	38,390
Utilities	9,710	1,818	11,528
Insurance	144	1,733	1,877
Repair and maintenance	5,216	7,106	12,322
Materials and supplies	1,261	3,754	5,015
Depreciation and amortization	16,043	1,304	17,347
	<u>40,337</u>	<u>46,142</u>	<u>86,479</u>
Total operating expenses			
Operating income (loss)	<u>(12,166)</u>	<u>893</u>	<u>(11,273)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	270	391	661
Other income	-	150	150
	<u>270</u>	<u>541</u>	<u>811</u>
Total non-operating revenues			
<b>TRANSFERS</b>			
Transfers in	-	2,410	2,410
<b>CHANGE IN NET POSITION</b>	(11,896)	3,844	(8,052)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>119,704</u>	<u>104,114</u>	<u>223,818</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 107,808</u>	<u>\$ 107,958</u>	<u>\$ 215,766</u>

**CITY OF SAVANNAH, MISSOURI**  
**COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2013**

	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 28,171	\$ 47,185	\$ 75,356
Cash paid to suppliers	(15,320)	(19,043)	(34,363)
Cash paid to employees	(7,581)	(33,190)	(40,771)
Net cash provided by (used in) operating activities	<u>5,270</u>	<u>(5,048)</u>	<u>222</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash transferred from other funds	<u>-</u>	<u>2,410</u>	<u>2,410</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>270</u>	<u>391</u>	<u>661</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>5,540</b>	<b>(2,247)</b>	<b>3,293</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>23,859</u>	<u>98,252</u>	<u>122,111</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 29,399</u></u>	<u><u>\$ 96,005</u></u>	<u><u>\$ 125,404</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (12,166)	\$ 893	\$ (11,273)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	16,043	1,304	17,347
Nonoperating revenues	-	150	150
(Increase) Decrease in:			
Prepaid items	(433)	(5,199)	(5,632)
Increase (Decrease) in:			
Accounts payable	1,444	567	2,011
Accrued payroll	237	370	607
Compensated absences and net pension obligations	145	(3,133)	(2,988)
Net cash provided by (used in) operating activities	<u><u>\$ 5,270</u></u>	<u><u>\$ (5,048)</u></u>	<u><u>\$ 222</u></u>



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

Board of Aldermen and Mayor  
City of Savannah, Missouri

We have audited, in accordance with the 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, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information, and were engaged to audit the accompanying financial statements of the governmental activities of the City of Savannah (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 7, 2014. We expressed a disclaimer of opinion on the governmental activities because we were not provided a listing of governmental activities capital assets or the associated accumulated depreciation and depreciation expense. However, our opinions were unmodified on the business-type activities, each major fund, and the aggregate remaining fund information.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

*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, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2013-01, 2013-02, 2013-03, 2013-04, 2013-05, 2013-06, and 2013-07 described in the accompanying schedule of findings and recommendations to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2013-08, 2013-09, and 2013-10 described in the accompanying schedule of findings and recommendations to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 recommendations as items 2013-11 and 2013-12.

We also noted certain other matters that we reported to management of the City in a separate letter dated February 7, 2014.

### **The City of Savannah's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

St. Joseph, Missouri  
February 7, 2014

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 2013**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**2013-01 – Financial Statement Preparation**

Condition: The City engages CliftonLarsonAllen LLP to audit its financial statements, accompanying disclosures, required supplementary information, and supplementary information. The city maintains its general ledger on the cash basis of accounting and the year-end financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Several journal entries were required to be made for financial statement presentation. However, as independent accountants, CliftonLarsonAllen LLP cannot be considered part of the City's internal control over financial reporting. Due to the small number of people employed in administrative function, the City's personnel may not have sufficient financial reporting knowledge to perform a review of the City's financial statements and related disclosures to provide a high level of assurance that any potential material omissions or other errors would be identified and corrected.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Limited resources and personnel.

Effect: This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation: To establish sufficient internal controls over the preparation of its financial statements, including disclosures, RSI, and SI, the City would need to design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, RSI, and SI are complete and accurate. Such review procedures would be performed by an individual possessing a thorough understanding of the applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Response: It is not unusual for cities the size of Savannah to lack the resources and personnel to meet sufficient controls for comprehensive review procedures. The City staff continues to attend training that enhances abilities to perform the accounting activities and financial reports reviewed in an audit. The City is open to any suggestions on training possibilities and how to meet the expectations for internal controls. The City does not currently have the money to budget for the additional staff.

**CITY OF SAVANNAH, MISSOURI**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2013**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING**  
(CONTINUED)

**2013-02 – Segregation of Duties**

Condition: Due to the small size of the City's accounting department, it is difficult to establish ideal segregation of duties over all accounting functions. The Board's continued involvement, close oversight, and review of accounting information is critical to preventing, detecting, and correcting errors or irregularities. Items specifically noted are:

- The City Clerk and Deputy City Clerk both have administrator rights to all modules of the accounting system.
- There is a lack of controls around the cash receipts of the golf and parks and recreations funds.
- The Deputy City Clerk has the ability to collect receipts, post payments, and adjust customer accounts.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Limited resources and personnel.

Effect: This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation: As part of the oversight function, we recommend assigned duties be re-evaluated from time to time, in order to determine if the internal control system can be changed to better segregate duties.

Response: It is not unusual for cities the size of Savannah to have limited staff and issues with segregation of duties. The City checked with several other cities that currently use the Incode systems. In each instance the Clerk and Deputy had administrator rights in order to run reports and perform daily processes. The City currently includes the added internal control requiring the review of the City Administrator for most processes including paying bills, payroll and adjustments. The City will continue to evaluate assigned duties from time to time. An internal controls document will be created for further review and to evaluate if any duties can be further segregated. The Parks and Golf departments are in the process of developing additional cash review procedures.

**2013-03 – Pooled Cash Reconciliation**

Condition: Management does not reconcile the individual fund cash balances back to the balance in the pooled account. While the pooled cash account was reconciled to the bank at September 30, 2013, the total cash reported in the funds was \$56,121 higher than the balance indicated on the pooled cash reconciliation. Cash in the combined water and wastewater fund was understated by \$54,400 and cash in the general fund was overstated by \$110,521.

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING  
(CONTINUED)**

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Management oversight.

Effect: Without completing this step, the reconciliation may not be complete or accurate.

Recommendation: We recommend the City implement procedures to reconcile the total cash reported in the funds to the pooled cash reconciliation.

Response: It is not unusual for cities the size of Savannah to lack trained accounting professionals. The City staff continues to attend training that enhances abilities to perform the accounting activities and financial reports reviewed in an audit. The City is open to any suggestions on training possibilities and how to meet the expectations of the audit requirements. The City does reconcile the bank statement with the Incode check reconciliation system on a monthly basis. The City will look to implement adding the step to also reconcile to the pooled cash reports.

**2013-04 – Restricted Cash Accounts**

Condition: Management did not reconcile restricted cash accounts during the year ended September 30, 2013.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Management oversight.

Effect: Significant adjustments were required in order for the restricted cash accounts to be materially correct.

Recommendation: We recommend the City reconcile the restricted cash accounts on a monthly basis.

Response: It is not unusual for cities the size of Savannah to have limited staff. The restricted cash accounts mentioned are the City's Certificate of Participation accounts that the financial institutions hold as part of the debt requirements. Until recently these accounts were not even listed in the trial balance as the City does not have access to the funds. The City does not currently have the staffing to reconcile their cash accounts on a monthly basis. The City is open to training other staff members to handle this function.

CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING  
(CONTINUED)**

**2013-05 – Journal Entries**

Condition: Journal entries do not have formal evidence of supervisory review and approval and do not always have sufficient supporting documentation.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Past practice.

Effect: Management was unable to provide support for 7 of 10 journal entries selected for testing.

Recommendation: We recommend management review and revise current policies and procedures to develop a formal supervisory review and approval process of journal entries and that sufficient supporting documentation be attached and maintained to support all journal entries.

Response: It is not unusual for cities the size of Savannah to lack awareness of the formal government accounting principles required by GASB and a formal audit. The City requests more information on the type of documentation expected for journal entries. The examples mentioned were part of the activities in the budget. The City will create a policy on journal entries with the recommendations of the Auditor to maintain and support journal entries.

**2013-06 – Governmental Activities Capital Assets**

Condition: We were not provided a complete historical or estimated historical cost listing of governmental capital assets.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Past practice.

Effect: The capital assets reported in the governmental activities totaling \$8,006,050 may not be accurate.

Recommendation: We recommend the City develop an estimated list of governmental capital assets.

Response: The City will develop an estimated list of governmental capital assets. The City will look for a proposal from an outside organization to assist with this service.

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING  
(CONTINUED)**

**2013-07 – Golf Inventory**

Condition: The level of inventory in the golf fund has not been tracked.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Past practice.

Effect: Without appropriate tracking, the inventory is susceptible to theft. Additionally, the recording of inventory required a restatement of the golf fund's financial statements at September 30, 2012.

Recommendation: We recommend the City develop procedures to ensure physical counts of inventory are conducted on a periodic basis.

Response: The Golf Course is in the process of developing procedures to ensure physical counts of inventory are conducted on a periodic basis.

**SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**2013-08 – Community Development Block Grant (CDBG) Bank Account**

Condition: The City has a CDBG bank account which is not recorded in the general ledger.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Past practice.

Effect: This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation: We recommend the account be included in the general ledger, even though the balance kept in the account is immaterial.

Response: The City will include the \$2.36 in the CDBG account in the General Ledger.

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013**

**SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING  
(CONTINUED)**

**2013-09 – Supporting Documentation of Expenditures**

Condition: During our test of expenditures, it was noted that not all transactions tested were documented with support.

Criteria: Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with generally accepted accounting principles.

Cause: Management oversight.

Effect: Out of the 25 disbursements tested that totaled \$51,134, the City could not find support for one transaction that totaled \$750. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation: We recommend the City maintain documentation for all transactions.

Response: The City requires vendors to provide detailed records for invoices/disbursements. The City will continue to maintain documentation for all transactions.

**2013-10 – Procurement Policies**

Condition: The City does not always solicit competitive bids for purchases of goods and services.

Criteria: The City Code requires competitive bids as a prerequisite to vendor selection depending upon the amount of the purchase.

Cause: Unknown.

Effect: The practice of competitive bidding allows the City to save money by obtaining the best prices for the goods and services the City procures.

Recommendation: We recommend the City ensure bids are solicited in accordance with City code.

Response: The City's codification is nearing completion. City staff, along with the City Attorney, are creating an updated procurement policy for Council's review and adoption.

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013**

**COMPLIANCE AND OTHER MATTERS:**

**2013-11 – Debt Reserve Requirements**

Condition: The depreciation and replacement reserve accounts related to the combined water and wastewater debt are underfunded by \$27,250.

Criteria: The City's combined water and wastewater bond ordinances require the City to establish and fund certain depreciation and replacement accounts.

Cause: Management oversight.

Effect: The City is not in compliance with the requirements of its debt agreements.

Recommendation: We recommend management make the required transfers to fully fund the depreciation and replacement reserve accounts.

Response: The City had been following the reserve policies as understood from the bond covenants document from previous auditors. The City will make the recommended transfers to fully fund the depreciation and replacement reserve accounts.

**2013-12 – Budget**

Condition: Actual expenditures and transfers out exceed budgeted appropriations in the City's Pool Bond, Cemetery, and Clasbey Center funds for the year ended September 30, 2013.

Criteria: The City adopts an annual budget in accordance with Chapter 67, RSMo. The budget that is approved by the Board authorizes the allowable expenditure limit of the City.

Cause: Management oversight.

Effect: Certain expenditures were not authorized by the annual budget.

Recommendation: We recommend the annual budget be prospectively amended if actual expenditures are anticipated to be in excess of budgeted amounts.

Response: The City will have an annual review of the budget prior to year end. Council will amend the budget for any fund expenditures expected to exceed the budgeted amounts.