

CITY OF SAVANNAH, MISSOURI

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2014

**CITY OF SAVANNAH, MISSOURI
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2014**

	<u>PAGE</u>
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT – WIDE FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Activities.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Activities.....	10
Statement of Net Position – Proprietary Funds	11
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
NOTES TO FINANCIAL STATEMENTS	16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	40
Budgetary Comparison Schedule – Parks and Recreation Fund.....	41
Notes to the Required Supplementary Information.....	42
Schedule of Funding Progress	43
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	45
Combining Statement of Net Position – Nonmajor Proprietary Funds	46
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds.....	47
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	48
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	49
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	51

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah, Missouri (the City), as of and for the year ended September 30, 2014, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah, Missouri as of September 30, 2014, 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, in 2013, the City did not have complete capital asset records for its governmental activities. This resulted in a disclaimer of opinion in 2013. In the current year, the City now has complete capital asset records. Accordingly, an adjustment has been made to net position as of October 1, 2013, to restate beginning net position. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
February 20, 2015

BASIC FINANCIAL STATEMENTS

**CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 1,100,972	\$ 1,045,543	\$ 2,146,515
Taxes receivable	249,787	-	249,787
Special assessments receivable	25,688	-	25,688
Accounts receivable, net	-	347,847	347,847
Due from other governments	33,740	-	33,740
Prepaid items	50,258	27,182	77,440
Inventory	-	53,301	53,301
Restricted assets - Cash and cash equivalents	519,586	1,568,611	2,088,197
Capital assets:			
Nondepreciable	498,436	71,081	569,517
Depreciable, net	5,091,528	9,378,321	14,469,849
Total assets	<u>7,569,995</u>	<u>12,491,886</u>	<u>20,061,881</u>
LIABILITIES			
Accounts payable	167,354	53,515	220,869
Accrued payroll and related benefits	24,783	20,970	45,753
Accrued interest	32,792	105,362	138,154
Customer deposits	-	88,785	88,785
Long-term liabilities:			
Due within one year	312,133	702,154	1,014,287
Due in more than one year	3,092,328	8,948,509	12,040,837
Total liabilities	<u>3,629,390</u>	<u>9,919,295</u>	<u>13,548,685</u>
NET POSITION			
Net investment in capital assets	2,240,489	(94,937)	2,145,552
Restricted for debt service	462,323	1,293,125	1,755,448
Restricted for streets and public works	484,295	-	484,295
Restricted for parks	1,942	-	1,942
Restricted for cemetery	-	45,596	45,596
Restricted for permanent funds:			
Expendable	4,201	-	4,201
Nonexpendable	158,558	-	158,558
Unrestricted	588,797	1,328,807	1,917,604
Total net position	<u>\$ 3,940,605</u>	<u>\$ 2,572,591</u>	<u>\$ 6,513,196</u>

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

**CITY OF SAVANNAH, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Senior Center CDBG</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Pooled cash	\$ 787,445	\$ 92,228	\$ -	\$ 60,741	\$ 940,414
Restricted cash	107,603	-	-	411,983	519,586
Certificates of deposit	-	-	-	160,558	160,558
Taxes receivable	216,933	32,008	-	846	249,787
Special assessments receivable	-	-	-	25,688	25,688
Due from other governments	4,500	-	29,240	-	33,740
Prepaid items	38,487	11,771	-	-	50,258
Total assets	<u>\$ 1,154,968</u>	<u>\$ 136,007</u>	<u>\$ 29,240</u>	<u>\$ 659,816</u>	<u>\$ 1,980,031</u>
LIABILITIES					
Accounts payable	\$ 130,733	\$ 7,381	\$ 29,240	\$ -	\$ 167,354
Accrued payroll and related benefits	19,415	5,368	-	-	24,783
Total liabilities	<u>150,148</u>	<u>12,749</u>	<u>29,240</u>	<u>-</u>	<u>192,137</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>43,790</u>	<u>3,744</u>	<u>-</u>	<u>26,534</u>	<u>74,068</u>
Total deferred inflows of resources	<u>43,790</u>	<u>3,744</u>	<u>-</u>	<u>26,534</u>	<u>74,068</u>
FUND BALANCES					
Nonspendable	38,487	11,771	-	158,558	208,816
Restricted	484,295	-	-	474,724	959,019
Assigned	-	107,743	-	-	107,743
Unassigned	<u>438,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>438,248</u>
Total fund balances	<u>961,030</u>	<u>119,514</u>	<u>-</u>	<u>633,282</u>	<u>1,713,826</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,154,968</u>	<u>\$ 136,007</u>	<u>\$ 29,240</u>	<u>\$ 659,816</u>	<u>\$ 1,980,031</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, 2014**

Total Fund Balances - Governmental Funds \$ 1,713,826

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 5,589,964

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:

Compensated absences payable	(52,815)
Bonds payable	(3,285,000)
Capital lease payable	(64,475)
Net pension obligation	(2,171)

Delinquent taxes and special assessments receivable are earned, but not available in the current period. Therefore, they are recorded as deferred inflows of resources in the funds, but are recognized as revenue when earned in the government-wide statements. 74,068

Governmental funds do not report a liability for accrued interest until due and payable. (32,792)

Total Net Position - Governmental Activities \$ 3,940,605

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, 2014

	General	Parks and Recreation	Senior Center CDBG	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 209,590	\$ 133,954	\$ -	\$ 73,559	\$ 417,103
Sales taxes	831,731	206,442	-	-	1,038,173
Franchise taxes	424,356	-	-	-	424,356
Other taxes	1,852	1,185	-	667	3,704
Special assessments	-	-	-	4,467	4,467
Penalties and interest on delinquent taxes	987	616	-	281	1,884
Licenses and permits	18,002	17,455	-	-	35,457
Intergovernmental revenues	106,494	-	300,000	-	406,494
Charges for services	-	86,296	-	-	86,296
Fines and forfeits	19,382	-	-	-	19,382
Interest	1,268	198	-	1,208	2,674
Other revenue	162,902	5,968	-	-	168,870
Total revenues	<u>1,776,564</u>	<u>452,114</u>	<u>300,000</u>	<u>80,182</u>	<u>2,608,860</u>
EXPENDITURES					
General government:					
Current	527,049	-	-	-	527,049
Capital outlay	6,884	-	-	-	6,884.00
Public safety:					
Current	478,790	-	-	-	478,790
Capital outlay	84,510	-	-	-	84,510
Public works:					
Current	344,484	-	-	-	344,484
Capital outlay	226,214	-	-	-	226,214
Culture and recreation:					
Current	-	368,592	-	795	369,387
Capital outlay	-	3,902	-	-	3,902
Economic development:					
Current	-	-	300,000	-	300,000
Debt service:					
Principal	15,015	43,918	-	230,000	288,933
Interest	2,419	-	-	79,004	81,423
Fees	-	-	-	527	527
Total expenditures	<u>1,685,365</u>	<u>416,412</u>	<u>300,000</u>	<u>310,326</u>	<u>2,712,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>91,199</u>	<u>35,702</u>	<u>-</u>	<u>(230,144)</u>	<u>(103,243)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	79,490	-	-	-	79,490
Transfers in	24,467	78,420	-	262,660	365,547
Transfers out	(224,680)	(80,500)	-	(53,267)	(358,447)
Total other financing sources (uses)	<u>(120,723)</u>	<u>(2,080)</u>	<u>-</u>	<u>209,393</u>	<u>86,590</u>
NET CHANGE IN FUND BALANCES	(29,524)	33,622	-	(20,751)	(16,653)
FUND BALANCES - BEGINNING OF YEAR	<u>990,554</u>	<u>85,892</u>	<u>-</u>	<u>654,033</u>	<u>1,730,479</u>
FUND BALANCES - END OF YEAR	<u>\$ 961,030</u>	<u>\$ 119,514</u>	<u>\$ -</u>	<u>\$ 633,282</u>	<u>\$ 1,713,826</u>

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, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ (16,653)

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.

Capital outlays	321,510
Depreciation expense	(322,276)

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	(5,082)
Change in net pension obligation	3,406
Debt principal retirement	288,933
Amortization of bond issuance costs	(73,691)

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.

(79,490)

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 inflows of resources in the funds.

15,114

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.

1,596

Change in Net Position - Governmental Activities

\$ 133,367

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

CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2014

ASSETS	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
CURRENT ASSETS					
Pooled cash and cash equivalents	\$ 722,413	\$ 149,211	\$ 65,138	\$ 108,781	\$ 1,045,543
Accounts receivable, net	313,961	33,886	-	-	347,847
Prepaid items	14,250	-	9,913	3,019	27,182
Inventory	-	-	53,301	-	53,301
Total current assets	<u>1,050,624</u>	<u>183,097</u>	<u>128,352</u>	<u>111,800</u>	<u>1,473,873</u>
RESTRICTED ASSETS					
Cash and cash equivalents	<u>1,480,883</u>	<u>63,928</u>	<u>23,800</u>	<u>-</u>	<u>1,568,611</u>
Total restricted assets	<u>1,480,883</u>	<u>63,928</u>	<u>23,800</u>	<u>-</u>	<u>1,568,611</u>
CAPITAL ASSETS					
Non-depreciable:					
Land	55,382	-	-	15,699	71,081
Depreciable:					
Property, plant and equipment, at cost	18,695,233	188,664	2,088,552	650,173	21,622,622
Accumulated depreciation	<u>(9,601,738)</u>	<u>(186,206)</u>	<u>(1,868,891)</u>	<u>(587,466)</u>	<u>(12,244,301)</u>
Total property and equipment, net	<u>9,148,877</u>	<u>2,458</u>	<u>219,661</u>	<u>78,406</u>	<u>9,449,402</u>
TOTAL ASSETS	<u><u>\$ 11,680,384</u></u>	<u><u>\$ 249,483</u></u>	<u><u>\$ 371,813</u></u>	<u><u>\$ 190,206</u></u>	<u><u>\$ 12,491,886</u></u>

LIABILITIES AND NET POSITION	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
CURRENT LIABILITIES					
Accounts payable	\$ 16,910	\$ 22,594	\$ 5,055	\$ 8,956	\$ 53,515
Accrued payroll and benefits	11,019	744	7,581	1,626	20,970
Accrued interest	104,979	-	383	-	105,362
Customer deposits	88,785	-	-	-	88,785
Current maturities of long-term liabilities	660,467	745	36,251	4,691	702,154
Total current liabilities	882,160	24,083	49,270	15,273	970,786
LONG-TERM LIABILITIES					
Long-term liabilities, less current maturities above	8,796,391	64,505	84,389	3,224	8,948,509
Total liabilities	9,678,551	88,588	133,659	18,497	9,919,295
NET POSITION					
Net investment in capital assets	(279,373)	2,458	103,572	78,406	(94,937)
Restricted for debt service	1,269,708	-	23,417	-	1,293,125
Restricted for cemetery	-	-	-	45,596	45,596
Unrestricted	1,011,498	158,437	111,165	47,707	1,328,807
Total net position	2,001,833	160,895	238,154	171,709	2,572,591
TOTAL LIABILITIES AND NET POSITION	\$ 11,680,384	\$ 249,483	\$ 371,813	\$ 190,206	\$ 12,491,886

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, 2014

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES					
Charges for services	\$ 2,528,312	\$ 281,943	\$ 400,299	\$ 52,091	\$ 3,262,645
OPERATING EXPENSES					
Personnel services	345,261	20,867	174,170	42,680	582,978
Utilities	189,619	-	18,983	10,309	218,911
Contractual services	25,459	235,022	1,662	450	262,593
Insurance	43,662	35	18,132	6,638	68,467
Repair and maintenance	211,361	886	31,697	16,190	260,134
Materials and supplies	154,637	6,480	142,104	5,142	308,363
Depreciation and amortization	475,246	(2,629)	23,391	17,516	513,524
Total operating expenses	1,445,245	260,661	410,139	98,925	2,214,970
Operating income (loss)	1,083,067	21,282	(9,840)	(46,834)	1,047,675
NON-OPERATING REVENUES (EXPENSES)					
Interest income	4,839	166	151	377	5,533
Interest expense	(320,126)	-	(6,976)	-	(327,102)
Other income	2,243	-	1,777	500	4,520
Total non-operating revenues (expenses)	(313,044)	166	(5,048)	877	(317,049)
TRANSFERS					
Transfers in	-	-	1,000	1,900	2,900
Transfers out	-	-	(10,000)	-	(10,000)
Net transfers in (out)	-	-	(9,000)	1,900	(7,100)
CHANGE IN NET POSITION	770,023	21,448	(23,888)	(44,057)	723,526
NET POSITION, BEGINNING OF YEAR	1,231,810	139,447	262,042	215,766	1,849,065
NET POSITION, END OF YEAR	\$ 2,001,833	\$ 160,895	\$ 238,154	\$ 171,709	\$ 2,572,591

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, 2014

	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,590,658	\$ 284,285	\$ 402,076	\$ 52,591	\$ 3,329,610
Cash paid to suppliers	(665,443)	(232,798)	(258,556)	(29,564)	(1,186,361)
Cash paid to employees	(346,996)	(21,638)	(172,359)	(41,927)	(582,920)
Net cash provided (used) by operating activities	<u>1,578,219</u>	<u>29,849</u>	<u>(28,839)</u>	<u>(18,900)</u>	<u>1,560,329</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash transferred to (from) other funds	-	-	(9,000)	1,900	(7,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of equipment	(86,375)	(2,681)	-	-	(89,056)
Payments on long-term debt	(641,750)	-	(48,911)	-	(690,661)
Interest paid on long-term debt	(322,796)	-	(7,096)	-	(329,892)
Net cash provided (used) by capital and related financing activities	<u>(1,050,921)</u>	<u>(2,681)</u>	<u>(56,007)</u>	<u>-</u>	<u>(1,109,609)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	4,839	166	151	377	5,533
NET INCREASE (DECREASE) IN CASH	532,137	27,334	(93,695)	(16,623)	449,153
CASH - BEGINNING OF YEAR	1,671,159	185,805	182,633	125,404	2,165,001
CASH - END OF YEAR	<u>\$ 2,203,296</u>	<u>\$ 213,139</u>	<u>\$ 88,938</u>	<u>\$ 108,781</u>	<u>\$ 2,614,154</u>
CASH REPORTED ON THE STATEMENT OF NET POSITION:					
Pooled cash and cash equivalents	\$ 722,413	\$ 149,211	\$ 65,138	\$ 108,781	\$ 1,045,543
Restricted cash and cash equivalents	1,480,883	63,928	23,800	-	1,568,611
Total cash and cash equivalents	<u>\$ 2,203,296</u>	<u>\$ 213,139</u>	<u>\$ 88,938</u>	<u>\$ 108,781</u>	<u>\$ 2,614,154</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:					
Purchase of equipment with capital lease	\$ -	\$ -	\$ 60,000	\$ -	\$ 60,000

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, 2014

	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 1,083,067	\$ 21,282	\$ (9,840)	\$ (46,834)	\$ 1,047,675
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	382,589	223	23,391	17,516	423,719
Amortization	92,657	(2,852)	-	-	89,805
Nonoperating revenues	2,243	-	1,777	500	4,520
(Increase) Decrease in:					
Accounts receivable	55,487	2,342	-	-	57,829
Prepaid items	1,692	35	4,915	2,613	9,255
Inventory	-	-	(25,270)	-	(25,270)
Increase (Decrease) in:					
Accounts payable	(42,397)	9,590	(25,623)	6,552	(51,878)
Accrued payroll	528	(66)	1,346	151	1,959
Compensated absences and net pension obligations	(2,263)	(705)	465	602	(1,901)
Customer deposits	4,616	-	-	-	4,616
Net cash provided (used) by operating activities	<u>\$ 1,578,219</u>	<u>\$ 29,849</u>	<u>\$ (28,839)</u>	<u>\$ (18,900)</u>	<u>\$ 1,560,329</u>

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

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, 2014, 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. 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, 2014**

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, 2014**

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 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.

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, 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. Revenues accounted for in this fund are primarily property and sales taxes collected for the operation of the City's parks.

Senior Center Community Development Block Grant (CDBG) Fund

The Senior Center CDBG Fund is a special revenue fund that accounts for the funds received for the improvement of the local senior center.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

For purposes of the statement of cash flows, the City considered all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. 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 primarily of merchandise that is available for sale to customers.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 inflows of resources 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.

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 \$126,146 and \$11,560 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, 2014, which will be recognized as expenses in future periods.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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.

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.

The City has elected to prospectively report infrastructure assets in the governmental activities, as allowed by Governmental Accounting Standards Board Statement No. 34.

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

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 are 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 expensed when incurred.

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, 2014**

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.

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

The City would report decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position or governmental fund balance sheet. No deferred outflows of resources are reported in these financial statements in the current year.

The governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has one type of deferred inflows of resources which occurs related to revenue recognition. This deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The City does not have deferred inflows of resources to report in its governmental activities, business-type activities, or proprietary fund financial statements in the current year.

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY

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.

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, 2014, the Alma Martin Trust Fund had net appreciation on cash and investments of \$773. 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 \$3,335 as of September 30, 2014.

During the year ended September 30, 2014, the Duncan-Kubach Trust Fund had net appreciation on cash and investments of \$1. 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 \$866 as of September 30, 2014.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 Senior Center CDBG fund for the year ended September 30, 2014.

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, 2014, 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.

A summary of the City's deposits at September 30, 2014 is as follows:

Cash on hand	\$ 850
Demand deposits	3,451,837
Short-term investments held in trust	451,491
Certificates of deposit	<u>330,534</u>
 Total deposits	 <u><u>\$ 4,234,712</u></u>

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

Pooled cash and cash equivalents	\$ 2,146,515
Restricted cash and cash equivalents	<u>2,088,197</u>
 Total cash and cash equivalents	 <u><u>\$ 4,234,712</u></u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4 – CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government	\$ 4,043
Public safety	37,620
Public works	151,877
Culture and recreation	<u>128,736</u>

Total Depreciation Expense, Governmental Activities \$ 322,276

Business-Type Activities

Water and wastewater	\$ 382,589
Sanitation	223
Golf course	23,391
Clasbey Community Center	<u>17,516</u>

Total Depreciation Expense, Business-Type Activities \$ 423,719

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2014 is as follows:

	(Restated) Balance October 1, 2013	Additions	Disposals	Balance September 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 498,436	\$ -	\$ -	\$ 498,436
Capital Assets, Being Depreciated:				
Buildings, plant, and improvements	3,300,103	3,902	-	3,304,005
Streets	3,720,198	216,214	-	3,936,412
Equipment	991,294	101,394	-	1,092,688
Total Capital Assets, Being Depreciated	8,011,595	321,510	-	8,333,105
Total Capital Assets	8,510,031	321,510	-	8,831,541
Less: Accumulated Depreciation	2,919,301	322,276	-	3,241,577
Governmental Activities Capital Assets, Net	<u>\$ 5,590,730</u>	<u>\$ (766)</u>	<u>\$ -</u>	<u>\$ 5,589,964</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,081	\$ -	\$ -	\$ 71,081
Capital Assets, Being Depreciated:				
Buildings, plant, and improvements	17,764,430	-	-	17,764,430
Land improvements	605,577	-	-	605,577
Equipment	3,103,559	149,056	-	3,252,615
Total Capital Assets, Being Depreciated	21,473,566	149,056	-	21,622,622
Total Capital Assets	21,544,647	149,056	-	21,693,703
Less: Accumulated Depreciation	11,820,582	423,719	-	12,244,301
Business-Type Activities Capital Assets, Net	<u>\$ 9,724,065</u>	<u>\$ (274,663)</u>	<u>\$ -</u>	<u>\$ 9,449,402</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM INDEBTEDNESS

The following is a summary of long-term debt of the City at September 30, 2014:

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%.	\$ 565,000
\$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%.	2,070,000
\$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
\$79,490 capital lease for the purpose of purchasing storm sirens. Monthly installments of \$1,422, through 2018; interest at 2.82%. At September 30, 2014, the City had capital assets related to this lease with a cost of \$79,490, and those assets had related accumulated depreciation of \$2,915.	64,475
Compensated absences	52,815
Net pension obligation	<u>2,171</u>
Total Governmental Activities	<u><u>\$ 3,404,461</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, 2014**

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

Business-Type Activities

<p>\$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%.</p>	<p>\$ 2,700,000</p>
<p>\$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%.</p>	<p>5,375,000</p>
<p>\$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.</p>	<p>889,250</p>
<p>\$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.</p>	<p>67,000</p>
<p>\$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, 2014, the City had capital assets related to this lease with a cost of \$457,265, and those assets had related accumulated depreciation of \$85,874.</p>	<p>47,000</p>
<p>\$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%.</p>	<p>350,000</p>
<p>\$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%.</p>	<p>80,000</p>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

Business-Type Activities (Continued)

\$60,000 capital lease for the purpose of purchasing golf course mowers. Annual installments of \$9,694 through 2018; interest at 2.5%. At September 30, 2014, the City had capital assets related to this lease with a cost of \$60,000, and those assets had related accumulated depreciation of \$8,000. \$ 36,089

Landfill 63,928

Compensated absences 40,784

Net pension obligation 1,612

Total Business-Type Activities \$ 9,650,663

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2014:

	Balance October 1, 2013	Adjustments/ Additions	Adjustments/ Retired	Balance September 30, 2014	Current Portion
Governmental Activities:					
2007 Park COP	\$ 595,000	\$ -	\$ 30,000	\$ 565,000	\$ 30,000
2012 Street Drainage COP	2,270,000	-	200,000	2,070,000	215,000
2013 Pool Bonds	650,000	-	-	650,000	20,000
Storm sirens capital lease	-	79,490	15,015	64,475	15,444
Contractual obligation	43,918	-	43,918	-	-
Compensated absences	47,733	57,833	52,751	52,815	31,689
Net pension obligation	5,577	-	3,406	2,171	-
Total	<u>\$ 3,612,228</u>	<u>\$ 137,323</u>	<u>\$ 345,090</u>	<u>\$ 3,404,461</u>	<u>\$ 312,133</u>
Business-Type Activities:					
2007 Water and Sewer Revenue Bonds	\$ 2,795,000	\$ -	\$ 95,000	\$ 2,700,000	\$ 95,000
2013 Water and Sewer Revenue Bonds	5,670,000	-	295,000	5,375,000	335,000
2003 Sewer Revenue Bonds	960,000	-	70,750	889,250	70,000
1994 Sewer Revenue Bonds	133,000	-	66,000	67,000	67,000
2010 Water Meter Lease	137,000	-	90,000	47,000	47,000
2004 Sewer COP	375,000	-	25,000	350,000	30,000
1999 Golf COP	105,000	-	25,000	80,000	25,000
Landfill	66,780	-	2,852	63,928	-
Golf mowers capital lease	-	60,000	23,911	36,089	8,684
Compensated absences	39,050	27,180	25,446	40,784	24,470
Net pension obligation	5,247	-	3,635	1,612	-
Total	<u>\$ 10,286,077</u>	<u>\$ 87,180</u>	<u>\$ 722,594</u>	<u>\$ 9,650,663</u>	<u>\$ 702,154</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

The annual debt service requirement to amortize all debt outstanding as of September 30, 2014, exclusive of contractual obligation, compensated absences, and net pension obligations, are as follows:

Governmental Activities												
Year Ended September 30,	2007 COP's			2012 COP's			2013 Pool Bonds			Storm Sirens Lease		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2015	\$ 30,000	\$ 27,558	\$ 57,558	\$ 215,000	\$ 54,048	\$ 269,048	\$ 20,000	\$ 20,800	\$ 40,800	\$ 15,444	\$ 1,620	\$ 17,064
2016	30,000	26,238	56,238	220,000	49,698	269,698	20,000	20,150	40,150	15,885	1,178	17,063
2017	30,000	24,813	54,813	220,000	45,160	265,160	25,000	19,419	44,419	16,339	725	17,064
2018	35,000	23,388	58,388	225,000	39,954	264,954	25,000	18,606	43,606	16,807	1,258	18,065
2019	35,000	21,725	56,725	230,000	33,943	263,943	25,000	17,794	42,794	-	-	-
2020-2024	200,000	81,963	281,963	960,000	54,925	1,014,925	155,000	74,669	229,669	-	-	-
2025-2029	205,000	23,750	228,750	-	-	-	190,000	46,800	236,800	-	-	-
2030-2033	-	-	-	-	-	-	190,000	12,675	202,675	-	-	-
Total	<u>\$ 565,000</u>	<u>\$ 229,435</u>	<u>\$ 794,435</u>	<u>\$ 2,070,000</u>	<u>\$ 277,728</u>	<u>\$ 2,347,728</u>	<u>\$ 650,000</u>	<u>\$ 230,913</u>	<u>\$ 880,913</u>	<u>\$ 64,475</u>	<u>\$ 4,781</u>	<u>\$ 69,256</u>

Year Ended September 30,	Total		
	Principal Maturities	Interest Maturities	Total
2015	\$ 280,444	\$ 104,026	\$ 384,470
2016	285,885	97,264	383,149
2017	291,339	90,117	381,456
2018	301,807	83,206	385,013
2019	290,000	73,462	363,462
2020-2024	1,315,000	211,557	1,526,557
2025-2029	395,000	70,550	465,550
2030-2033	190,000	12,675	202,675
Total	<u>\$ 3,349,475</u>	<u>\$ 742,857</u>	<u>\$ 4,092,332</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

Business-Type Activities

Year Ended September 30,	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
2015	\$ 95,000	\$ 121,500	\$ 216,500	\$ 335,000	\$ 142,438	\$ 477,438	\$ 69,250	\$ 44,500	\$ 113,750	\$ 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	108,517	593,517	80,000	33,250	113,250	-	-	-
2019	-	126,263	126,263	500,000	95,665	595,665	85,000	29,250	114,250	-	-	-
2020-2024	990,000	552,563	1,542,563	2,655,000	272,155	2,927,155	500,000	74,170	574,170	-	-	-
2025-2026	1,415,000	135,840	1,550,840	455,000	17,490	472,490	-	-	-	-	-	-
Total	<u>\$ 2,700,000</u>	<u>\$ 1,292,379</u>	<u>\$ 3,992,379</u>	<u>\$ 5,375,000</u>	<u>\$ 891,063</u>	<u>\$ 6,266,063</u>	<u>\$ 889,250</u>	<u>\$ 251,220</u>	<u>\$ 1,140,470</u>	<u>\$ 67,000</u>	<u>\$ 2,412</u>	<u>\$ 69,412</u>

Year Ended September 30,	2010 Lease Purchase			2004 COP's			1999 COP's			Golf Mowers Capital Lease		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2015	\$ 47,000	\$ 940	\$ 47,940	\$ 30,000	\$ 16,518	\$ 46,518	\$ 25,000	\$ 3,881	\$ 28,881	\$ 9,512	\$ 894	\$ 10,406
2016	-	-	-	30,000	15,160	45,160	25,000	2,444	27,444	9,531	678	10,209
2017	-	-	-	30,000	13,720	43,720	30,000	863	30,863	9,549	458	10,007
2018	-	-	-	30,000	12,280	42,280	-	-	-	7,497	232	7,729
2019	-	-	-	35,000	10,720	45,720	-	-	-	-	-	-
2020-2024	-	-	-	195,000	26,209	221,209	-	-	-	-	-	-
2025-2026	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 47,000</u>	<u>\$ 940</u>	<u>\$ 47,940</u>	<u>\$ 350,000</u>	<u>\$ 94,607</u>	<u>\$ 444,607</u>	<u>\$ 80,000</u>	<u>\$ 7,188</u>	<u>\$ 87,188</u>	<u>\$ 36,089</u>	<u>\$ 2,262</u>	<u>\$ 38,351</u>

Year Ended September 30,	Total		
	Principal Maturities	Interest Maturities	Total
2015	\$ 677,762	\$ 333,083	\$ 1,010,845
2016	704,531	301,867	1,006,398
2017	729,549	286,254	1,015,803
2018	602,497	280,542	883,039
2019	620,000	261,898	881,898
2020-2024	4,340,000	925,097	5,265,097
2025-2026	1,870,000	153,330	2,023,330
Total	<u>\$ 9,544,339</u>	<u>\$ 2,542,070</u>	<u>\$ 12,086,409</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM INDEBTEDNESS (CONTINUED)

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. The obligation was paid-in-full during the year ended September 30, 2014.

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, 2014 of \$63,928, 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 \$63,928 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, 2014, these reserve accounts were fully funded.

As provided in those indentures, should a 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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

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	Nonmajor Governmental Funds	Combined Water & Wastewater	Sanitation Fund	Golf Fund	Total
Taxes paid under protest	\$ 44,660	\$ -	\$ -	\$ -	\$ -	\$ 44,660
Fire department sales tax	62,943	-	-	-	-	62,943
Landfill post-closure	-	-	-	63,928	-	63,928
Customer deposits	-	-	106,196	-	-	106,196
Debt service, replacement, and reserve accounts	-	411,983	1,374,687	-	23,800	1,810,470
Total	<u>\$ 107,603</u>	<u>\$ 411,983</u>	<u>\$ 1,480,883</u>	<u>\$ 63,928</u>	<u>\$ 23,800</u>	<u>\$ 2,088,197</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, 2014**

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, 2014 were 12.3% (general) and 10.3% (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	\$ 104,215
Interest on net pension obligation	480
Adjustment to annual required contribution	<u>(475)</u>
Annual pension cost (APC)	104,220
Less contribution made	<u>(108,003)</u>
Decrease in net pension obligation	(3,783)
Net pension obligation - beginning of year	<u>10,824</u>
Net pension obligation - end of year	<u><u>\$ 7,041</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2014 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 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 an open basis. The amortization period as of February 28, 2014 was 20 years for the general division and 22 years for the police division.

The following is a summary of trend information for the current and preceding two years:

<u>September 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 95,477	97.7%	\$ 5,136
2013	105,567	94.6	10,824
2014	104,220	99.6	7,041

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS

As of February 29, 2014, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$2,064,154. The actuarial value of assets was \$1,952,677, which results in a deficit funding of the unfunded accrued liability (UAL) of \$111,477 and a funded ratio of 95 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$854,024, which results in a ratio of the deficit funding of the UAL to the covered payroll of 13 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	Nonmajor Governmental Funds	Golf Fund	
General Fund	\$ -	\$ 10,000	\$ 4,467	\$ 10,000	\$ 24,467
Park & Recreation Fund	32,520	-	45,900	-	78,420
Nonmajor Governmental Funds	192,160	70,500	-	-	262,660
Golf Fund	-	-	1,000	-	1,000
Other Proprietary Funds	-	-	1,900	-	1,900
Total	<u>\$ 224,680</u>	<u>\$ 80,500</u>	<u>\$ 53,267</u>	<u>\$ 10,000</u>	<u>\$ 368,447</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 – COMPONENTS OF FUND BALANCE

At September 30, 2014, 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	<u>General</u>	<u>Parks & Recreation</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid items	\$ 38,487	\$ 11,771	\$ -	\$ 50,258
Permanent fund principal	-	-	158,558	158,558
Restricted:				
Park improvements	-	-	1,942	1,942
Park and cemetery improvements	-	-	4,201	4,201
Debt service	-	-	468,581	468,581
Streets and public works	484,295	-	-	484,295
Assigned:				
Parks and recreation operations	-	107,743	-	107,743
Unassigned	438,248	-	-	438,248
Total	<u>\$ 961,030</u>	<u>\$ 119,514</u>	<u>\$ 633,282</u>	<u>\$ 1,713,826</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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.

In June 2014, the City signed a contract in the amount of \$161,000 for the repair and painting of a water tower. The City also accepted a bid for street repair in the amount of \$134,015. The work related to both projects was not completed as of September 30, 2014.

CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014 through June 30, 2015, was \$103,256.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 12 – CORRECTION OF AN ERROR

Prior to the year ended September 30, 2014, the City had not maintained a detailed listing of governmental activities capital assets, nor had the City applied depreciation expense against the balance of governmental activities capital assets which was recorded. During the year ended September 30, 2014, management has accumulated a detail listing of the assets and has begun to depreciate those assets. Management has determined that as of October 1, 2013, the estimated cost of governmental activities capital assets was understated by \$503,981, and accumulated depreciation was understated by \$2,919,301. In order to make this correction, the balance of net position of the governmental activities was decreased by \$2,415,320.

	Balance as Previously Stated	Prior Period Adjustment	Balance as Restated
Net position - Governmental activities	<u>\$ 6,222,558</u>	<u>\$ (2,415,320)</u>	<u>\$ 3,807,238</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SAVANNAH, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
REVENUES				
Taxes	\$ 1,306,900	\$ 1,469,214	\$ 1,467,529	\$ (1,685)
Penalties and interest on delinquent taxes	800	987	987	-
Licenses and permits	13,400	18,082	18,002	(80)
Intergovernmental revenues	6,200	193,699	106,494	(87,205)
Fines and forfeits	17,100	19,996	19,382	(614)
Interest	1,000	1,268	1,268	-
Other revenue	9,550	121,728	162,902	41,174
	<u>1,354,950</u>	<u>1,824,974</u>	<u>1,776,564</u>	<u>(48,410)</u>
Total revenues				
EXPENDITURES				
General government	812,000	963,168	533,933	(429,235)
Public safety	384,350	463,957	563,300	99,343
Public works	702,100	996,573	570,698	(425,875)
Other expenditures	18,000	18,000	17,434	(566)
	<u>1,916,450</u>	<u>2,441,698</u>	<u>1,685,365</u>	<u>(756,333)</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(561,500)</u>	<u>(616,724)</u>	<u>91,199</u>	<u>707,923</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-		79,490	79,490
Transfers in	20,000	24,467	24,467	-
Transfers out	(258,500)	(320,160)	(224,680)	95,480
	<u>(238,500)</u>	<u>(295,693)</u>	<u>(120,723)</u>	<u>174,970</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE				
	(800,000)	(912,417)	(29,524)	882,893
FUND BALANCE - BEGINNING OF YEAR				
	990,554	990,554	990,554	-
FUND BALANCE - END OF YEAR				
	<u>\$ 190,554</u>	<u>\$ 78,137</u>	<u>\$ 961,030</u>	<u>\$ 882,893</u>

See accompanying Notes to Required Supplementary Information

CITY OF SAVANNAH, MISSOURI
BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND
YEAR ENDED SEPTEMBER 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
REVENUES				
Taxes	\$ 314,000	\$ 342,968	\$ 341,581	\$ (1,387)
Penalties and interest on delinquent taxes	1,000	1,000	616	(384)
Licenses and permits	21,750	21,750	17,455	(4,295)
Charges for services	84,700	88,060	86,296	(1,764)
Interest	200	200	198	(2)
Other revenue	500	6,161	5,968	(193)
	<u>422,150</u>	<u>460,139</u>	<u>452,114</u>	<u>(8,025)</u>
EXPENDITURES				
Culture and recreation	367,150	398,311	372,494	(25,817)
Debt service - principal	44,000	47,068	43,918	(3,150)
	<u>411,150</u>	<u>445,379</u>	<u>416,412</u>	<u>(28,967)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>11,000</u>	<u>14,760</u>	<u>35,702</u>	<u>20,942</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	29,000	78,420	78,420	-
Transfers out	(70,000)	(80,500)	(80,500)	-
	<u>(41,000)</u>	<u>(2,080)</u>	<u>(2,080)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE				
	(30,000)	12,680	33,622	20,942
FUND BALANCE - BEGINNING OF YEAR				
	<u>85,892</u>	<u>85,892</u>	<u>85,892</u>	<u>-</u>
FUND BALANCE - END OF YEAR				
	<u>\$ 55,892</u>	<u>\$ 98,572</u>	<u>\$ 119,514</u>	<u>\$ 20,942</u>

See accompanying Notes to Required Supplementary Information

**CITY OF SAVANNAH, MISSOURI
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED SEPTEMBER 30, 2014**

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:

	Expenditures and Transfers Out	Budget	Excess
Senior Center CDBG	\$ 300,000	\$ -	\$ 300,000

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED SEPTEMBER 30, 2014**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
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%
9/30/2014	2/28/2014	1,952,677	2,064,154	111,477	95%	854,024	13%

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, 2014**

	<u>Special Revenue</u>		<u>Debt Service</u>			<u>Permanent</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Chester Baum</u>	<u>Pool Bond</u>	<u>Park and Recreation COP's</u>	<u>NID Bonds</u>	<u>Street Drainage COP's</u>	<u>Alma Martin</u>	<u>Duncan- Kubach</u>	
ASSETS								
Pooled cash	\$ 1,942	\$ -	\$ -	\$ -	\$ 56,598	\$ 1,335	\$ 866	\$ 60,741
Restricted cash	-	59,430	92,538	-	260,015	-	-	411,983
Certificates of deposit	-	-	-	-	-	60,000	100,558	160,558
Taxes receivable	-	846	-	-	-	-	-	846
Special assessments receivable	-	-	-	25,688	-	-	-	25,688
Total assets	<u>\$ 1,942</u>	<u>\$ 60,276</u>	<u>\$ 92,538</u>	<u>\$ 25,688</u>	<u>\$ 316,613</u>	<u>\$ 61,335</u>	<u>\$ 101,424</u>	<u>\$ 659,816</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	\$ -	\$ 846	\$ -	\$ 25,688	\$ -	\$ -	\$ -	\$ 26,534
Total deferred inflows of resources	<u>-</u>	<u>846</u>	<u>-</u>	<u>25,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,534</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	58,000	100,558	158,558
Restricted	1,942	59,430	92,538	-	316,613	3,335	866	474,724
Total fund balances	<u>1,942</u>	<u>59,430</u>	<u>92,538</u>	<u>-</u>	<u>316,613</u>	<u>61,335</u>	<u>101,424</u>	<u>633,282</u>
Total deferred inflows of resources and fund balances	<u>\$ 1,942</u>	<u>\$ 60,276</u>	<u>\$ 92,538</u>	<u>\$ 25,688</u>	<u>\$ 316,613</u>	<u>\$ 61,335</u>	<u>\$ 101,424</u>	<u>\$ 659,816</u>

**CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Special Revenue</u>		<u>Debt Service</u>			<u>Permanent</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Chester Baum</u>	<u>Pool Bond</u>	<u>Park and Recreation COP's</u>	<u>NID Bonds</u>	<u>Street Drainage COP's</u>	<u>Alma Martin</u>	<u>Duncan- Kubach</u>	
REVENUES								
Property taxes	\$ -	\$ 73,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,559
Other taxes	-	667	-	-	-	-	-	667
Special assessments	-	-	-	4,467	-	-	-	4,467
Penalties and interest on delinquent taxes	-	281	-	-	-	-	-	281
Interest	27	94	205	-	108	773	1	1,208
Total revenues	27	74,601	205	4,467	108	773	1	80,182
EXPENDITURES								
Culture and recreation:								
Current	795	-	-	-	-	-	-	795
Debt service:								
Principal	-	-	30,000	-	200,000	-	-	230,000
Interest	-	21,267	30,207	-	27,530	-	-	79,004
Fees	-	527	-	-	-	-	-	527
Total expenditures	795	21,794	60,207	-	227,530	-	-	310,326
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(768)	52,807	(60,002)	4,467	(227,422)	773	1	(230,144)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	70,500	-	192,160	-	-	262,660
Transfers out	(44,000)	-	-	(4,467)	-	(1,800)	(3,000)	(53,267)
Total other financing sources (uses)	(44,000)	-	70,500	(4,467)	192,160	(1,800)	(3,000)	209,393
NET CHANGE IN FUND BALANCES	(44,768)	52,807	10,498	-	(35,262)	(1,027)	(2,999)	(20,751)
FUND BALANCES - BEGINNING OF YEAR	46,710	6,623	82,040	-	351,875	62,362	104,423	654,033
FUND BALANCES - END OF YEAR	\$ 1,942	\$ 59,430	\$ 92,538	\$ -	\$ 316,613	\$ 61,335	\$ 101,424	\$ 633,282

**CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF NET POSITION – NONMAJOR
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	Clasbey Center	Cemetery	Total
ASSETS			
CURRENT ASSETS			
Pooled cash and cash equivalents	\$ 25,221	\$ 83,560	\$ 108,781
Prepaid items	386	2,633	3,019
Total current assets	25,607	86,193	111,800
CAPITAL ASSETS			
Non-depreciable:			
Land	-	15,699	15,699
Depreciable:			
Property, plant and equipment, at cost	531,244	118,929	650,173
Accumulated depreciation	(468,537)	(118,929)	(587,466)
Total property and equipment	62,707	15,699	78,406
TOTAL ASSETS	\$ 88,314	\$ 101,892	\$ 190,206
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 8,471	\$ 485	\$ 8,956
Accrued payroll and related benefits	394	1,232	1,626
Current maturities of long-term debt	156	4,535	4,691
Total current liabilities	9,021	6,252	15,273
LONG-TERM LIABILITIES			
Long-term debt, less current maturities above	135	3,089	3,224
Total liabilities	9,156	9,341	18,497
NET POSITION			
Net investment in capital assets	62,707	15,699	78,406
Restricted for cemetery	-	45,596	45,596
Unrestricted	16,451	31,256	47,707
Total net position	79,158	92,551	171,709
TOTAL LIABILITIES AND NET POSITION	\$ 88,314	\$ 101,892	\$ 190,206

**CITY OF SAVANNAH, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED SEPTEMBER 30, 2014**

	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 26,690	\$ 25,401	\$ 52,091
OPERATING EXPENSES			
Personnel services	15,240	27,440	42,680
Utilities	8,390	1,919	10,309
Contractual services	450	-	450
Insurance	561	6,077	6,638
Repair and maintenance	12,193	3,997	16,190
Materials and supplies	1,194	3,948	5,142
Depreciation and amortization	17,516	-	17,516
Total operating expenses	<u>55,544</u>	<u>43,381</u>	<u>98,925</u>
Operating income (loss)	<u>(28,854)</u>	<u>(17,980)</u>	<u>(46,834)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	204	173	377
Other income	-	500	500
Total non-operating revenues	<u>204</u>	<u>673</u>	<u>877</u>
TRANSFERS			
Transfers in	-	1,900	1,900
CHANGE IN NET POSITION	(28,650)	(15,407)	(44,057)
NET POSITION, BEGINNING OF YEAR	<u>107,808</u>	<u>107,958</u>	<u>215,766</u>
NET POSITION, END OF YEAR	<u>\$ 79,158</u>	<u>\$ 92,551</u>	<u>\$ 171,709</u>

**CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 26,690	\$ 25,901	\$ 52,591
Cash paid to suppliers	(15,819)	(13,745)	(29,564)
Cash paid to employees	<u>(15,253)</u>	<u>(26,674)</u>	<u>(41,927)</u>
Net cash provided (used) by operating activities	<u>(4,382)</u>	<u>(14,518)</u>	<u>(18,900)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash transferred from other funds	<u>-</u>	<u>1,900</u>	<u>1,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>204</u>	<u>173</u>	<u>377</u>
NET INCREASE (DECREASE) IN CASH	(4,178)	(12,445)	(16,623)
CASH - BEGINNING OF YEAR	<u>29,399</u>	<u>96,005</u>	<u>125,404</u>
CASH - END OF YEAR	<u>\$ 25,221</u>	<u>\$ 83,560</u>	<u>\$ 108,781</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (28,854)	\$ (17,980)	\$ (46,834)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	17,516	-	17,516
Nonoperating revenues	-	500	500
(Increase) Decrease in:			
Prepaid items	47	2,566	2,613
Increase (Decrease) in:			
Accounts payable	6,922	(370)	6,552
Accrued payroll	15	136	151
Compensated absences and net pension obligations	<u>(28)</u>	<u>630</u>	<u>602</u>
Net cash provided (used) by operating activities	<u>\$ (4,382)</u>	<u>\$ (14,518)</u>	<u>\$ (18,900)</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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah (the City), as of and for the year ended September 30, 2014, 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 20, 2015.

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 2014-001, 2014-002, and 2014-003 described in the accompanying schedule of findings and recommendations to be 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 2014-004 and 2014-005 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2014-006.

The City of Savannah's Responses 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 20, 2015

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2014**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2014-001 – Financial Statement Preparation

Condition: The City engages CliftonLarsonAllen LLP to audit its financial statements, accompanying disclosures, required supplementary information (RSI), and supplementary information (SI). 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. 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 the administrative function, the City may not have sufficient personnel to prepare the City's financial statements and related disclosures.

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, 2014**

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

2014-002 – Lack of 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.
- Journal entries do not have formal evidence of supervisory review and approval.

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 a lack of 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.

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

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

2014-003 – 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, 2014, the total cash reported in the funds was \$46,622 lower than the balance indicated on the pooled cash reconciliation. Cash in the combined water and wastewater fund was overstated by \$54,400 and cash in the general fund was understated by \$101,822.

When testing for proper cut-off of the bank account, it was noted that \$56,456 of deposits were recorded in October 2014, but should have been included as outstanding deposits at September 30, 2014.

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 reconciling the individual fund cash balances back to the pooled account, the reconciliation may not be complete or accurate, and will not identify errors in recording of transactions. Not ensuring proper cut-off may cause cash balances, revenues, and expenditures to be misstated.

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 for additional assistance and training to reconcile to the pooled cash reports.

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2014-004 – Approval of Expenditures

Condition: During our test of expenditures, it was noted that not all transactions were being signed off as approved.

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 \$45,944, seven transactions totaling \$3,459 were missing an approval signature. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation: We recommend the City document approval for all disbursements.

Response: The City realizes the importance of maintaining internal controls and spends a lot of time diligently reviewing all expenditures. We reviewed the list of transactions without signature to verify there was no common thread and any procedures that needed changed. There was no common factor. The City Administrator will work even harder to verify all documents have the approval signatures.

2014-005 – 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 completed codification and updated the procurement policy. The City will continue to solicit bids for the best prices. If additional changes are necessary, the City requests further instruction from Auditors.

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

COMPLIANCE AND OTHER MATTERS:

2014-006 – Budget

Condition: A budget was not adopted for the Senior Center CDBG fund. On September 24, 2014 the City adopted a budget amendment to “include any activity as part of the CDBG Grant Senior Center project”; however, no specifics related to the fund were included with the attachments to the ordinance. Additionally, expenditures were incurred prior to this date.

Criteria: The City adopts an annual budget in accordance with Chapter 67, RSMo. The budget that is approved by the Board should include all funds 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 additional revenue sources become available.

Response: The Senior Center Project was unusual in that it lasted through changes in staff both at the City and at the other organizations such as Mo-Kan who handled the grant. Mo-Kan originally stated the Senior Center had set up a bank account and would disburse all funds. After the budget year began, that changed and all CDBG funds would go through the City. The Board of Aldermen approved amending the budget including CDBG Senior Center activity in ordinance no. 2652. The City reviews financial reports against budget on a regular basis and will continue to insure that any expenditures are reflected in the budget.