

**CITY OF SAVANNAH, MISSOURI**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2015**

**CITY OF SAVANNAH, MISSOURI  
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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Board of Aldermen and Mayor  
City of Savannah, Missouri

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

We have audited the accompanying financial statements of the 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, 2015, 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, 2015, 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 2014, the City recorded an additional accounts payable item which it did not actually owe. Accordingly, an adjustment has been made to net position as of October 1, 2014, to restate beginning fund balance and net position. Our opinion is not modified with respect to this matter.

***Other Matters***

***Emphasis of Matter***

During fiscal year ended September 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (See Note 12). Our auditors' opinion was not modified with respect to the restatement.

***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 the pension related schedules on pages 41 through 46, 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 47 through 51 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 25, 2016, 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 25, 2016

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SAVANNAH, MISSOURI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 998,033	\$ 1,231,528	\$ 2,229,561
Taxes receivable	235,968	-	235,968
Special assessments receivable	20,524	-	20,524
Accounts receivable, net	-	357,336	357,336
Prepaid items	66,813	35,854	102,667
Inventory	-	54,427	54,427
Restricted assets - Cash and cash equivalents	479,525	1,598,787	2,078,312
Capital assets:			
Nondepreciable	498,436	71,081	569,517
Depreciable, net	5,032,568	9,202,537	14,235,105
Net pension asset	104,495	133,462	237,957
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	108,190	86,931	195,121
	<u>7,544,552</u>	<u>12,771,943</u>	<u>20,316,495</u>
Total assets and deferred outflows of resources			
<b>LIABILITIES</b>			
Accounts payable	50,971	54,816	105,787
Accrued payroll and related benefits	28,531	17,697	46,228
Accrued interest	31,526	97,352	128,878
Customer deposits	-	87,291	87,291
Long-term liabilities:			
Due within one year	313,267	748,050	1,061,317
Due in more than one year	2,803,562	8,246,529	11,050,091
	<u>3,227,857</u>	<u>9,251,735</u>	<u>12,479,592</u>
Total liabilities			
<b>NET POSITION</b>			
Net investment in capital assets	2,459,812	404,855	2,864,667
Restricted for pension	212,685	219,460	432,145
Restricted for debt service	473,326	1,334,564	1,807,890
Restricted for streets and public works	579,041	-	579,041
Restricted for parks	1,946	-	1,946
Restricted for cemetery	-	45,596	45,596
Restricted for permanent funds:			
Expendable	3,837	-	3,837
Nonexpendable	158,558	-	158,558
Unrestricted	427,490	1,515,733	1,943,223
	<u>\$ 4,316,695</u>	<u>\$ 3,520,208</u>	<u>\$ 7,836,903</u>
Total net position			

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



**CITY OF SAVANNAH, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Street Drainage COP's</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Pooled cash	\$ 676,892	\$ 60,138	\$ 96,662	\$ 2,367	\$ 836,059
Restricted cash	92,943	-	227,017	159,565	479,525
Certificates of deposit	-	-	-	161,974	161,974
Taxes receivable	196,811	38,073	-	1,084	235,968
Special assessments receivable	-	-	-	20,524	20,524
Prepaid items	50,395	16,418	-	-	66,813
Total assets	<u>\$ 1,017,041</u>	<u>\$ 114,629</u>	<u>\$ 323,679</u>	<u>\$ 345,514</u>	<u>\$ 1,800,863</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 42,380	\$ 8,591	\$ -	\$ -	\$ 50,971
Accrued payroll and related benefits	22,154	6,377	-	-	28,531
Total liabilities	<u>64,534</u>	<u>14,968</u>	<u>-</u>	<u>-</u>	<u>79,502</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	8,401	5,360	-	21,608	35,369
Total deferred inflows of resources	<u>8,401</u>	<u>5,360</u>	<u>-</u>	<u>21,608</u>	<u>35,369</u>
<b>FUND BALANCES</b>					
Nonspendable	50,395	16,418	-	158,558	225,371
Restricted	579,041	-	323,679	165,348	1,068,068
Assigned	-	77,883	-	-	77,883
Unassigned	314,670	-	-	-	314,670
Total fund balances	<u>944,106</u>	<u>94,301</u>	<u>323,679</u>	<u>323,906</u>	<u>1,685,992</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,017,041</u>	<u>\$ 114,629</u>	<u>\$ 323,679</u>	<u>\$ 345,514</u>	<u>\$ 1,800,863</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, 2015**

**Total Fund Balances - Governmental Funds** \$ 1,685,992

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. 5,531,004

Net pension assets and pension related deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported as assets or deferred outflows in governmental funds.

Net Pension Asset	104,495
Pension Related Deferred Outflows	108,190

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	(45,637)
Bonds payable	(3,020,000)
Capital lease payable	(51,192)

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. 35,369

Governmental funds do not report a liability for accrued interest until due and payable. (31,526)

**Total Net Position - Governmental Activities** \$ 4,316,695

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, 2015**

	General	Parks and Recreation	Street Drainage COP's	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 206,384	\$ 130,149	\$ -	\$ 49,356	\$ 385,889
Sales taxes	861,480	213,441	-	-	1,074,921
Franchise taxes	447,850	-	-	-	447,850
Other taxes	4,918	3,147	-	1,769	9,834
Special assessments	-	-	-	5,164	5,164
Penalties and interest on delinquent taxes	1,841	1,197	-	628	3,666
Licenses and permits	21,767	16,965	-	-	38,732
Intergovernmental revenues	4,292	1,800	-	-	6,092
Charges for services	-	90,598	-	-	90,598
Fines and forfeits	19,012	-	-	-	19,012
Interest	977	218	145	2,193	3,533
Other revenue	57,951	657	-	-	58,608
Total revenues	<u>1,626,472</u>	<u>458,172</u>	<u>145</u>	<u>59,110</u>	<u>2,143,899</u>
<b>EXPENDITURES</b>					
General government:					
Current	339,186	-	-	-	339,186
Public safety:					
Current	463,670	-	-	-	463,670
Capital outlay	18,603	-	-	-	18,603
Public works:					
Current	324,673	-	-	-	324,673
Capital outlay	197,448	-	-	-	197,448
Culture and recreation:					
Current	-	423,980	-	-	423,980
Capital outlay	-	27,540	-	-	27,540
Debt service:					
Principal	13,283	-	215,000	50,000	278,283
Interest	3,781	-	90,079	50,210	144,070
Fees	-	-	-	-	-
Total expenditures	<u>1,360,644</u>	<u>451,520</u>	<u>305,079</u>	<u>100,210</u>	<u>2,217,453</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>265,828</u>	<u>6,652</u>	<u>(304,934)</u>	<u>(41,100)</u>	<u>(73,554)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds on sale of capital assets	-	350	-	-	350
Transfers in	25,168	33,487	312,000	55,702	426,357
Transfers out	<u>(344,520)</u>	<u>(65,702)</u>	<u>-</u>	<u>(7,365)</u>	<u>(417,587)</u>
Total other financing sources (uses)	<u>(319,352)</u>	<u>(31,865)</u>	<u>312,000</u>	<u>48,337</u>	<u>9,120</u>
<b>NET CHANGE IN FUND BALANCES</b>	(53,524)	(25,213)	7,066	7,237	(64,434)
<b>FUND BALANCES - BEGINNING OF YEAR AS RESTATED</b>	<u>997,630</u>	<u>119,514</u>	<u>316,613</u>	<u>316,669</u>	<u>1,750,426</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 944,106</u>	<u>\$ 94,301</u>	<u>\$ 323,679</u>	<u>\$ 323,906</u>	<u>\$ 1,685,992</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, 2015**

**Net Change in Fund Balances - Total Governmental Funds** \$ (64,434)

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	243,591
Depreciation expense	(341,603)

Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net pension asset	(47,477)
Change in pension related deferred outflows	93,073

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	7,178
Debt principal retirement	278,283

Non-cash grant for capital assets does not provide current financial resources in the governmental funds, but is considered revenue in the statement of activities.	39,052
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The statement of activities reports tax revenues that do not provide current financial resources and are not reported as revenues in the governmental funds.	(38,699)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as interest accrues, regardless of when it is due.	<u>1,266</u>
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<b>Change in Net Position - Governmental Activities</b>	<u><u>\$ 170,230</u></u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF SAVANNAH, MISSOURI**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

<b>ASSETS</b>	<b>Combined Water and Wastewater</b>	<b>Sanitation</b>	<b>Golf</b>	<b>Other Proprietary Funds</b>	<b>Total Proprietary Funds</b>
<b>CURRENT ASSETS</b>					
Pooled cash and cash equivalents	\$ 959,118	\$ 108,133	\$ 76,344	\$ 87,933	\$ 1,231,528
Accounts receivable, net	322,043	35,293	-	-	357,336
Prepaid items	18,658	-	13,213	3,983	35,854
Inventory	-	-	54,427	-	54,427
Total current assets	<u>1,299,819</u>	<u>143,426</u>	<u>143,984</u>	<u>91,916</u>	<u>1,679,145</u>
<b>RESTRICTED ASSETS</b>					
Cash and cash equivalents	<u>1,513,225</u>	<u>61,024</u>	<u>24,538</u>	<u>-</u>	<u>1,598,787</u>
Total restricted assets	<u>1,513,225</u>	<u>61,024</u>	<u>24,538</u>	<u>-</u>	<u>1,598,787</u>
<b>CAPITAL ASSETS</b>					
Non-depreciable:					
Land	55,382	-	-	15,699	71,081
Depreciable:					
Property, plant and equipment, at cost	13,753,354	188,664	2,086,052	650,755	16,678,825
Accumulated depreciation	<u>(4,793,580)</u>	<u>(186,742)</u>	<u>(1,893,189)</u>	<u>(602,777)</u>	<u>(7,476,288)</u>
Total property and equipment, net	<u>9,015,156</u>	<u>1,922</u>	<u>192,863</u>	<u>63,677</u>	<u>9,273,618</u>
<b>OTHER ASSETS</b>					
Net Pension Asset	<u>102,288</u>	<u>8,469</u>	<u>15,689</u>	<u>7,016</u>	<u>133,462</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related Deferred Outflows	<u>66,421</u>	<u>5,579</u>	<u>10,428</u>	<u>4,503</u>	<u>86,931</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 11,996,909</u></u>	<u><u>\$ 220,420</u></u>	<u><u>\$ 387,502</u></u>	<u><u>\$ 167,112</u></u>	<u><u>\$ 12,771,943</u></u>

<b>LIABILITIES AND NET POSITION</b>	<b>Combined Water and Wastewater</b>	<b>Sanitation</b>	<b>Golf</b>	<b>Other Proprietary Funds</b>	<b>Total Proprietary Funds</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 23,507	\$ 23,964	\$ 6,880	\$ 465	\$ 54,816
Accrued payroll and benefits	9,286	-	5,979	2,432	17,697
Accrued interest	97,088	-	264	-	97,352
Customer deposits	87,291	-	-	-	87,291
Current maturities of long-term liabilities	704,560	2,110	36,605	4,775	748,050
Total current liabilities	<u>921,732</u>	<u>26,074</u>	<u>49,728</u>	<u>7,672</u>	<u>1,005,206</u>
<b>LONG-TERM LIABILITIES</b>					
Long-term liabilities, less current maturities above	8,130,300	62,431	50,615	3,183	8,246,529
Total liabilities	<u>9,052,032</u>	<u>88,505</u>	<u>100,343</u>	<u>10,855</u>	<u>9,251,735</u>
<b>NET POSITION</b>					
Net investment in capital assets	230,156	1,922	109,100	63,677	404,855
Restricted for debt service	1,311,028	-	23,536	-	1,334,564
Restricted for pension	168,709	13,115	26,117	11,519	219,460
Restricted for cemetery	-	-	-	45,596	45,596
Unrestricted	1,234,984	116,878	128,406	35,465	1,515,733
Total net position	<u>2,944,877</u>	<u>131,915</u>	<u>287,159</u>	<u>156,257</u>	<u>3,520,208</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 11,996,909</u>	<u>\$ 220,420</u>	<u>\$ 387,502</u>	<u>\$ 167,112</u>	<u>\$ 12,771,943</u>

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

**CITY OF SAVANNAH, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**

	<b>Combined Water and Wastewater</b>	<b>Sanitation</b>	<b>Golf</b>	<b>Other Proprietary Funds</b>	<b>Total Proprietary Funds</b>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 2,462,570	\$ 283,102	\$ 397,931	\$ 54,726	\$ 3,198,329
<b>OPERATING EXPENSES</b>					
Personnel services	413,497	31,715	154,009	42,074	641,295
Utilities	173,442	-	15,560	9,240	198,242
Contractual services	33,366	290,305	2,191	180	326,042
Insurance	31,575	-	14,317	4,346	50,238
Repair and maintenance	157,192	1,131	17,231	3,756	179,310
Materials and supplies	147,547	4,169	123,013	3,920	278,649
Depreciation and amortization	409,374	(2,368)	26,798	17,810	451,614
Total operating expenses	1,365,993	324,952	353,119	81,326	2,125,390
Operating income (loss)	1,096,577	(41,850)	44,812	(26,600)	1,072,939
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	5,159	1,612	108	491	7,370
Interest expense	(304,493)	-	(7,124)	-	(311,617)
Gain on sale of equipment	7,017	-	-	-	7,017
Other income (expense)	3,583	-	(126)	454	3,911
Total non-operating revenues (expenses)	(288,734)	1,612	(7,142)	945	(293,319)
<b>TRANSFERS</b>					
Transfers in	-	-	267	967	1,234
Transfers out	-	-	(10,004)	-	(10,004)
Net transfers in (out)	-	-	(9,737)	967	(8,770)
<b>CHANGE IN NET POSITION</b>	807,843	(40,238)	27,933	(24,688)	770,850
<b>NET POSITION, BEGINNING OF YEAR</b>	2,137,034	172,153	259,226	180,945	2,749,358
<b>NET POSITION, END OF YEAR</b>	\$ 2,944,877	\$ 131,915	\$ 287,159	\$ 156,257	\$ 3,520,208

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, 2015**

	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,456,577	\$ 281,695	\$ 397,805	\$ 55,180	\$ 3,191,257
Cash paid to suppliers	(540,933)	(294,235)	(174,913)	(30,897)	(1,040,978)
Cash paid to employees	(427,486)	(33,054)	(161,750)	(43,508)	(665,798)
Net cash provided (used) by operating activities	<u>1,488,158</u>	<u>(45,594)</u>	<u>61,142</u>	<u>(19,225)</u>	<u>1,484,481</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash transferred to (from) other funds	-	-	(9,737)	967	(8,770)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of equipment	(279,386)	-	-	(3,081)	(282,467)
	10,750	-	-	-	10,750
Payments on long-term debt	(643,250)	-	(32,326)	-	(675,576)
Interest paid on long-term debt	(312,384)	-	(7,243)	-	(319,627)
Net cash provided (used) by capital and related financing activities	<u>(1,224,270)</u>	<u>-</u>	<u>(39,569)</u>	<u>(3,081)</u>	<u>(1,266,920)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>5,159</u>	<u>1,612</u>	<u>108</u>	<u>491</u>	<u>7,370</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	269,047	(43,982)	11,944	(20,848)	216,161
<b>CASH - BEGINNING OF YEAR</b>	<u>2,203,296</u>	<u>213,139</u>	<u>88,938</u>	<u>108,781</u>	<u>2,614,154</u>
<b>CASH - END OF YEAR</b>	<u>\$ 2,472,343</u>	<u>\$ 169,157</u>	<u>\$ 100,882</u>	<u>\$ 87,933</u>	<u>\$ 2,830,315</u>
<b>CASH REPORTED ON THE STATEMENT OF NET POSITION:</b>					
Pooled cash and cash equivalents	\$ 959,118	\$ 108,133	\$ 76,344	\$ 87,933	\$ 1,231,528
Restricted cash and cash equivalents	<u>1,513,225</u>	<u>61,024</u>	<u>24,538</u>	<u>-</u>	<u>1,598,787</u>
Total cash and cash equivalents	<u>\$ 2,472,343</u>	<u>\$ 169,157</u>	<u>\$ 100,882</u>	<u>\$ 87,933</u>	<u>\$ 2,830,315</u>

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, 2015**

	<b>Combined Water and Wastewater</b>	<b>Sanitation</b>	<b>Golf</b>	<b>Other Proprietary Funds</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 1,096,577	\$ (41,850)	\$ 44,812	\$ (26,600)	\$ 1,072,939
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	409,374	536	26,798	17,810	454,518
Amortization	-	(2,904)	-	-	(2,904)
Nonoperating revenues	3,583	-	(126)	454	3,911
(Increase) Decrease in:					
Accounts receivable	(8,082)	(1,407)	-	-	(9,489)
Prepaid items	(4,408)	-	(3,300)	(964)	(8,672)
Inventory	-	-	(1,126)	-	(1,126)
Net pension asset	23,969	1,984	3,677	1,644	31,274
Pension related deferred outflows	(58,640)	(4,854)	(8,995)	(4,023)	(76,512)
Increase (Decrease) in:					
Accounts payable	6,597	1,370	1,825	(8,491)	1,301
Accrued payroll	(1,733)	(744)	(1,602)	806	(3,273)
Compensated absences	22,415	2,275	(821)	139	24,008
Customer deposits	(1,494)	-	-	-	(1,494)
Net cash provided (used) by operating activities	<u>\$ 1,488,158</u>	<u>\$ (45,594)</u>	<u>\$ 61,142</u>	<u>\$ (19,225)</u>	<u>\$ 1,484,481</u>

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

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**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, 2015, 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, 2015**

**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, 2015**

**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, 2015**

**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.

**Street Drainage COP's Fund**

The Street Drainage COP's Fund is a debt service fund that accounts for resources used to retire Series 2007 Street Drainage Certificates of Participation.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**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, 2015**

**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 \$132,071 and \$12,191 in the Combined Water and Wastewater and Sanitation funds, respectively. Those funds establish an allowance for doubtful accounts based on the status of accounts receivable at year-end, historical losses, and existing economic conditions. 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, 2015, which will be recognized as expenses in future periods.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**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, 2015**

**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, 2015**

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

**FUND EQUITY (CONTINUED)**

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, 2015, the Alma Martin Trust Fund had net appreciation on cash and investments of \$421. 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 \$2,356 as of September 30, 2015.

During the year ended September 30, 2015, the Duncan-Kubach Trust Fund had net appreciation on cash and investments of \$1,416. 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 \$1,481 as of September 30, 2015.

**CITY OF SAVANNAH, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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 Street Drainage COP, Park and Recreation COP, and Pool Bond funds for the year ended September 30, 2015.

**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, 2015, 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, 2015 is as follows:

Cash on hand	\$ 850
Demand deposits	3,603,005
Short-term investments held in trust	370,589
Certificates of deposit	<u>333,429</u>
Total deposits	<u><u>\$ 4,307,873</u></u>

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

Pooled cash and cash equivalents	\$ 2,229,561
Restricted cash and cash equivalents	<u>2,078,312</u>
Total cash and cash equivalents	<u><u>\$ 4,307,873</u></u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 4 – CAPITAL ASSETS**

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities**

General government	\$ 4,829
Public safety	38,777
Public works	168,309
Culture and recreation	<u>129,688</u>

Total Depreciation Expense, Governmental Activities \$ 341,603

**Business-Type Activities**

Water and wastewater	\$ 409,374
Sanitation	536
Golf course	26,798
Clasbey Community Center	<u>17,810</u>

Total Depreciation Expense, Business-Type Activities \$ 454,518

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the year ended September 30, 2015 is as follows:

	<b>Balance October 1, 2014</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance September 30, 2015</b>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 498,436	\$ -	\$ -	\$ 498,436
Capital Assets, Being Depreciated:				
Buildings, plant, and improvements	3,304,005	18,540	-	3,322,545
Streets	3,936,412	152,545	-	4,088,957
Equipment	1,092,688	111,558	11,000	1,193,246
Total Capital Assets, Being Depreciated	8,333,105	282,643	11,000	8,604,748
Total Capital Assets	8,831,541	282,643	11,000	9,103,184
Less: Accumulated Depreciation	3,241,577	341,603	11,000	3,572,180
Governmental Activities Capital Assets, Net	<u>\$ 5,589,964</u>	<u>\$ (58,960)</u>	<u>\$ -</u>	<u>\$ 5,531,004</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,081	\$ -	\$ -	\$ 71,081
Capital Assets, Being Depreciated:				
Buildings, plant, and improvements	17,764,430	164,082	4,684,349	13,244,163
Land improvements	605,577	-	-	605,577
Equipment	3,252,615	118,386	541,916	2,829,085
Total Capital Assets, Being Depreciated	21,622,622	282,468	5,226,265	16,678,825
Total Capital Assets	21,693,703	282,468	5,226,265	16,749,906
Less: Accumulated Depreciation	12,244,301	454,518	5,222,531	7,476,288
Business-Type Activities Capital Assets, Net	<u>\$ 9,449,402</u>	<u>\$ (172,050)</u>	<u>\$ 3,734</u>	<u>\$ 9,273,618</u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 5 – LONG-TERM INDEBTEDNESS**

The following is a summary of long-term debt of the City at September 30, 2015:

**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%.	\$ 535,000
\$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%.	1,855,000
\$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%.	630,000
\$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.	51,192
Compensated absences	<u>45,637</u>
Total Governmental Activities	<u><u>\$ 3,116,829</u></u>

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

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**Business-Type Activities**

\$3,300,000 Series 2007 Revenue Bonds for the purpose of improving the water and sewer systems. Annual installments of \$60,000 to \$750,000 through 2026; interest at 4.0% to 5.25%.	\$ 2,605,000
\$5,670,000 Series 2013 Revenue Bonds (Refunding Series 2003 and 2004 Revenue Bonds) for the purpose of improving the water and sewer systems. Annual installments of \$205,000 to \$555,000 through 2026; interest at 2.65%.	5,040,000
\$1,500,000 Series 2003 Revenue Bonds with the State Environmental Improvement and Energy Resources Authority, State Revolving Fund program for the purpose of water pollution control improvements. Annual installments of \$55,000 to \$110,000 through 2024; interest at 3.5% to 5.0%. The City receives a subsidy for a portion of the interest.	820,000
\$570,000 Series 2004 Certificates of Participation for the purpose of improving the sewer system. Annual installments of \$15,000 to \$45,000 through 2024; interest at 3.125% to 5.125%.	320,000
\$400,000 Series 1999 Certificates of Participation for the purpose of golf course improvements. Annual installments of \$20,000 to \$30,000 through 2017; interest at 5.5% to 5.75%.	55,000
\$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.	28,763
Landfill	61,024
Compensated absences	64,792
Total Business-Type Activities	<u><u>\$ 8,994,579</u></u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2015:

	<b>Balance October 1, 2014</b>	<b>Adjustments/ Additions</b>	<b>Adjustments/ Retired</b>	<b>Balance September 30, 2015</b>	<b>Current Portion</b>
<b>Governmental Activities:</b>					
2007 Park COP	\$ 565,000	\$ -	\$ 30,000	\$ 535,000	\$ 30,000
2012 Street Drainage COP	2,070,000	-	215,000	1,855,000	220,000
2013 Pool Bonds	650,000	-	20,000	630,000	20,000
Storm sirens capital lease	64,475	-	13,283	51,192	15,885
Compensated absences	52,815	70,950	78,128	45,637	27,382
	<u>\$ 3,402,290</u>	<u>\$ 70,950</u>	<u>\$ 356,411</u>	<u>\$ 3,116,829</u>	<u>\$ 313,267</u>
Total					
<b>Business-Type Activities:</b>					
2007 Water and Sewer Revenue Bonds	\$ 2,700,000	\$ -	\$ 95,000	\$ 2,605,000	\$ 100,000
2013 Water and Sewer Revenue Bonds	5,375,000	-	335,000	5,040,000	465,000
2003 Sewer Revenue Bonds	889,250	-	69,250	820,000	75,000
1994 Sewer Revenue Bonds	67,000	-	67,000	-	-
2010 Water Meter Lease	47,000	-	47,000	-	-
2004 Sewer COP	350,000	-	30,000	320,000	30,000
1999 Golf COP	80,000	-	25,000	55,000	25,000
Landfill	63,928	-	2,904	61,024	-
Golf mowers capital lease	36,089	-	7,326	28,763	9,531
Compensated absences	40,784	27,850	3,842	64,792	43,519
	<u>\$ 9,649,051</u>	<u>\$ 27,850</u>	<u>\$ 682,322</u>	<u>\$ 8,994,579</u>	<u>\$ 748,050</u>
Total					

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

The annual debt service requirement to amortize all debt outstanding as of September 30, 2015, exclusive of compensated absences 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
2016	\$ 30,000	\$ 26,237	\$ 56,237	\$ 220,000	\$ 49,698	\$ 269,698	\$ 20,000	\$ 20,150	\$ 40,150	\$ 15,885	\$ 1,178	\$ 17,063
2017	30,000	24,812	54,812	220,000	45,160	265,160	25,000	19,419	44,419	16,339	725	17,064
2018	35,000	23,387	58,387	225,000	39,954	264,954	25,000	18,606	43,606	18,968	258	19,226
2019	35,000	21,725	56,725	230,000	33,942	263,942	25,000	17,794	42,794	-	-	-
2020	35,000	20,062	55,062	235,000	54,925	289,925	30,000	16,900	46,900	-	-	-
2021-2025	210,000	72,150	282,150	725,000	-	725,000	160,000	69,550	229,550	-	-	-
2026-2030	160,000	13,500	173,500	-	-	-	200,000	40,462	240,462	-	-	-
2031-2033	-	-	-	-	-	-	145,000	7,231	152,231	-	-	-
Total	<u>\$ 535,000</u>	<u>\$ 201,873</u>	<u>\$ 736,873</u>	<u>\$ 1,855,000</u>	<u>\$ 223,679</u>	<u>\$ 2,078,679</u>	<u>\$ 630,000</u>	<u>\$ 210,112</u>	<u>\$ 840,112</u>	<u>\$ 51,192</u>	<u>\$ 2,161</u>	<u>\$ 53,353</u>

Year Ended September 30,	Total		
	Principal Maturities	Interest Maturities	Total
2016	\$ 285,885	\$ 97,263	\$ 383,148
2017	291,339	90,116	381,455
2018	303,968	82,205	386,173
2019	290,000	73,461	363,461
2020	300,000	91,887	391,887
2021-2025	1,095,000	141,700	1,236,700
2026-2030	360,000	53,962	413,962
2031-2033	145,000	7,231	152,231
Total	<u>\$ 3,071,192</u>	<u>\$ 637,825</u>	<u>\$ 3,709,017</u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

Business-Type Activities												
Year Ended September 30,	2007 Revenue Bonds			2013 Revenue Bonds			2003 SRF Revenue Bonds			2004 COP's		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2016	\$ 100,000	\$ 117,225	\$ 217,225	\$ 465,000	\$ 133,560	\$ 598,560	\$ 75,000	\$ 32,800	\$ 107,800	\$ 30,000	\$ 15,160	\$ 45,160
2017	100,000	112,725	212,725	480,000	121,237	601,237	80,000	37,250	117,250	30,000	13,720	43,720
2018	-	126,262	126,262	485,000	108,517	593,517	80,000	33,250	113,250	30,000	12,280	42,280
2019	-	126,262	126,262	500,000	95,665	595,665	85,000	29,250	114,250	35,000	10,720	45,720
2020	-	126,262	126,262	515,000	82,415	597,415	90,000	22,000	112,000	35,000	9,040	44,040
2021-2025	990,000	494,220	1,484,220	2,390,000	201,798	2,591,798	410,000	52,170	462,170	160,000	17,169	177,169
2026	1,415,000	67,920	1,482,920	205,000	5,432	210,432	-	-	-	-	-	-
Total	<u>\$ 2,605,000</u>	<u>\$ 1,170,876</u>	<u>\$ 3,775,876</u>	<u>\$ 5,040,000</u>	<u>\$ 748,624</u>	<u>\$ 5,788,624</u>	<u>\$ 820,000</u>	<u>\$ 206,720</u>	<u>\$ 1,026,720</u>	<u>\$ 320,000</u>	<u>\$ 78,089</u>	<u>\$ 398,089</u>
Year Ended September 30,	1999 COP's			Golf Mowers Capital Lease			Total					
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total			
2016	\$ 25,000	\$ 2,444	\$ 27,444	\$ 9,530	\$ 678	\$ 10,208	\$ 704,530	\$ 301,867	\$ 1,006,397			
2017	30,000	862	30,862	9,549	458	10,007	729,549	286,252	1,015,801			
2018	-	-	-	9,684	232	9,916	604,684	280,541	885,225			
2019	-	-	-	-	-	-	620,000	261,897	881,897			
2020	-	-	-	-	-	-	640,000	239,717	879,717			
2021-2025	-	-	-	-	-	-	3,950,000	765,357	4,715,357			
2026	-	-	-	-	-	-	1,620,000	73,352	1,693,352			
Total	<u>\$ 55,000</u>	<u>\$ 3,306</u>	<u>\$ 58,306</u>	<u>\$ 28,763</u>	<u>\$ 1,368</u>	<u>\$ 30,131</u>	<u>\$ 8,868,763</u>	<u>\$ 2,208,983</u>	<u>\$ 11,077,746</u>			

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**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, 2015 of \$61,024, 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 \$61,024 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, 2015, 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, 2015**

**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	Street Drainage COP's	Nonmajor Governmental Funds	Combined Water & Wastewater	Sanitation Fund	Golf Fund	Total
Fire department							
sales tax	\$ 92,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,943
Landfill post-closure	-	-	-	-	61,024	-	61,024
Customer deposits	-	-	-	105,109	-	-	105,109
Debt service, replacement, and reserve accounts	-	227,017	159,565	1,408,116	-	24,538	1,819,236
Total	<u>\$ 92,943</u>	<u>\$ 227,017</u>	<u>\$ 159,565</u>	<u>\$ 1,513,225</u>	<u>\$ 61,024</u>	<u>\$ 24,538</u>	<u>\$ 2,078,312</u>

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**Plan Description**

The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at [www.molagers.org](http://www.molagers.org).

**Benefits Provided**

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

	2015 Valuation
Benefit Multiplier	1.60%
Final Average Salary	5 Years
Member Contributions	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

**Employees Covered by Benefit Terms**

At June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Ben	11
Inactive Employees Entitled to but not yet Receiving Benefits	10
Active Employees	23
Total	44

**Contributions**

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates were 12% of annual covered payroll for the general division, and 10% of annual covered payroll for the police division, for the year ending September 30, 2015.

**Net Pension Liability**

The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

**Actuarial Assumptions**

The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions

Inflation	3.5% Wage Inflation; 3.0% Price Inflation
Salary Increase	3.5% to 6.8% Including Wage Inflation
Investment Rate of Return	7.25%, Net of Investment and Administrative Expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

**Discount Rate**

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 2,782,408	\$ 3,099,117	\$ (316,709)
Changes for the Year:			
Service Cost	83,158	-	83,158
Interest	202,541	-	202,541
Difference Between Expected and Actual Experience	41,135	-	41,135
Contributions - Employer	-	110,991	(110,991)
Contributions - Employee	-	-	-
Net Investment Income	-	60,977	(60,977)
Benefit Payments, Including Refunds	(60,240)	(60,240)	-
Administrative Expense	-	(3,914)	3,914
Other Changes	-	80,028	(80,028)
Net Changes	266,594	187,842	78,752
Balances at June 30, 2015	\$ 3,049,002	\$ 3,286,959	\$ (237,957)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the District's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Rate Assumption 7.25%	1% Increase 8.25%
Net Pension Liability/(Asset) (NPL)	\$ 191,440	\$ (237,957)	\$ (597,777)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$21,657, and reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 33,503	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	134,583	-
Contributions made after the measurement date	27,035	-
Total	\$ 195,121	\$ -

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Deferred outflows of resources will be recognized in future pension expense as follows:

Year Ending September 30	Net Deferred Outflows of Resources
2016	\$ 68,312
2017	41,277
2018	41,277
2019	40,742
2020	3,513
Thereafter	-
Total	<u>\$ 195,121</u>

**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	\$ 5,164	\$ 10,004	\$ 25,168
Park & Recreation Fund	32,520	-	967	-	33,487
Street COP Fund	312,000	-	-	-	312,000
Nonmajor Governmental Funds	-	55,702	-	-	55,702
Golf Fund	-	-	267	-	267
Other Proprietary Funds	-	-	967	-	967
Total	<u>\$ 344,520</u>	<u>\$ 65,702</u>	<u>\$ 7,365</u>	<u>\$ 10,004</u>	<u>\$ 427,591</u>

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 9 – COMPONENTS OF FUND BALANCE**

At September 30, 2015, 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:

<b>FUND BALANCES</b>	<b>General</b>	<b>Parks &amp; Recreation</b>	<b>Street Drainage COP's</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Nonspendable:					
Prepaid items	\$ 50,395	\$ 16,418	\$ -	\$ -	\$ 66,813
Permanent fund principal	-	-	-	158,558	158,558
Restricted:					
Park improvements	-	-	-	1,946	1,946
Park and cemetery improvements	-	-	-	3,837	3,837
Debt service	-	-	323,679	159,565	483,244
Streets and public works	579,041	-	-	-	579,041
Assigned:					
Parks and recreation operations	-	77,883	-	-	77,883
Unassigned	314,670	-	-	-	314,670
Total	<u>\$ 944,106</u>	<u>\$ 94,301</u>	<u>\$ 323,679</u>	<u>\$ 323,906</u>	<u>\$ 1,685,992</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.

The City entered into an agreement for engineering services related to a sidewalk project. Future commitments related to the agreement were \$20,255 at September 30, 2015.

The City entered into an agreement for energy efficient lighting. Payments on this will be \$1,177 per month for 50 months, with the first payment due in November 2015.

The City entered into an agreement for engineering services related to wastewater treatment plant improvements. Future commitments related to the agreement were \$64,494 at September 30, 2015.

On September 24, 2015, the City accepted a bid for asphalt overlay services in the amount of \$167,200.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

Subsequent to September 30, 2015, the City entered into an agreement to purchase four police cars for approximately \$92,000. Subsequent to September 30, 2015, the City also entered into a lease agreement to purchase golf carts for \$85,279.

Subsequent to September 30, 2015, the City received a federal grant in the amount of \$770,000 for a street project. The City entered into an agreement for engineering services related to a street project with future commitments related to the agreement of \$114,256.

**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.

**CITY OF SAVANNAH, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 11 – RISK MANAGEMENT (CONTINUED)**

The assessment to the City, for the coverage period July 1, 2015 through June 30, 2016, was \$136,891.

**NOTE 12 – CORRECTION OF AN ERROR AND PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2015, management determined that an additional accounts payable of \$36,600 was recorded at September 30, 2014 that was not actually owed. In order to make this correction, the balance of net position of the governmental activities and the fund balance of the general fund was increased by \$36,600.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

	<b>Balance as Previously Stated</b>	<b>Accounts Payable Prior Period Adjustment</b>	<b>GASB 68 Prior Period Adjustment</b>	<b>Balance as Restated</b>
Fund Balance - General Fund	\$ 961,030	\$ 36,600	\$ -	\$ 997,630
Net Position - Governmental Activities	\$ 3,940,605	\$ 36,600	\$ 169,260	\$ 4,146,465
Net Position - Combined				
Water and Wastewater Fund	\$ 2,001,833	\$ -	\$ 135,201	\$ 2,137,034
Net Position - Sanitation Fund	\$ 160,895	\$ -	\$ 11,258	\$ 172,153
Net Position - Golf Fund	\$ 238,154	\$ -	\$ 21,072	\$ 259,226
Net Position - Cemetery Fund	\$ 92,551	\$ -	\$ 6,622	\$ 99,173
Net Position - Clasby Center Fund	\$ 79,158	\$ -	\$ 2,614	\$ 81,772
Net Position - Business-Type Activities	\$ 2,572,591	\$ -	\$ 176,767	\$ 2,749,358

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAVANNAH, MISSOURI  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
<b>REVENUES</b>				
Taxes	\$ 1,379,900	\$ 1,510,433	\$ 1,520,632	\$ 10,199
Penalties and interest on delinquent taxes	800	1,841	1,841	-
Licenses and permits	12,500	21,767	21,767	-
Intergovernmental revenues	3,000	1,439	4,292	2,853
Fines and forfeits	17,100	19,012	19,012	-
Interest	1,000	977	977	-
Other revenue	9,450	114,681	57,951	(56,730)
	<u>1,423,750</u>	<u>1,670,150</u>	<u>1,626,472</u>	<u>(43,678)</u>
<b>EXPENDITURES</b>				
General government	410,800	332,678	339,186	6,508
Public safety	452,300	443,866	482,273	38,407
Public works	798,500	599,644	522,121	(77,523)
Other expenditures	18,000	18,000	17,064	(936)
	<u>1,679,600</u>	<u>1,394,187</u>	<u>1,360,644</u>	<u>(33,543)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(255,850)</u>	<u>275,963</u>	<u>265,828</u>	<u>(10,135)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	-	-	-
Transfers in	20,000	20,100	25,168	5,068
Transfers out	(260,000)	(349,020)	(344,520)	4,500
	<u>(240,000)</u>	<u>(328,920)</u>	<u>(319,352)</u>	<u>9,568</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>(495,850)</u>	<u>(52,957)</u>	<u>(53,524)</u>	<u>(567)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	<u>997,630</u>	<u>997,630</u>	<u>997,630</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ 501,780</u>	<u>\$ 944,673</u>	<u>\$ 944,106</u>	<u>\$ (567)</u>

See accompanying Notes to Required Supplementary Information

**CITY OF SAVANNAH, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND**  
**YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
<b>REVENUES</b>				
Taxes	\$ 321,200	\$ 342,288	\$ 346,737	\$ 4,449
Penalties and interest on delinquent taxes	750	1,197	1,197	-
Licenses and permits	21,750	16,965	16,965	-
Intergovernmental revenues	-	-	1,800	1,800
Charges for services	84,500	90,598	90,598	-
Interest	200	218	218	-
Other revenue	200	2,807	657	(2,150)
	<u>428,600</u>	<u>454,074</u>	<u>458,172</u>	<u>4,098</u>
<b>EXPENDITURES</b>				
Culture and recreation	483,600	453,781	451,520	(2,261)
Debt service - principal	4,000	-	-	-
	<u>487,600</u>	<u>453,781</u>	<u>451,520</u>	<u>(2,261)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(59,000)</u>	<u>293</u>	<u>6,652</u>	<u>6,359</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds on sale of capital assets	-	-	350	350
Transfers in	29,000	39,487	33,487	(6,000)
Transfers out	(70,000)	(71,702)	(65,702)	6,000
	<u>(41,000)</u>	<u>(32,215)</u>	<u>(31,865)</u>	<u>350</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	(100,000)	(31,922)	(25,213)	6,709
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	119,514	119,514	119,514	-
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ 19,514</u>	<u>\$ 87,592</u>	<u>\$ 94,301</u>	<u>\$ 6,709</u>

See accompanying Notes to Required Supplementary Information

**CITY OF SAVANNAH, MISSOURI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE I – BUDGETARY INFORMATION**

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

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

**II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

	<b>Expenditures and Transfers Out</b>	<b>Budget</b>	<b>Excess</b>
Street Drainage COP's	\$ 305,079	\$ 67,772	\$ 237,307
Park and Recreation COP's	58,932	28,754	30,178
Pool Bond	41,278	10,562	30,716

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED SEPTEMBER 30, 2015**

Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2006	\$ 74,974	\$ 70,439	\$ 4,535	\$ 599,935	11.7%
2007	\$ 82,806	\$ 82,126	\$ 680	\$ 691,947	11.9%
2008	\$ 86,140	\$ 85,627	\$ 513	\$ 757,948	11.3%
2009	\$ 101,380	\$ 101,186	\$ 194	\$ 897,555	11.3%
2010	\$ 109,251	\$ 109,251	\$ -	\$ 966,390	11.3%
2011	\$ 105,473	\$ 101,903	\$ 3,570	\$ 856,916	11.9%
2012	\$ 95,162	\$ 92,501	\$ 2,661	\$ 766,623	12.1%
2013	\$ 102,525	\$ 99,553	\$ 2,972	\$ 808,103	12.3%
2014	\$ 107,554	\$ 106,512	\$ 1,042	\$ 908,297	11.7%
2015	\$ 112,171	\$ 112,170	\$ 1	\$ 982,013	11.4%

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

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
YEAR ENDED SEPTEMBER 30, 2015**

**Total Pension Liability**

Service Cost	\$ 83,158
Interest on the Total Pension Liability	202,541
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience of the Total Pension Liability	41,135
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(60,240)</u>
<b>Net Change in Total Pension Liability</b>	<b>266,594</b>
Total Pension Liability - Beginning of Year	<u>2,782,408</u>
<b>Total Pension Liability- End of Year</b>	<b><u>\$ 3,049,002</u></b>

**Plan Fiduciary Net Position**

Contributions-Employer	\$ 110,991
Contributions-Employee	-
Net Investment Income	60,977
Benefit Payments, Including Refunds of Employee Contributions	(60,240)
Pension Plan Administrative Expense	(3,914)
Other (Net Transfer)	<u>80,028</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>187,842</b>
Plan Fiduciary Net Position - Beginning of Year	<u>3,099,117</u>
<b>Plan Fiduciary Net Position - End of Year</b>	<b><u>\$ 3,286,959</u></b>

**Net Pension Liability (Asset)** **\$ (237,957)**

**Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** 107.80%

**Covered Employee Payroll** \$ 947,127

**Employer's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll** -25.12%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF NET PENSION LIABILITY  
YEAR ENDED SEPTEMBER 30, 2015**

<u>Fiscal Year Ended June 30</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>	<u>Plan Net Position as a Percent of Total Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Net Pension Liability (Asset) as a Percent of Covered Employee Payroll</u>
2015	\$ 3,049,002	\$ 3,286,959	\$ (237,957)	107.80%	\$ 947,127	-25.1%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SAVANNAH, MISSOURI  
COMBINING BALANCE SHEET – NONMAJOR  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<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>Alma Martin</u>	<u>Duncan- Kubach</u>	
<b>ASSETS</b>							
Pooled cash	\$ 1,946	\$ -	\$ -	\$ -	\$ 356	\$ 65	\$ 2,367
Restricted cash	-	70,031	89,534	-	-	-	159,565
Certificates of deposit	-	-	-	-	60,000	101,974	161,974
Taxes receivable	-	1,084	-	-	-	-	1,084
Special assessments receivable	-	-	-	20,524	-	-	20,524
<b>Total assets</b>	<u>\$ 1,946</u>	<u>\$ 71,115</u>	<u>\$ 89,534</u>	<u>\$ 20,524</u>	<u>\$ 60,356</u>	<u>\$ 102,039</u>	<u>\$ 345,514</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	\$ -	\$ 1,084	\$ -	\$ 20,524	\$ -	\$ -	\$ 21,608
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>1,084</u>	<u>-</u>	<u>20,524</u>	<u>-</u>	<u>-</u>	<u>21,608</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	58,000	100,558	158,558
Restricted	1,946	70,031	89,534	-	2,356	1,481	165,348
<b>Total fund balances</b>	<u>1,946</u>	<u>70,031</u>	<u>89,534</u>	<u>-</u>	<u>60,356</u>	<u>102,039</u>	<u>323,906</u>
<b>Total deferred inflows of resources and fund balances</b>	<u>\$ 1,946</u>	<u>\$ 71,115</u>	<u>\$ 89,534</u>	<u>\$ 20,524</u>	<u>\$ 60,356</u>	<u>\$ 102,039</u>	<u>\$ 345,514</u>

**CITY OF SAVANNAH, MISSOURI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED SEPTEMBER 30, 2015**

	<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>Alma Martin</u>	<u>Duncan- Kubach</u>	
<b>REVENUES</b>							
Property taxes	\$ -	\$ 49,356	\$ -	\$ -	\$ -	\$ -	\$ 49,356
Other taxes	-	1,769	-	-	-	-	1,769
Special assessments	-	-	-	5,164	-	-	5,164
Penalties and interest on delinquent taxes	-	628	-	-	-	-	628
Interest	4	126	226	-	421	1,416	2,193
<b>Total revenues</b>	<b>4</b>	<b>51,879</b>	<b>226</b>	<b>5,164</b>	<b>421</b>	<b>1,416</b>	<b>59,110</b>
<b>EXPENDITURES</b>							
Debt service:							
Principal	-	20,000	30,000	-	-	-	50,000
Interest	-	21,278	28,932	-	-	-	50,210
Fees	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>41,278</b>	<b>58,932</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,210</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4</b>	<b>10,601</b>	<b>(58,706)</b>	<b>5,164</b>	<b>421</b>	<b>1,416</b>	<b>(41,100)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	55,702	-	-	-	55,702
Transfers out	-	-	-	(5,164)	(1,400)	(801)	(7,365)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>55,702</b>	<b>(5,164)</b>	<b>(1,400)</b>	<b>(801)</b>	<b>48,337</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4</b>	<b>10,601</b>	<b>(3,004)</b>	<b>-</b>	<b>(979)</b>	<b>615</b>	<b>7,237</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,942</b>	<b>59,430</b>	<b>92,538</b>	<b>-</b>	<b>61,335</b>	<b>101,424</b>	<b>316,669</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,946</b>	<b>\$ 70,031</b>	<b>\$ 89,534</b>	<b>\$ -</b>	<b>\$ 60,356</b>	<b>\$ 102,039</b>	<b>\$ 323,906</b>

**CITY OF SAVANNAH, MISSOURI  
COMBINING STATEMENT OF NET POSITION – NONMAJOR  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2015**

<b>ASSETS</b>	<b>Clasbey Center</b>	<b>Cemetery</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Pooled cash and cash equivalents	\$ 13,505	\$ 74,428	\$ 87,933
Prepaid items	469	3,514	3,983
Total current assets	<u>13,974</u>	<u>77,942</u>	<u>91,916</u>
<b>CAPITAL ASSETS</b>			
Non-depreciable:			
Land	-	15,699	15,699
Depreciable:			
Property, plant and equipment, at cost	534,326	116,429	650,755
Accumulated depreciation	<u>(486,348)</u>	<u>(116,429)</u>	<u>(602,777)</u>
Total property and equipment	<u>47,978</u>	<u>15,699</u>	<u>63,677</u>
<b>OTHER ASSETS</b>			
Net Pension Asset	<u>1,955</u>	<u>5,061</u>	<u>7,016</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows	<u>1,292</u>	<u>3,211</u>	<u>4,503</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 65,199</u>	<u>\$ 101,913</u>	<u>\$ 167,112</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 157	\$ 308	\$ 465
Accrued payroll and related benefits	240	2,192	2,432
Current maturities of long-term debt	-	4,775	4,775
Total current liabilities	<u>397</u>	<u>7,275</u>	<u>7,672</u>
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current maturities above	-	3,183	3,183
Total liabilities	<u>397</u>	<u>10,458</u>	<u>10,855</u>
<b>NET POSITION</b>			
Net investment in capital assets	47,978	15,699	63,677
Restricted for pension	3,247	8,272	11,519
Restricted for cemetery	-	45,596	45,596
Unrestricted	<u>13,577</u>	<u>21,888</u>	<u>35,465</u>
Total net position	<u>64,802</u>	<u>91,455</u>	<u>156,257</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>			
	<u>\$ 65,199</u>	<u>\$ 101,913</u>	<u>\$ 167,112</u>

**CITY OF SAVANNAH, MISSOURI  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2015**

	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 21,300	\$ 33,426	\$ 54,726
<b>OPERATING EXPENSES</b>			
Personnel services	11,685	30,389	42,074
Utilities	7,529	1,711	9,240
Contractual services	180	-	180
Insurance	542	3,804	4,346
Repair and maintenance	221	3,535	3,756
Materials and supplies	752	3,168	3,920
Depreciation and amortization	17,810	-	17,810
	<u>38,719</u>	<u>42,607</u>	<u>81,326</u>
Total operating expenses			
	<u>38,719</u>	<u>42,607</u>	<u>81,326</u>
Operating income (loss)	<u>(17,419)</u>	<u>(9,181)</u>	<u>(26,600)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	245	246	491
Other income	204	250	454
	<u>449</u>	<u>496</u>	<u>945</u>
Total non-operating revenues			
	<u>449</u>	<u>496</u>	<u>945</u>
<b>TRANSFERS</b>			
Transfers in	-	967	967
	<u>-</u>	<u>967</u>	<u>967</u>
<b>CHANGE IN NET POSITION</b>	(16,970)	(7,718)	(24,688)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>81,772</u>	<u>99,173</u>	<u>180,945</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 64,802</u>	<u>\$ 91,455</u>	<u>\$ 156,257</u>

**CITY OF SAVANNAH, MISSOURI  
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 21,504	\$ 33,676	\$ 55,180
Cash paid to suppliers	(17,621)	(13,276)	(30,897)
Cash paid to employees	<u>(12,763)</u>	<u>(30,745)</u>	<u>(43,508)</u>
Net cash provided (used) by operating activities	<u>(8,880)</u>	<u>(10,345)</u>	<u>(19,225)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash transferred from other funds	<u>-</u>	<u>967</u>	<u>967</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Equipment	<u>(3,081)</u>	<u>-</u>	<u>(3,081)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>245</u>	<u>246</u>	<u>491</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(11,716)	(9,132)	(20,848)
<b>CASH - BEGINNING OF YEAR</b>	<u>25,221</u>	<u>83,560</u>	<u>108,781</u>
<b>CASH - END OF YEAR</b>	<u>\$ 13,505</u>	<u>\$ 74,428</u>	<u>\$ 87,933</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (17,419)	\$ (9,181)	\$ (26,600)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	17,810	-	17,810
Nonoperating revenues	204	250	454
(Increase) Decrease in:			
Prepaid items	(83)	(881)	(964)
Net pension asset	459	1,185	1,644
Pension related deferred outflows	(1,122)	(2,901)	(4,023)
Increase (Decrease) in:			
Accounts payable	(8,314)	(177)	(8,491)
Accrued payroll	(154)	960	806
Compensated absences	<u>(261)</u>	<u>400</u>	<u>139</u>
Net cash provided (used) by operating activities	<u>\$ (8,880)</u>	<u>\$ (10,345)</u>	<u>\$ (19,225)</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, Missouri (the City), as of and for the year ended September 30, 2015, 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 25, 2016.

**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 2015-001, 2015-002, 2015-003 and 2015-004 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 2015-005 and 2015-006 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 2015-007.

### **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 25, 2016

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 2015**

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

**2015-001 – 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. Additionally, a restatement of prior year amounts was required due to the recording of additional accounts payable.

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, 2015**

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

**2015-002 – 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, 2015**

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

**2015-003 – 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, 2015, the total cash reported in the funds was \$11,228 lower than the balance indicated on the pooled cash reconciliation. Additionally, a bank account with \$20,000 deposited in it was not recorded on the trial balance. We also noted 65 checks totaling \$4,205 that were listed as outstanding on the cash reconciliation that were over 1 year old.

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: 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, 2015**

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

**2015-004 – Golf Pro Shop Processes**

Condition: We noted the following areas for improvement in the internal control process at the Golf Pro Shop.

- Golf course credit on books (sweeps from tournaments) is tracked manually in a handwritten notebook.
- Gift certificates are kept in a pre-numbered gift certificate book in duplicate. When a gift certificate is used, the employee is to initial the duplicate in the book to indicate it has been used. There is otherwise no other tracking of gift certificates.
- Inventory purchases are expensed when paid for, not tracked as an inventory asset.
- The Current point-of-sale system does not have an inventory management function, which makes inventory, including sales and cost of sales, hard to track. Currently, staff is not able to tell the dollar amount of inventory in stock at a given point in time without conducting an inventory count.
- When cash is collected for gift certificates and club tournaments, it is run through the system as revenue, in varying revenue categories. Therefore revenues may be recorded as golf club revenue, apparel revenue, or any other category. When the customer later uses the sweeps or gift certificate, the actual merchandise taken by the customer may not match the category the revenues were actually recorded to.

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. Additionally, a meaningful gross profit analysis over inventory can be difficult to complete.

Recommendation: We recommend that the City look into obtaining a more sophisticated point-of-sale system for the Pro Shop.

Response: At this time the Golf Pro Shop does not see another feasible way to add or subtract credit on the books from club tournaments. The information is posted before play on how it will be distributed. The Golf Pro Shop will have separate line items to track gift certificates by the major categories for which they are redeemed such as golf balls, clubs, and green fees. The Golf Pro Shop will research updating to a new point of sale system, evaluating costs and man hours to maintain.

**CITY OF SAVANNAH, MISSOURI  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2015**

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

**2015-005 – 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 \$31,117, four transactions totaling \$1,636 were missing an approval signature. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis. Out of the five employee expense reimbursements that were tested, 2 were missing signature approval.

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.

**2015-006 – 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, 2015**

**COMPLIANCE AND OTHER MATTERS:**

**2015-007 – Budget**

Condition: Actual expenditures and transfers out exceeded budgeted appropriates in the Park COP, Street COP, and Pool Bond funds for the year ended September 30, 2015.

Criteria: The City adopts an annual budget in accordance with Chapter 67, RSMo.

Cause: Management oversight.

Effect: While all expenditures were approved, 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 annual budget is reviewed and amended prior to closing out the year.