

CITY OF SAVANNAH, MISSOURI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2017

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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, 2017, 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.

Auditors' 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, 2017, 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.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that budgetary comparison information and the pension related schedules on pages 42 through 47, 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 49 through 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Board of Aldermen and Mayor
City of Savannah, Missouri

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, 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 solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

St. Joseph, Missouri
February 22, 2018

BASIC FINANCIAL STATEMENTS

**CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Pooled Cash and Cash Equivalents	\$ 739,489	\$ 1,664,993	\$ 2,404,482
Taxes Receivable	204,554	-	204,554
Special Assessments Receivable	11,884	-	11,884
Accounts Receivable, Net	-	378,928	378,928
Due from Other Governments	195,046	-	195,046
Prepaid Items	69,481	34,957	104,438
Inventory	-	37,348	37,348
Restricted and Internally Designated Assets -			
Cash and Cash Equivalents	493,165	1,443,869	1,937,034
Capital Assets:			
Nondepreciable	571,475	39,719	611,194
Depreciable, Net	5,204,748	8,681,960	13,886,708
Net Pension Asset	33,156	80,209	113,365
Total Assets	7,522,998	12,361,983	19,884,981
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	95,949	113,059	209,008
Total Assets and Deferred Outflows of Resources	7,618,947	12,475,042	20,093,989
LIABILITIES			
Accounts Payable	202,463	91,554	294,017
Accrued Payroll and Related Benefits	4,615	6,451	11,066
Accrued Interest	28,566	103,282	131,848
Customer Deposits	-	86,232	86,232
Long-Term Liabilities:			
Due Within One Year	367,753	797,085	1,164,838
Due in More than One Year	2,251,321	6,893,240	9,144,561
Total Liabilities	2,854,718	7,977,844	10,832,562
DEFERRED INFLOWS OF RESOURCES			
Pension Related	35,245	12,541	47,786
NET POSITION			
Net Investment in Capital Assets	3,207,405	1,142,942	4,350,347
Restricted for Pension	93,860	180,727	274,587
Restricted for Debt Service	473,361	1,181,279	1,654,640
Restricted for Customer Deposits	-	17,818	17,818
Restricted for Streets and Public Works	149,785	-	149,785
Restricted for Main Street	4,272	-	4,272
Restricted for Parks	433	-	433
Restricted for Cemetery	-	45,596	45,596
Restricted for Permanent Funds:			
Expendable	5,540	-	5,540
Nonexpendable	158,558	-	158,558
Unrestricted	635,770	1,916,295	2,552,065
Total Net Position	\$ 4,728,984	\$ 4,484,657	\$ 9,213,641

See accompanying Notes to Financial Statements.

**CITY OF SAVANNAH, MISSOURI
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

	Program Revenues				Net Revenue (Expense) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 254,044	\$ 18,978	\$ -	\$ 4,534	\$ (230,532)	\$ -	\$ (230,532)
Public Safety	535,214	19,588	-	46,306	(469,320)	-	(469,320)
Public Works	464,643	-	-	-	(464,643)	-	(464,643)
Culture and Recreation	527,236	99,136	4,266	454,776	30,942	-	30,942
Economic Development	446,880	-	-	-	(446,880)	-	(446,880)
Interest	94,169	-	-	-	(94,169)	-	(94,169)
Total Governmental Activities	<u>2,322,186</u>	<u>137,702</u>	<u>4,266</u>	<u>505,616</u>	<u>(1,674,602)</u>	<u>-</u>	<u>(1,674,602)</u>
BUSINESS-TYPE ACTIVITIES							
Water	1,434,318	1,773,777	-	-	-	339,459	339,459
Wastewater	717,373	812,436	-	13,070	-	108,133	108,133
Sanitation	342,214	337,205	-	-	-	(5,009)	(5,009)
Golf	477,063	443,498	-	-	-	(33,565)	(33,565)
Cemetery	33,278	36,455	-	-	-	3,177	3,177
Clasbey Center	31,688	18,562	-	-	-	(13,126)	(13,126)
Total Business-Type Activities	<u>3,035,934</u>	<u>3,421,933</u>	<u>-</u>	<u>13,070</u>	<u>-</u>	<u>399,069</u>	<u>399,069</u>
Total Primary Government	<u>\$ 5,358,120</u>	<u>\$ 3,559,635</u>	<u>\$ 4,266</u>	<u>\$ 518,686</u>	<u>(1,674,602)</u>	<u>399,069</u>	<u>(1,275,533)</u>
GENERAL REVENUES							
Taxes:							
					373,829	-	373,829
					1,045,095	-	1,045,095
					360,606	-	360,606
					826	-	826
Penalties and Interest on							
					5,291	-	5,291
					2,013	4,095	6,108
					4,956	2,493	7,449
NET TRANSFERS IN (OUT)					<u>6,000</u>	<u>(6,000)</u>	<u>-</u>
Total General Revenues and Transfers					<u>1,798,616</u>	<u>588</u>	<u>1,799,204</u>
CHANGE IN NET POSITION					<u>124,014</u>	<u>399,657</u>	<u>523,671</u>
Net Position - Beginning of Year					<u>4,604,970</u>	<u>4,085,000</u>	<u>8,689,970</u>
NET POSITION - END OF YEAR					<u>\$ 4,728,984</u>	<u>\$ 4,484,657</u>	<u>\$ 9,213,641</u>

See accompanying Notes to Financial Statements.

**CITY OF SAVANNAH, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

ASSETS	General	CDBG School Grant	Parks and Recreation	Street Drainage COPs	Other Governmental Funds	Total Governmental Funds
Pooled Cash	\$ 431,642	\$ -	\$ 32,552	\$ 106,492	\$ 5,864	\$ 576,550
Restricted and Internally Designated Cash	109,614	-	-	227,277	156,274	493,165
Certificates of Deposit	-	-	-	-	162,939	162,939
Taxes Receivable	172,888	-	31,666	-	-	204,554
Special Assessments Receivable	-	-	-	-	11,884	11,884
Due from Other Governments	7,858	187,188	-	-	-	195,046
Prepaid Items	54,770	-	14,711	-	-	69,481
Total Assets	\$ 776,772	\$ 187,188	\$ 78,929	\$ 333,769	\$ 336,961	\$ 1,713,619
LIABILITIES						
Accounts Payable	\$ 10,936	\$ 187,188	\$ 4,339	\$ -	\$ -	\$ 202,463
Accrued Payroll and Related Benefits	3,332	-	1,283	-	-	4,615
Total Liabilities	14,268	187,188	5,622	-	-	207,078
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	3,328	-	2,124	-	11,884	17,336
Total Deferred Inflows of Resources	3,328	-	2,124	-	11,884	17,336
FUND BALANCES						
Nonspendable	54,770	-	14,711	-	158,558	228,039
Restricted	149,785	-	-	333,769	166,519	650,073
Committed	-	-	-	-	-	-
Assigned	-	-	56,472	-	-	56,472
Unassigned	554,621	-	-	-	-	554,621
Total Fund Balances	759,176	-	71,183	333,769	325,077	1,489,205
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 776,772	\$ 187,188	\$ 78,929	\$ 333,769	\$ 336,961	\$ 1,713,619

See accompanying Notes to Financial Statements.

**CITY OF SAVANNAH, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2017**

Total Fund Balances - Governmental Funds	\$ 1,489,205
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.	5,776,223
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.	
Pension Related Deferred Inflows	(35,245)
Net Pension Asset/Liability	33,156
Pension Related Deferred Outflows	95,949
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	(50,257)
Bonds Payable	(2,475,000)
Capital Lease Payable	(93,817)
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.	17,336
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(28,566)</u>
Total Net Position - Governmental Activities	<u><u>\$ 4,728,984</u></u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	General	CDBG School Grant	Parks and Recreation	Street Drainage COPs	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 226,895	\$ -	\$ 143,180	\$ -	\$ 2,558	\$ 372,633
Sales Taxes	840,855	-	204,240	-	-	1,045,095
Franchise Taxes	360,606	-	-	-	-	360,606
Other Taxes	(1,149)	-	1,263	-	712	826
Special Assessments	-	-	-	-	4,888	4,888
Penalties and Interest on						
Delinquent Taxes	2,928	-	1,846	-	517	5,291
Licenses and Permits	18,978	-	10,050	-	-	29,028
Intergovernmental Revenues	50,840	446,880	7,896	-	-	505,616
Charges for Services	-	-	89,086	-	-	89,086
Fines and Forfeits	19,588	-	-	-	-	19,588
Interest	923	-	107	307	675	2,012
Other Revenue	4,956	-	-	-	4,266	9,222
Total Revenues	<u>1,525,420</u>	<u>446,880</u>	<u>457,668</u>	<u>307</u>	<u>13,616</u>	<u>2,443,891</u>
EXPENDITURES						
General Government:						
Current	244,638	-	-	-	-	244,638
Capital Outlay	7,000	-	-	-	-	7,000
Public Safety:						
Current	445,983	-	-	-	-	445,983
Capital Outlay	6,804	-	-	-	-	6,804
Public Works:						
Current	261,343	-	-	-	-	261,343
Capital Outlay	288,958	-	-	-	-	288,958
Culture and Recreation:						
Current	-	446,880	420,229	-	1,279	868,388
Capital Outlay	-	-	13,599	-	-	13,599
Debt Service:						
Principal	51,824	-	266	220,000	55,000	327,090
Interest	2,149	-	-	47,376	45,898	95,423
Total Expenditures	<u>1,308,699</u>	<u>446,880</u>	<u>434,094</u>	<u>267,376</u>	<u>102,177</u>	<u>2,559,226</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	216,721	-	23,574	(267,069)	(88,561)	(115,335)
OTHER FINANCING SOURCES (USES)						
Transfers In	24,888	-	32,520	268,739	60,000	386,147
Transfers Out	(305,259)	-	(70,000)	-	(4,888)	(380,147)
Total Other Financing Sources (Uses)	<u>(280,371)</u>	<u>-</u>	<u>(37,480)</u>	<u>268,739</u>	<u>55,112</u>	<u>6,000</u>
NET CHANGE IN FUND BALANCES	(63,650)	-	(13,906)	1,670	(33,449)	(109,335)
Fund Balances - Beginning of Year	<u>822,826</u>	<u>-</u>	<u>85,089</u>	<u>332,099</u>	<u>358,526</u>	<u>1,598,540</u>
FUND BALANCES - END OF YEAR	<u>\$ 759,176</u>	<u>\$ -</u>	<u>\$ 71,183</u>	<u>\$ 333,769</u>	<u>\$ 325,077</u>	<u>\$ 1,489,205</u>

See accompanying Notes to 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, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$ (109,335)
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	316,361
Depreciation Expense	(368,489)
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/Liability	78,321
Change in Pension Related Deferred Inflows/Outflows	(115,050)
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	(2,447)
Debt Principal Retirement	327,090
The statement of activities reports tax revenues that do not provide current financial resources and are not reported as revenues in the governmental funds.	
	(3,690)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as interest accrues, regardless of when it is due.	
	1,253
Change in Net Position - Governmental Activities	\$ 124,014

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
CURRENT ASSETS					
Pooled Cash and Cash Equivalents	\$ 1,475,868	\$ 63,262	\$ 39,392	\$ 86,471	\$ 1,664,993
Accounts Receivable, Net	332,563	46,365	-	-	378,928
Prepaid Items	18,435	-	12,083	4,439	34,957
Inventory	-	-	37,348	-	37,348
Total Current Assets	<u>1,826,866</u>	<u>109,627</u>	<u>88,823</u>	<u>90,910</u>	<u>2,116,226</u>
RESTRICTED AND INTERNALLY DESIGNATED ASSETS					
Cash and Cash Equivalents	<u>1,380,611</u>	<u>55,258</u>	<u>8,000</u>	<u>-</u>	<u>1,443,869</u>
Total Restricted and Internally Designated Assets	1,380,611	55,258	8,000	-	1,443,869
NONCURRENT ASSETS					
Capital Assets:					
Nondepreciable:					
Land	24,020	-	-	15,699	39,719
Depreciable:					
Property, Plant, and Equipment, at Cost	13,915,577	188,564	2,158,730	650,367	16,913,238
Accumulated Depreciation	<u>(5,535,212)</u>	<u>(186,832)</u>	<u>(1,897,108)</u>	<u>(612,126)</u>	<u>(8,231,278)</u>
Capital Assets, Net	8,404,385	1,732	261,622	53,940	8,721,679
Net Pension Asset	<u>65,399</u>	<u>2,344</u>	<u>11,592</u>	<u>874</u>	<u>80,209</u>
Total Noncurrent Assets	<u>8,469,784</u>	<u>4,076</u>	<u>273,214</u>	<u>54,814</u>	<u>8,801,888</u>
Total Assets	11,677,261	168,961	370,037	145,724	12,361,983
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	<u>91,757</u>	<u>3,223</u>	<u>16,838</u>	<u>1,241</u>	<u>113,059</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,769,018</u>	<u>\$ 172,184</u>	<u>\$ 386,875</u>	<u>\$ 146,965</u>	<u>\$ 12,475,042</u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2017

LIABILITIES AND NET POSITION	<u>Combined Water and Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
CURRENT LIABILITIES					
Accounts Payable	\$ 57,178	\$ 25,171	\$ 7,609	\$ 1,596	\$ 91,554
Accrued Payroll and Benefits	4,669	170	1,332	280	6,451
Accrued Interest	103,138	-	144	-	103,282
Customer Deposits	86,232	-	-	-	86,232
Current Maturities of Long-Term Liabilities	<u>758,855</u>	<u>909</u>	<u>32,005</u>	<u>5,316</u>	<u>797,085</u>
Total Current Liabilities	<u>1,010,072</u>	<u>26,250</u>	<u>41,090</u>	<u>7,192</u>	<u>1,084,604</u>
LONG-TERM LIABILITIES					
Long-Term Liabilities, Less Current Maturities	<u>6,783,199</u>	<u>55,864</u>	<u>45,033</u>	<u>9,144</u>	<u>6,893,240</u>
Total Long-Term Liabilities	<u>6,783,199</u>	<u>55,864</u>	<u>45,033</u>	<u>9,144</u>	<u>6,893,240</u>
Total Liabilities	7,793,271	82,114	86,123	16,336	7,977,844
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	10,226	366	1,812	137	12,541
NET POSITION					
Net Investment in Capital Assets	907,115	1,732	193,759	40,336	1,142,942
Restricted for Debt Service	1,173,423	-	7,856	-	1,181,279
Restricted for Customer Deposits	17,818	-	-	-	17,818
Restricted for Pension	146,930	5,201	26,618	1,978	180,727
Restricted for Cemetery	-	-	-	45,596	45,596
Unrestricted	<u>1,720,235</u>	<u>82,771</u>	<u>70,707</u>	<u>42,582</u>	<u>1,916,295</u>
Total Net Position	<u>3,965,521</u>	<u>89,704</u>	<u>298,940</u>	<u>130,492</u>	<u>4,484,657</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 11,769,018</u>	<u>\$ 172,184</u>	<u>\$ 386,875</u>	<u>\$ 146,965</u>	<u>\$ 12,475,042</u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES					
Charges for Services	\$ 2,586,213	\$ 337,205	\$ 443,498	\$ 55,017	\$ 3,421,933
OPERATING EXPENSES					
Personnel Services	678,727	29,910	191,956	29,448	930,041
Utilities	156,164	-	16,866	5,603	178,633
Contractual Services	100,397	308,796	1,380	540	411,113
Insurance	24,349	-	14,592	5,139	44,080
Repair and Maintenance	223,215	716	28,495	3,684	256,110
Materials and Supplies	222,780	5,066	168,905	4,837	401,588
Depreciation and Amortization	471,368	(2,274)	53,993	15,715	538,802
Total Operating Expenses	<u>1,877,000</u>	<u>342,214</u>	<u>476,187</u>	<u>64,966</u>	<u>2,760,367</u>
OPERATING INCOME (LOSS)	709,213	(5,009)	(32,689)	(9,949)	661,566
NONOPERATING REVENUES (EXPENSES)					
Interest Income	3,820	24	60	191	4,095
Intergovernmental Grants	13,070	-	-	-	13,070
Interest Expense	(274,691)	-	(876)	-	(275,567)
Loss on Sale of Equipment	(1,615)	-	-	-	(1,615)
Other Income (Expense)	4,014	-	94	-	4,108
Total Nonoperating Revenues (Expenses)	<u>(255,402)</u>	<u>24</u>	<u>(722)</u>	<u>191</u>	<u>(255,909)</u>
TRANSFERS					
Transfers In	-	-	-	4,000	4,000
Transfers Out	-	-	(10,000)	-	(10,000)
Net Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>4,000</u>	<u>(6,000)</u>
CHANGE IN NET POSITION	453,811	(4,985)	(43,411)	(5,758)	399,657
Net Position - Beginning of Year	<u>3,511,710</u>	<u>94,689</u>	<u>342,351</u>	<u>136,250</u>	<u>4,085,000</u>
NET POSITION - END OF YEAR	<u>\$ 3,965,521</u>	<u>\$ 89,704</u>	<u>\$ 298,940</u>	<u>\$ 130,492</u>	<u>\$ 4,484,657</u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 2,573,254	\$ 333,454	\$ 443,592	\$ 55,017	\$ 3,405,317
Cash Paid to Suppliers	(706,795)	(313,417)	(226,889)	(20,094)	(1,267,195)
Cash Paid to Employees	(639,513)	(20,513)	(177,061)	(34,636)	(871,723)
Net Cash Provided (Used) by Operating Activities	1,226,946	(476)	39,642	287	1,266,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Transferred To (From) Other Funds	-	-	(10,000)	4,000	(6,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant Proceeds Received	13,070	-	-	-	13,070
Purchase of Equipment	(98,284)	-	(3,000)	-	(101,284)
Proceeds from Sale of Equipment	29,747	-	-	-	29,747
Proceeds from Long-Term Debt	2,440,000	-	-	-	2,440,000
Payments on Long-Term Debt	(3,113,078)	-	(55,934)	(6,803)	(3,175,815)
Interest Paid on Long-Term Debt	(263,667)	-	(876)	-	(264,543)
Net Cash Used by Capital and Related Financing Activities	(992,212)	-	(59,810)	(6,803)	(1,058,825)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	3,820	24	60	191	4,095
NET INCREASE (DECREASE) IN CASH	238,554	(452)	(30,108)	(2,325)	205,669
Cash - Beginning of Year	2,617,925	118,972	77,500	88,796	2,903,193
CASH - END OF YEAR	<u>\$ 2,856,479</u>	<u>\$ 118,520</u>	<u>\$ 47,392</u>	<u>\$ 86,471</u>	<u>\$ 3,108,862</u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 709,213	\$ (5,009)	\$ (32,689)	\$ (9,949)	\$ 661,566
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	471,368	788	53,993	15,715	541,864
Amortization	-	(3,062)	-	-	(3,062)
Nonoperating Revenues	4,014	-	94	-	4,108
(Increase) Decrease in:					
Accounts Receivable	(14,855)	(3,751)	-	-	(18,606)
Prepaid Items	(222)	-	(1,518)	(780)	(2,520)
Inventory	-	-	8,287	-	8,287
Net Pension Asset	(65,399)	(2,344)	(11,592)	(874)	(80,209)
Pension Related Deferred Outflows	144,600	14,817	30,808	2,161	192,386
Increase (Decrease) in:					
Accounts Payable	20,332	1,161	(3,420)	489	18,562
Accrued Payroll	402	18	(124)	(20)	276
Compensated Absences	(50,615)	(3,460)	(6,009)	(6,592)	(66,676)
Customer Deposits	(2,118)	-	-	-	(2,118)
Pension Related Deferred Inflows	10,226	366	1,812	137	12,541
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,226,946</u>	<u>\$ (476)</u>	<u>\$ 39,642</u>	<u>\$ 287</u>	<u>\$ 1,266,399</u>
CASH RECONCILIATION					
Pooled Cash and Cash Equivalents	\$ 1,475,868	\$ 63,262	\$ 39,392	\$ 86,471	\$ 1,664,993
Restricted and Internally Designated Cash and Cash Equivalents	<u>1,380,611</u>	<u>55,258</u>	<u>8,000</u>	<u>-</u>	<u>1,443,869</u>
Total Cash and Cash Equivalents	<u>\$ 2,856,479</u>	<u>\$ 118,520</u>	<u>\$ 47,392</u>	<u>\$ 86,471</u>	<u>\$ 3,108,862</u>

See accompanying Notes to Financial Statements.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017, 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, 2017**

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.

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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 GAAP. The 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.

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Major Governmental Funds (Continued)

Community Development Block Grant (CDBG) School Grant Fund

The CDBG School Grant Fund is a special revenue fund that accounts for a CDBG grant for the construction of an early childhood education facility in Savannah.

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 COPs Fund

The Street Drainage COPs Fund is a debt service fund that accounts for resources used to retire Series 2007 Street Drainage Certificates of Participation (COPs).

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$100,978 and \$13,105 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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Prepaid items consist of amounts paid during the year ended September 30, 2017, which will be recognized as expenses in future periods.

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 acquisition 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 GASB 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. Other restricted assets consist of customer deposits, and amounts for landfill post-closure.

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, 2017**

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. Deferred outflows of resources related to the City's pension plan are reported in the government-wide financial statements, as well as the proprietary fund financial statements.

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 also has deferred inflows of resources to report in its governmental activities, business-type activities, and proprietary fund financial statements related to the City's pension plan.

Fund Balance

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

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

Restricted – 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 – 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 – 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, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance, Continued

Unassigned – 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 resources are 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 total assets and deferred outflows of resources less total liabilities and deferred inflows of resources 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, 2017, 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 \$3,099 as of September 30, 2017.

During the year ended September 30, 2017, the Duncan-Kubach Trust Fund had net appreciation on cash and investments of \$-0-. 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 \$2,441 as of September 30, 2017.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 CDBG School Grant and Sanitation funds for the year ended September 30, 2017. The expenditures were funded through a federal grant and service fees, respectively.

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, 2017, in excess of the Federal Deposit Insurance Corporation (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, 2017 is as follows:

	<u>Governmental</u>
Cash on Hand	\$ 850
Demand Deposits	3,634,167
Short-Term Investments Held in Trust	371,087
Certificates of Deposit	335,412
Total Deposits	\$ 4,341,516

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

Pooled Cash and Cash Equivalents	\$ 2,404,482
Restricted and Internally Designated Cash and Cash Equivalents	1,937,034
Total Cash and Cash Equivalents	\$ 4,341,516

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 5,918
Public Safety	68,848
Public Works	201,519
Culture and Recreation	92,204
Total Depreciation Expense, Governmental Activities	<u><u>\$ 368,489</u></u>

Business-Type Activities

Water and Wastewater	\$ 471,368
Sanitation	788
Golf Course	53,993
Clasbey Community Center	15,157
Cemetery	558
Total Depreciation Expense, Business-Type Activities	<u><u>\$ 541,864</u></u>

Capital asset activity for the year ended September 30, 2017 is as follows:

	Balance October 1, 2016	Additions	Disposals	Balance September 30, 2017
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 498,436	\$ 36,000	\$ -	\$ 534,436
Construction in Process	168,519	54,509	185,989	37,039
Total Capital Assets, Not Being Depreciated	666,955	90,509	185,989	571,475
Capital Assets, Being Depreciated:				
Buildings, Plant, and Improvements	3,346,903	-	3,488	3,343,415
Streets	4,407,312	380,995	-	4,788,307
Equipment	1,267,560	30,846	37,670	1,260,736
Total Capital Assets, Being Depreciated	9,021,775	411,841	41,158	9,392,458
Total Capital Assets	9,688,730	502,350	227,147	9,963,933
Less: Accumulated Depreciation	3,860,379	368,489	41,158	4,187,710
Governmental Activities Capital Assets, Net	<u><u>\$ 5,828,351</u></u>	<u><u>\$ 133,861</u></u>	<u><u>\$ 185,989</u></u>	<u><u>\$ 5,776,223</u></u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance October 1, 2016	Additions	Disposals	Balance September 30, 2017
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,081	\$ -	\$ 31,362	\$ 39,719
Capital Assets, Being Depreciated:				
Buildings, Plant, and Improvements	13,282,369	13,674	910	13,295,133
Land Improvements	603,272	-	-	603,272
Equipment	3,038,768	87,610	111,545	3,014,833
Total Capital Assets, Being Depreciated	<u>16,924,409</u>	<u>101,284</u>	<u>112,455</u>	<u>16,913,238</u>
Total Capital Assets	16,995,490	101,284	143,817	16,952,957
Less: Accumulated Depreciation	<u>7,801,869</u>	<u>541,864</u>	<u>112,455</u>	<u>8,231,278</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,193,621</u>	<u>\$ (440,580)</u>	<u>\$ 31,362</u>	<u>\$ 8,721,679</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 LONG-TERM INDEBTEDNESS

The following is a summary of long-term debt of the City at September 30, 2017:

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%.	\$ 475,000
\$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%.	1,415,000
\$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%.	585,000
\$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, 2017, the City had capital assets related to this lease with a cost of \$79,490, and those assets had related accumulated depreciation of \$12,455.	17,789
\$91,960 capital lease for the purpose of purchasing police cars. Annual installments of \$24,928, through 2018; interest at 6.19%. At September 30, 2017, the City had capital assets related to this lease with a cost of \$91,960, and those assets had related accumulated depreciation of \$53,640.	45,896
\$27,606 capital lease for the purpose of installing LED lighting. Monthly installments of \$484, through 2020; interest at 0%. At September 30, 2017, the City had capital assets related to this lease with a cost of \$27,606, and those assets had related accumulated depreciation of \$3,373.	16,468
\$20,219 capital lease for the purpose of purchasing a backhoe. Annual installments of \$7,121, through 2019; interest at 2.8%. At September 30, 2017, the City had capital assets related to this lease with a cost of \$26,886, and those assets had related accumulated depreciation of \$6,721.	13,664
Compensated Absences	<u>50,257</u>
Total Governmental Activities	<u><u>\$ 2,619,074</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, 2017**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

Business-Type Activities

<p>\$3,300,000 Series 2007 Revenue Bonds for the purpose of improving the water and sewer systems. Annual installments of \$60,000 to \$750,000 through 2026; interest at 4.0% to 5.25%. Refinanced with Series 2017 Combined Waterworks and Sewerage System Refunding Revenue Bonds during the year ended September 30, 2017.</p>	\$ -
<p>\$5,670,000 Series 2013 Revenue Bonds (Refunding Series 2003 and 2004 Revenue Bonds) for the purpose of improving the water and sewer systems. Annual installments of \$205,000 to \$555,000 through 2026; interest at 2.65%.</p>	4,095,000
<p>\$1,500,000 Series 2003 Revenue Bonds with the State Environmental Improvement and Energy Resources Authority, State Revolving Fund program for the purpose of water pollution control improvements. Annual installments of \$55,000 to \$110,000 through 2024; interest at 3.5% to 5.0%. The City receives a subsidy for a portion of the interest.</p>	665,000
<p>\$570,000 Series 2004 Certificates of Participation for the purpose of improving the sewer system. Annual installments of \$15,000 to \$45,000 through 2024; interest at 3.125% to 5.125%.</p>	260,000
<p>\$400,000 Series 1999 Certificates of Participation for the purpose of golf course improvements. Annual installments of \$20,000 to \$30,000 through 2017; interest at 5.5% to 5.75%. Paid-in-full during the year ended September 30, 2017.</p>	-
<p>\$2,440,000 Series 2017 Combined Waterworks and Sewerage System Refunding Revenue Bonds for the purpose of refunding Series 2007 Revenue Bonds. Annual installments of \$120,000 to \$725,000 through 2025; interest at 0.90% to 2.55%.</p>	2,440,000
<p>\$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, 2016, the City had capital assets related to this lease with a cost of \$60,000, and those assets had related accumulated depreciation of \$32,000.</p>	9,626
<p>\$85,279 capital lease for the purpose of purchasing golf course mowers. Monthly installments of \$1,530 through 2021; interest at 2.95%. At September 30, 2016, the City had capital assets related to this lease with a cost of \$162,379, and those assets had related accumulated depreciation of \$21,651.</p>	58,237
<p>\$40,440 capital lease for the purpose of purchasing a backhoe. Annual installments of \$14,241, through 2019; interest at 2.8%. At September 30, 2016, the City had capital assets related to this lease with a cost of \$53,773, and those assets had related accumulated depreciation of \$2,688.</p>	27,331
<p>\$39,472 capital lease for the purpose of installing LED lighting. Monthly installments of \$693, through 2020; interest at 0%. At September 30, 2016, the City had capital assets related to this lease with a cost of \$39,472, and those assets had related accumulated depreciation of \$2,193.</p>	23,544
<p>Landfill</p>	55,258
<p>Compensated Absences</p>	56,329
<p style="padding-left: 40px;">Total Business-Type Activities</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 7,690,325</p>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017:

	Balance October 1, 2016	Adjustments/ Additions	Adjustments/ Retired	Balance September 30, 2017	Current Portion	Long-Term Portion
Governmental Activities:						
2007 Park COP	\$ 505,000	\$ -	\$ 30,000	\$ 475,000	\$ 35,000	\$ 440,000
2012 Street Drainage COP	1,635,000	-	220,000	1,415,000	225,000	1,190,000
2013 Pool Bonds	610,000	-	25,000	585,000	25,000	560,000
Storm Sirens Capital Lease	34,128	-	16,339	17,789	17,789	-
Police Cars Capital Lease	66,859	-	20,963	45,896	22,260	23,636
LED Lighting Capital Lease	24,701	-	8,233	16,468	5,812	10,656
Backhoe Capital Lease	20,219	-	6,555	13,664	6,738	6,926
Compensated Absences	47,810	58,766	56,319	50,257	30,154	20,103
Total	\$ 2,943,717	\$ 58,766	\$ 383,409	\$ 2,619,074	\$ 367,753	\$ 2,251,321
Business-Type Activities:						
2007 Water and Sewer Revenue Bonds	\$ 2,505,000	\$ -	\$ 2,505,000	\$ -	\$ -	\$ -
2013 Water and Sewer Revenue Bonds	4,575,000	-	480,000	4,095,000	485,000	3,610,000
2003 Sewer Revenue Bonds	745,000	-	80,000	665,000	80,000	585,000
2004 Sewer COP	290,000	-	30,000	260,000	30,000	230,000
1999 Golf COP	30,000	-	30,000	-	-	-
2017 Waterworks and Sewer Revenue Bonds	-	2,440,000	-	2,440,000	120,000	2,320,000
Landfill	58,320	-	3,062	55,258	-	55,258
Golf Mowers Capital Lease	19,175	-	9,549	9,626	9,626	-
Golf Carts Capital Lease	74,621	-	16,384	58,237	16,874	41,363
Backhoe Capital Lease	40,440	-	13,109	27,331	13,476	13,855
LED Lighting Capital Lease	35,317	-	11,773	23,544	8,310	15,234
Compensated Absences	60,340	75,262	79,273	56,329	33,799	22,530
Total	\$ 8,433,213	\$ 2,515,262	\$ 3,258,150	\$ 7,690,325	\$ 797,085	\$ 6,893,240

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

The annual debt service requirement to amortize all debt outstanding as of September 30, 2017, exclusive of compensated absences, are as follows:

Governmental Activities												
Year Ending September 30,	2007 COPs			2012 COPs			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
2018	\$ 35,000	\$ 23,388	\$ 58,388	\$ 225,000	\$ 39,954	\$ 264,954	\$ 25,000	\$ 18,606	\$ 43,606	\$ 17,789	\$ 258	\$ 18,047
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	27,250	262,250	30,000	16,900	46,900	-	-	-
2021	40,000	18,400	58,400	250,000	19,763	269,763	30,000	15,925	45,925	-	-	-
2022	40,000	16,500	56,500	475,000	7,912	482,912	30,000	14,950	44,950	-	-	-
2023-2027	290,000	50,750	340,750	-	-	-	175,000	58,744	233,744	-	-	-
2028-2032	-	-	-	-	-	-	220,000	26,813	246,813	-	-	-
2033-2034	-	-	-	-	-	-	50,000	812	50,812	-	-	-
Total	\$ 475,000	\$ 150,825	\$ 625,825	\$ 1,415,000	\$ 128,821	\$ 1,543,821	\$ 585,000	\$ 170,544	\$ 755,544	\$ 17,789	\$ 258	\$ 18,047

Year Ending September 30,	Police Cars Capital Lease			LED Lighting Capital Lease			Backhoe Capital Lease			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2018	\$ 22,260	\$ 2,840	\$ 25,100	\$ 5,812	\$ -	\$ 5,812	\$ 6,738	\$ 383	\$ 7,121	\$ 337,599	\$ 85,429	\$ 423,028
2019	23,636	1,464	25,100	5,812	-	5,812	6,926	194	7,120	326,374	75,119	401,493
2020	-	-	-	4,844	-	4,844	-	-	-	304,844	64,212	369,056
2021	-	-	-	-	-	-	-	-	-	320,000	54,088	374,088
2022	-	-	-	-	-	-	-	-	-	545,000	39,362	584,362
2023-2027	-	-	-	-	-	-	-	-	-	465,000	109,494	574,494
2028-2032	-	-	-	-	-	-	-	-	-	220,000	26,813	246,813
2033-2034	-	-	-	-	-	-	-	-	-	50,000	812	50,812
Total	\$ 45,896	\$ 4,304	\$ 50,200	\$ 16,468	\$ -	\$ 16,468	\$ 13,664	\$ 577	\$ 14,241	\$ 2,568,817	\$ 455,329	\$ 3,024,146

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

Business-Type Activities												
Year Ending September 30,	2013 Revenue Bonds			2003 SRF Revenue Bonds			2004 COPs			Golf Mowers Capital Lease		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2018	\$ 485,000	\$ 108,517	\$ 593,517	\$ 80,000	\$ 33,250	\$ 113,250	\$ 30,000	\$ 12,280	\$ 42,280	\$ 9,626	\$ 232	\$ 9,858
2019	500,000	95,665	595,665	85,000	29,250	114,250	35,000	10,720	45,720	-	-	-
2020	515,000	82,415	597,415	90,000	22,000	112,000	35,000	9,040	44,040	-	-	-
2021	525,000	68,768	593,768	95,000	20,500	115,500	35,000	7,303	42,303	-	-	-
2022	545,000	54,855	599,855	100,000	15,750	115,750	40,000	5,381	45,381	-	-	-
2023-2027	1,525,000	83,608	1,608,608	215,000	15,920	230,920	85,000	4,485	89,485	-	-	-
Total	\$ 4,095,000	\$ 493,828	\$ 4,588,828	\$ 665,000	\$ 136,670	\$ 801,670	\$ 260,000	\$ 49,209	\$ 309,209	\$ 9,626	\$ 232	\$ 9,858

Year Ending September 30,	Golf Carts Capital Lease			Backhoe Capital Lease			LED Lighting Capital Lease			2017 Waterworks and Sewer Revenue		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2018	\$ 16,874	\$ 1,491	\$ 18,365	\$ 13,476	\$ 766	\$ 14,242	\$ 8,310	\$ -	\$ 8,310	\$ 120,000	\$ 49,925	\$ 169,925
2019	17,379	986	18,365	13,855	388	14,243	8,310	-	8,310	140,000	48,615	188,615
2020	17,899	467	18,366	-	-	-	6,924	-	6,924	145,000	46,903	191,903
2021	6,085	37	6,122	-	-	-	-	-	-	150,000	44,835	194,835
2022	-	-	-	-	-	-	-	-	-	145,000	42,477	187,477
2023-2027	-	-	-	-	-	-	-	-	-	1,740,000	111,385	1,851,385
Total	\$ 58,237	\$ 2,981	\$ 61,218	\$ 27,331	\$ 1,154	\$ 28,485	\$ 23,544	\$ -	\$ 23,544	\$ 2,440,000	\$ 344,140	\$ 2,784,140

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

Year Ending September 30,	Principal Maturities	Total Interest Maturities	Total
2018	\$ 763,286	\$ 206,461	\$ 969,747
2019	799,544	185,624	985,168
2020	809,823	160,825	970,648
2021	811,085	141,443	952,528
2022	830,000	118,463	948,463
2023-2027	3,565,000	215,398	3,780,398
Total	<u>\$ 7,578,738</u>	<u>\$ 1,028,214</u>	<u>\$ 8,606,952</u>

The advanced refunding of the Series 2007 Revenue Bonds caused the defeasance of the liability, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$-0- at September 30, 2017. The advanced refunding resulted in an approximate additional cash flow of \$478,748, and resulted in an economic gain of \$368,060.

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 30 years after closure. The City closed the landfill in 1995. The amount reported as landfill post-closure obligation at September 30, 2017 of \$55,258, 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 \$55,258 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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 RESTRICTED AND INTERNALLY DESIGNATED 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, 2017, 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.

Other restricted assets consist of customer deposits, and amounts for landfill post-closure.

In addition, the City has internally designated unrestricted sales taxes in the general fund to be used for the fire department. Due to the absence of a formal fund balance policy, this amount is included in unassigned fund balance. The golf fund has internally designated cash to be used for future projects.

Amounts are reported in the accompanying balance sheet/statement of position as restricted and internally designated cash and investments as follows:

	General Fund	Street Drainage COPs	Nonmajor Governmental Funds	Combined Water & Wastewater	Sanitation Fund	Golf Fund	Total
Internally Designated:							
Fire Department							
Sales Tax	\$ 109,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,614
Future Projects	-	-	-	-	-	8,000	8,000
Total Internally Designated	109,614	-	-	-	-	8,000	117,614
Restricted:							
Landfill Post-Closure	-	-	-	-	55,258	-	55,258
Customer Deposits	-	-	-	104,050	-	-	104,050
Debt Service, Replacement, and Reserve Accounts	-	227,277	156,274	1,276,561	-	-	1,660,112
Total Restricted	-	227,277	156,274	1,380,611	55,258	-	1,819,420
Total	<u>\$ 109,614</u>	<u>\$ 227,277</u>	<u>\$ 156,274</u>	<u>\$ 1,380,611</u>	<u>\$ 55,258</u>	<u>\$ 8,000</u>	<u>\$ 1,937,034</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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.

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 five years of credited service. Employees who retire on or after age 60 with five 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 five years of credited service and after attaining age 55 and receive a reduced allowance.

	<u>2017 Valuation</u>
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, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	14
Inactive Employees Entitled to but not yet Receiving Benefits	11
Active Employees	27
Total	52

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 9.4% of annual covered payroll for the general division, and 9.9% of annual covered payroll for the police division, for the year ended September 30, 2017.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Net Pension Liability (Asset)

The employer's net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions

The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions

Inflation	3.25% Wage Inflation; 2.5% Price Inflation
Salary Increase	3.25% to 6.55% Including Wage Inflation
Investment Rate of Return	7.25%, Net of Investment and Administrative Expenses

Mortality rates were based on the RP-2014 mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006.

The actuarial assumptions used in the February 28, 2017 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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:

Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.00%	4.81%
Fixed Income	28.50%	1.72%
Real Assets/Real Return	23.50%	3.42%
	<u>100.00%</u>	

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 3,483,477	\$ 3,340,402	\$ 143,075
Changes for the Year:			
Service Cost	100,160	-	100,160
Interest	251,898	-	251,898
Difference Between Expected and Actual Experience	(37,603)	-	(37,603)
Changes of Assumptions	(21,718)	-	(21,718)
Contributions - Employer	-	107,092	(107,092)
Contributions - Employee	-	-	-
Net Investment Income	-	457,302	(457,302)
Benefit Payments, Including Refunds	(118,531)	(118,531)	-
Administrative Expense	-	(3,961)	3,961
Other Changes	-	(11,257)	11,257
Net Changes	174,206	430,645	(256,439)
Balances at June 30, 2017	<u>\$ 3,657,683</u>	<u>\$ 3,771,047</u>	<u>\$ (113,364)</u>

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 one 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%
Total Pension Liability (TPL)	\$ 4,197,870	\$ 3,657,683	\$ 3,212,428
Plan Fiduciary Net Position	3,771,047	3,771,047	3,771,047
Net Pension Liability/(Asset) (NPL)	<u>\$ 426,823</u>	<u>\$ (113,364)</u>	<u>\$ (558,619)</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the year ended September 30, 2017, the City recognized pension expense of \$159,341 for the general division and \$43,542 for the police division, for a total of \$202,883, 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	\$ 55,141	\$ (47,786)
Assumption Changes	83,015	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	43,946	-
Contributions Made After the Measurement Date	26,906	-
Total	\$ 209,008	\$ (47,786)

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

<u>Year Ending September 30,</u>	Net Deferred Outflows of Resources
2018	\$ 103,632
2019	76,302
2020	34,235
2021	(50,804)
2022	(2,143)
Total	\$ 161,222

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, or (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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Transfer In:	Transfer Out:				Total
	General Fund	Parks & Recreation Fund	Golf Fund	NID Bond Fund	
General Fund	\$ -	\$ 10,000	\$ 10,000	\$ 4,888	\$ 24,888
Park & Recreation Fund	32,520	-	-	-	32,520
Park COP Fund	-	60,000	-	-	60,000
Street COP Fund	268,739	-	-	-	268,739
Clasbey Center Fund	4,000	-	-	-	4,000
Total	\$ 305,259	\$ 70,000	\$ 10,000	\$ 4,888	\$ 390,147

NOTE 9 COMPONENTS OF FUND BALANCE

At September 30, 2017, 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:

	General	CDBG School Grant	Parks and Recreation	Street Drainage COP	Other Governmental Funds	Total
FUND BALANCES						
Nonspendable:						
Prepaid Items	\$ 54,770	\$ -	\$ -	\$ -	\$ -	\$ 54,770
Permanent Fund Principal	-	-	14,711	-	158,558	173,269
Restricted:						
Main Street	-	-	-	-	4,272	4,272
Park Improvements	-	-	-	-	2,874	2,874
Park and Cemetery Improvements	-	-	-	-	3,099	3,099
Debt Service	-	-	-	-	156,274	156,274
Streets and Public Works	149,785	-	-	333,769	-	483,554
Assigned:						
Parks and Recreation Operations	-	-	56,472	-	-	56,472
Unassigned	554,621	-	-	-	-	554,621
Total	\$ 759,176	\$ -	\$ 71,183	\$ 333,769	\$ 325,077	\$ 1,489,205

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 construction services related to a street project. Future commitments related to the agreement were approximately \$531,378 at September 30, 2017.

The City is from time to time threatened with litigation. It is the opinion of management, after reviewing such actions with counsel, that the outcome of any lawsuit or claim which is pending or threatened is not determinable as of the date the financial statements were available to be issued.

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 11 RISK MANAGEMENT (CONTINUED)

Per-occurrence coverage limits provided by MIRMA (MIRMA's self-insured retention limits combined with excess insurance contract limits) are 100% replacement cost for fire and extended coverage claims, \$100,000 for money and securities and employee fidelity claims, \$2,000,000 for liability claims, statutory limit for workers' compensation claims, and 100% replacement cost for boiler and machinery claims. Losses from individual claims in excess of these limits remain the responsibility of the respective entities. In the unlikely event that all or any of the insurance companies cancel, fail to renew or are unable to meet their obligations under excess insurance contracts, MIRMA and its member cities would be responsible for such defaulted amounts. Additionally, the Articles of the Association provide for supplemental assessments in the event the annual assessment is not sufficient to meet obligations. Settled claims have not exceeded coverage in any of the last three fiscal years.

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

The assessment to the City, for the coverage period July 1, 2017 through June 30, 2018, was \$139,245.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAVANNAH, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 1,378,000	\$ 1,410,153	\$ 1,427,207	\$ 17,054
Penalties and Interest on Delinquent Taxes	1,200	2,928	2,928	-
Licenses and Permits	16,500	18,978	18,978	-
Intergovernmental Revenues	620,000	48,395	50,840	2,445
Fines and Forfeits	17,900	21,029	19,588	(1,441)
Interest	900	923	923	-
Other Revenue	10,500	11,165	4,956	(6,209)
Total Revenues	<u>2,045,000</u>	<u>1,513,571</u>	<u>1,525,420</u>	<u>11,849</u>
EXPENDITURES				
General Government	251,828	241,739	251,638	9,899
Public Safety	466,900	449,745	452,787	3,042
Public Works	1,308,755	575,050	550,301	(24,749)
Other Expenditures	86,000	55,486	53,973	(1,513)
Total Expenditures	<u>2,113,483</u>	<u>1,322,020</u>	<u>1,308,699</u>	<u>(13,321)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(68,483)	191,551	216,721	25,170
OTHER FINANCING SOURCES (USES)				
Transfers In	22,000	-	24,888	24,888
Transfers Out	<u>(294,592)</u>	<u>(305,259)</u>	<u>(305,259)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(272,592)</u>	<u>(305,259)</u>	<u>(280,371)</u>	<u>24,888</u>
NET CHANGE IN FUND BALANCE				
	(341,075)	(113,708)	(63,650)	50,058
Fund Balance - Beginning of Year	<u>822,826</u>	<u>822,826</u>	<u>822,826</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 481,751</u></u>	<u><u>\$ 709,118</u></u>	<u><u>\$ 759,176</u></u>	<u><u>\$ 50,058</u></u>

See accompanying Notes to Required Supplementary Information.

CITY OF SAVANNAH, MISSOURI
BUDGETARY COMPARISON SCHEDULE – CDBG SCHOOL GRANT FUND
YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Intergovernmental Revenues	\$ 1,000,000	\$ 259,692	\$ 446,880	\$ 187,188
Total Revenues	1,000,000	259,692	446,880	187,188
EXPENDITURES				
Other Expenditures	1,000,000	259,692	446,880	187,188
Total Expenditures	1,000,000	259,692	446,880	187,188
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

See accompanying Notes to Required Supplementary Information.

CITY OF SAVANNAH, MISSOURI
BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND
YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 332,000	\$ 350,187	\$ 348,683	\$ (1,504)
Penalties and Interest on Delinquent Taxes	750	1,846	1,846	-
Licenses and Permits	10,675	10,000	10,050	50
Intergovernmental Revenues	-	7,896	7,896	-
Charges for Services	82,460	89,136	89,086	(50)
Interest	200	107	107	-
Other Revenue	500	-	-	-
Total Revenues	<u>426,585</u>	<u>459,172</u>	<u>457,668</u>	<u>(1,504)</u>
EXPENDITURES				
Culture and Recreation	440,585	434,424	433,828	(596)
Debt Service - Principal	-	-	266	266
Total Expenditures	<u>440,585</u>	<u>434,424</u>	<u>434,094</u>	<u>(330)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,000)	24,748	23,574	(1,174)
OTHER FINANCING SOURCES (USES)				
Transfers In	34,000	32,520	32,520	-
Transfers Out	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(36,000)</u>	<u>(37,480)</u>	<u>(37,480)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(50,000)	(12,732)	(13,906)	(1,174)
Fund Balance - Beginning of Year	<u>85,089</u>	<u>85,089</u>	<u>85,089</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 35,089</u>	<u>\$ 72,357</u>	<u>\$ 71,183</u>	<u>\$ (1,174)</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF SAVANNAH, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2017**

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.

NOTE II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	Expenditures and Transfers Out	Budget	Excess
CDBG School Grant	\$ 446,880	\$ 259,692	\$ 187,188
Sanitation	344,488	335,108	9,380

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2017**

Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2016	113,653	113,653	-	1,094,228	10.4%
2017	104,669	104,669	-	1,099,994	9.5%

Additional information relating to the pension plan is provided in Note 7 of the Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Total Pension Liability</u>			
Service Cost	\$ 100,160	\$ 92,300	\$ 83,158
Interest on the Total Pension Liability	251,898	221,481	202,541
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience of the Total Pension Liability	(37,603)	62,637	41,135
Changes of Assumptions	(21,718)	138,335	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(118,531)</u>	<u>(80,278)</u>	<u>(60,240)</u>
Net Change in Total Pension Liability	174,206	434,475	266,594
Total Pension Liability - Beginning of Year	3,483,477	3,049,002	2,782,408
Total Pension Liability- End of Year	<u><u>\$ 3,657,683</u></u>	<u><u>\$ 3,483,477</u></u>	<u><u>\$ 3,049,002</u></u>
<u>Plan Fiduciary Net Position</u>			
Contributions-Employer	\$ 107,092	\$ 110,900	\$ 110,991
Contributions-Employee	-	-	-
Net Investment Income	457,302	(8,669)	60,977
Benefit Payments, Including Refunds of Employee Contributions	(118,531)	(80,278)	(60,240)
Pension Plan Administrative Expense	(3,961)	(3,955)	(3,914)
Other (Net Transfer)	<u>(11,257)</u>	<u>35,445</u>	<u>80,028</u>
Net Change in Plan Fiduciary Net Position	430,645	53,443	187,842
Plan Fiduciary Net Position - Beginning of Year	3,340,402	3,286,959	3,099,117
Plan Fiduciary Net Position - End of Year	<u><u>\$ 3,771,047</u></u>	<u><u>\$ 3,340,402</u></u>	<u><u>\$ 3,286,959</u></u>
Net Pension Liability (Asset)	<u><u>\$ (113,364)</u></u>	<u><u>\$ 143,075</u></u>	<u><u>\$ (237,957)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.10%	95.89%	107.80%
Covered Payroll	\$ 1,099,740	\$ 1,071,415	\$ 947,127
Employer's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-10.31%	13.35%	-25.12%

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, 2017

	Special Revenue		Debt Service			Permanent		Total Nonmajor Governmental Funds
	Chester Baum	Main Street Organization	Pool Bond	Park and Recreation COPs	NID Bonds	Alma Martin	Duncan- Kubach	
ASSETS								
Pooled Cash	\$ 433	\$ 4,272	\$ -	\$ -	\$ -	\$ 1,093	\$ 66	\$ 5,864
Restricted and Internally Designated Cash	-	-	60,111	96,163	-	-	-	156,274
Certificates of Deposit	-	-	-	-	-	60,006	102,933	162,939
Special Assessments Receivable	-	-	-	-	11,884	-	-	11,884
Total Assets	\$ 433	\$ 4,272	\$ 60,111	\$ 96,163	\$ 11,884	\$ 61,099	\$ 102,999	\$ 336,961
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	\$ -	\$ -	\$ -	\$ -	\$ 11,884	\$ -	\$ -	\$ 11,884
Total Deferred Inflows of Resources	-	-	-	-	11,884	-	-	11,884
FUND BALANCES								
Nonspendable	-	-	-	-	-	58,000	100,558	158,558
Restricted	433	4,272	60,111	96,163	-	3,099	2,441	166,519
Total Fund Balances	433	4,272	60,111	96,163	-	61,099	102,999	325,077
Total Deferred Inflows of Resources and Fund Balances	\$ 433	\$ 4,272	\$ 60,111	\$ 96,163	\$ 11,884	\$ 61,099	\$ 102,999	\$ 336,961

**CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue		Debt Service			Permanent		Total Nonmajor Governmental Funds
	Chester Baum	Main Street Organization	Pool Bond	Park and Recreation COPs	NID Bonds	Alma Martin	Duncan- Kubach	
REVENUES								
Property Taxes	\$ -	\$ -	\$ 2,558	\$ -	\$ -	\$ -	\$ -	\$ 2,558
Other Taxes	-	-	712	-	-	-	-	712
Special Assessments	-	-	-	-	4,888	-	-	4,888
Penalties and Interest on Delinquent Taxes	-	-	517	-	-	-	-	517
Interest	2	6	199	47	-	421	-	675
Other Revenue	-	4,266	-	-	-	-	-	4,266
Total Revenues	2	4,272	3,986	47	4,888	421	-	13,616
EXPENDITURES								
Culture and Recreation: Current	1,279	-	-	-	-	-	-	1,279
Debt Service: Principal	-	-	25,000	30,000	-	-	-	55,000
Interest	-	-	19,896	26,002	-	-	-	45,898
Total Expenditures	1,279	-	44,896	56,002	-	-	-	102,177
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,277)	4,272	(40,910)	(55,955)	4,888	421	-	(88,561)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	60,000	-	-	-	60,000
Transfers Out	-	-	-	-	(4,888)	-	-	(4,888)
Total Other Financing Sources (Uses)	-	-	-	60,000	(4,888)	-	-	55,112
NET CHANGE IN FUND BALANCES	(1,277)	4,272	(40,910)	4,045	-	421	-	(33,449)
Fund Balances - Beginning of Year	1,710	-	101,021	92,118	-	60,678	102,999	358,526
FUND BALANCES - END OF YEAR	\$ 433	\$ 4,272	\$ 60,111	\$ 96,163	\$ -	\$ 61,099	\$ 102,999	\$ 325,077

CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>Clasbey Center</u>	<u>Cemetery</u>	<u>Total</u>
CURRENT ASSETS			
Pooled Cash and Cash Equivalents	\$ 12,841	\$ 73,630	\$ 86,471
Prepaid Items	481	3,958	4,439
Total Current Assets	<u>13,322</u>	<u>77,588</u>	<u>90,910</u>
CAPITAL ASSETS			
Nondepreciable:			
Land	-	15,699	15,699
Depreciable:			
Property, Plant, and Equipment, at Cost	556,323	94,044	650,367
Accumulated Depreciation	<u>(520,562)</u>	<u>(91,564)</u>	<u>(612,126)</u>
Total Capital Assets, Net	35,761	18,179	53,940
OTHER ASSETS			
Net Pension Asset	-	874	874
Total Assets	<u>49,083</u>	<u>96,641</u>	<u>145,724</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	<u>-</u>	<u>1,241</u>	<u>1,241</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 49,083</u>	<u>\$ 97,882</u>	<u>\$ 146,965</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,346	\$ 250	\$ 1,596
Accrued Payroll and Related Benefits	44	236	280
Current Maturities of Long-Term Debt	4,631	685	5,316
Total Current Liabilities	<u>6,021</u>	<u>1,171</u>	<u>7,192</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Less Current Maturities	<u>8,489</u>	<u>655</u>	<u>9,144</u>
Total Long-Term Liabilities	<u>8,489</u>	<u>655</u>	<u>9,144</u>
Total Liabilities	14,510	1,826	16,336
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	-	137	137
NET POSITION			
Net Investment in Capital Assets	22,641	17,695	40,336
Restricted for Pension	-	1,978	1,978
Restricted for Cemetery	-	45,596	45,596
Unrestricted	<u>11,932</u>	<u>30,650</u>	<u>42,582</u>
Total Net Position	<u>34,573</u>	<u>95,919</u>	<u>130,492</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 49,083</u>	<u>\$ 97,882</u>	<u>\$ 146,965</u>

**CITY OF SAVANNAH, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED SEPTEMBER 30, 2017**

	Clasbey Center	Cemetery	Total
OPERATING REVENUES			
Charges for Services	\$ 18,562	\$ 36,455	\$ 55,017
OPERATING EXPENSES			
Personnel Services	6,495	22,953	29,448
Utilities	4,031	1,572	5,603
Contractual Services	540	-	540
Insurance	560	4,579	5,139
Repair and Maintenance	2,912	772	3,684
Materials and Supplies	1,993	2,844	4,837
Depreciation and Amortization	15,157	558	15,715
Total Operating Expenses	<u>31,688</u>	<u>33,278</u>	<u>64,966</u>
OPERATING INCOME (LOSS)	(13,126)	3,177	(9,949)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	73	118	191
Total Nonoperating Revenues	<u>73</u>	<u>118</u>	<u>191</u>
TRANSFERS			
Transfers In	<u>4,000</u>	<u>-</u>	<u>4,000</u>
CHANGE IN NET POSITION	(9,053)	3,295	(5,758)
Net Position - Beginning of Year	<u>43,626</u>	<u>92,624</u>	<u>136,250</u>
NET POSITION - END OF YEAR	<u>\$ 34,573</u>	<u>\$ 95,919</u>	<u>\$ 130,492</u>

CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	Clasbey Center	Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 18,562	\$ 36,455	\$ 55,017
Cash Paid to Suppliers	(9,413)	(10,681)	(20,094)
Cash Paid to Employees	(6,487)	(28,149)	(34,636)
Net Cash Provided by Operating Activities	2,662	(2,375)	287
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Transferred from Other Funds	4,000	-	4,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on Long-Term Debt	(6,561)	(242)	(6,803)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	73	118	191
NET INCREASE (DECREASE) IN CASH	174	(2,499)	(2,325)
Cash - Beginning of Year	12,667	76,129	88,796
CASH - END OF YEAR	\$ 12,841	\$ 73,630	\$ 86,471
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (13,126)	\$ 3,177	\$ (9,949)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	15,157	558	15,715
(Increase) Decrease in:			
Prepaid Items	(81)	(699)	(780)
Net Pension Asset	-	(874)	(874)
Pension Related Deferred Outflows	-	2,161	2,161
Increase (Decrease) in:			
Accounts Payable	704	(215)	489
Accrued Payroll	8	(28)	(20)
Compensated Absences	-	(6,592)	(6,592)
Pension Related Deferred Inflows	-	137	137
Net Cash Provided (Used) by Operating Activities	\$ 2,662	\$ (2,375)	\$ 287

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, 2017, 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 22, 2018.

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 the purpose of 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 have not been 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 2017-001, 2017-002, 2017-003, and 2017-004 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 deficiency 2017-005 described in the accompanying schedule of findings and recommendations to be a significant deficiency.

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 2017-006.

The City of Savannah's Responses to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

St. Joseph, Missouri
February 22, 2018

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2017**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2017-001 – Financial Statement Preparation

Condition: The City engages CliftonLarsonAllen LLP to audit its financial statements, accompanying disclosures, required supplementary information (RSI), and supplementary information (SI). The City maintains its general ledger on the cash basis of accounting and the year-end financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Journal entries were required to be made for financial statement presentation. However, as independent accountants, CliftonLarsonAllen LLP cannot be considered part of the City's internal control over financial reporting. Due to the small number of people employed in the administrative function, the City may not have sufficient personnel to prepare the City's financial statements and related disclosures.

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

Cause: Limited resources and personnel.

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

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

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

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2017-002 – 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, 2017

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2017-003 – 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, 2017, the total cash reported in the funds was \$38,300 lower than the balance indicated on the pooled cash reconciliation. We also noted 101 items totaling \$5,479 that were listed as outstanding on the cash reconciliation that were over one year old, with the oldest dating back to 2009.

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: Lack of 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. The monthly bank reconciliation should be provided for review and approval with an accompanying list of the individual pooled cash accounts. This listing should be compared with the reconciled cash balance. Without this comparison, it is not possible to determine if the reconciliation is accurate. We also recommend that long-outstanding items be investigated and then corrected or turned over the unclaimed property, as appropriate.

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, 2017**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2017-004 – 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, 2017**

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2017-005 – Disbursements

Condition: During our test of expenditures, it was noted that City employees were not able to locate supporting documentation for all expenditures.

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: Ineffective filing procedures.

Effect: Out of the 25 disbursements tested that totaled \$456,217, staff was unable to locate support for one transaction totaling \$150. Also, during testing of capital asset additions, staff was unable to locate one transaction totaling \$2,550. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation: We recommend the City ensure supporting documents are kept for all disbursements.

Response: The City realizes the importance of maintaining internal controls and spends a lot of time diligently reviewing all expenditures. The City Administrator will work harder to verify all disbursements have supporting documentation.

COMPLIANCE AND OTHER MATTERS

2017-006 – Budget

Condition: Actual expenditures and transfers out exceeded budgeted appropriations in the CDBG School Grant and Sanitation funds for the year ended September 30, 2017. Additionally, the budget is being amended retrospectively, after the expenditures are already incurred.

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

Cause: Lack of 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. The annual budget is not only a plan for the future operations of the City, but a legally set limit on expenditures, and is meant to be a method of internal control for the Board.

Response: The annual budget is reviewed and amended prior to closing out the year.