

CITY OF SAVANNAH, MISSOURI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

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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, 2016, 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, 2016, 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 24, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
February 24, 2017

BASIC FINANCIAL STATEMENTS

**CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Pooled Cash and Cash Equivalents	\$ 828,178	\$ 1,373,027	\$ 2,201,205
Taxes Receivable	215,475	-	215,475
Special Assessments Receivable	16,772	-	16,772
Accounts Receivable, Net	-	360,322	360,322
Due from Other Governments	13,612	-	13,612
Prepaid Items	69,037	32,437	101,474
Inventory	-	45,635	45,635
Restricted Assets - Cash and Cash Equivalents	529,762	1,530,166	2,059,928
Capital Assets:			
Nondepreciable	666,955	71,081	738,036
Depreciable, Net	5,161,396	9,122,540	14,283,936
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	210,999	305,445	516,444
Total Assets and Deferred Outflows of Resources	<u>7,712,186</u>	<u>12,840,653</u>	<u>20,552,839</u>
LIABILITIES			
Accounts Payable	50,352	72,992	123,344
Accrued Payroll and Related Benefits	2,918	6,175	9,093
Accrued Interest	29,819	92,258	122,077
Customer Deposits	-	88,350	88,350
Long-Term Liabilities:			
Net Pension Liability	80,410	62,665	143,075
Due Within One Year	355,776	811,674	1,167,450
Due in More than One Year	2,587,941	7,621,539	10,209,480
Total Liabilities	3,107,216	8,755,653	11,862,869
NET POSITION			
Net Investment in Capital Assets	2,932,444	879,069	3,811,513
Restricted for Pension	130,589	242,780	373,369
Restricted for Debt Service	512,502	1,273,420	1,785,922
Restricted for Streets and Public Works	348,660	-	348,660
Restricted for Parks	1,710	-	1,710
Restricted for Cemetery	-	45,596	45,596
Restricted for Permanent Funds:			
Expendable	5,119	-	5,119
Nonexpendable	158,558	-	158,558
Unrestricted	515,388	1,644,135	2,159,523
Total Net Position	<u>\$ 4,604,970</u>	<u>\$ 4,085,000</u>	<u>\$ 8,689,970</u>

See accompanying Notes to Financial Statements.

**CITY OF SAVANNAH, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

ASSETS	<u>General</u>	<u>Parks and Recreation</u>	<u>Street Drainage COPs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Pooled Cash	\$ 512,505	\$ 45,284	\$ 105,002	\$ 2,448	\$ 665,239
Restricted Cash	109,614	-	227,097	193,051	529,762
Certificates of Deposit	-	-	-	162,939	162,939
Taxes Receivable	182,493	32,583	-	399	215,475
Special Assessments Receivable	-	-	-	16,772	16,772
Due from Other Governments	13,612	-	-	-	13,612
Prepaid Items	50,355	18,682	-	-	69,037
Total Assets	<u>\$ 868,579</u>	<u>\$ 96,549</u>	<u>\$ 332,099</u>	<u>\$ 375,609</u>	<u>\$ 1,672,836</u>
LIABILITIES					
Accounts Payable	\$ 41,686	\$ 8,666	\$ -	\$ -	\$ 50,352
Accrued Payroll and Related Benefits	1,660	1,258	-	-	2,918
Total Liabilities	<u>43,346</u>	<u>9,924</u>	<u>-</u>	<u>-</u>	<u>53,270</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	2,407	1,536	-	17,083	21,026
Total Deferred Inflows of Resources	<u>2,407</u>	<u>1,536</u>	<u>-</u>	<u>17,083</u>	<u>21,026</u>
FUND BALANCES					
Nonspendable	50,355	18,682	-	158,558	227,595
Restricted	348,660	-	332,099	199,968	880,727
Assigned	-	66,407	-	-	66,407
Unassigned	423,811	-	-	-	423,811
Total Fund Balances	<u>822,826</u>	<u>85,089</u>	<u>332,099</u>	<u>358,526</u>	<u>1,598,540</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 868,579</u>	<u>\$ 96,549</u>	<u>\$ 332,099</u>	<u>\$ 375,609</u>	<u>\$ 1,672,836</u>

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, 2016**

Total Fund Balances - Governmental Funds	\$ 1,598,540
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.	5,828,351
Net pension assets and pension related deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported as assets or deferred outflows in governmental funds.	
Net Pension Liability	(80,410)
Pension Related Deferred Outflows	210,999
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	(47,810)
Bonds payable	(2,750,000)
Capital lease payable	(145,907)
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.	21,026
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(29,819)</u>
Total Net Position - Governmental Activities	<u><u>\$ 4,604,970</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, 2016

	General	Parks and Recreation	Street Drainage COPs	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 185,336	\$ 118,611	\$ -	\$ 66,534	\$ 370,481
Sales Taxes	855,621	210,730	-	-	1,066,351
Franchise Taxes	369,285	-	-	-	369,285
Other Taxes	12,549	8,031	-	4,518	25,098
Special Assessments	-	-	-	4,026	4,026
Penalties and Interest on					
Delinquent Taxes	1,839	1,159	-	410	3,408
Licenses and Permits	19,816	9,905	-	-	29,721
Intergovernmental Revenues	140,771	1,000	-	-	141,771
Charges for Services	-	90,527	-	-	90,527
Fines and Forfeits	20,544	-	-	-	20,544
Interest	1,066	167	254	1,635	3,122
Donations	150	-	-	-	150
Other Revenue	66,285	516	-	-	66,801
Total Revenues	<u>1,673,262</u>	<u>440,646</u>	<u>254</u>	<u>77,123</u>	<u>2,191,285</u>
EXPENDITURES					
General Government:					
Current	230,654	-	-	-	230,654
Capital Outlay	9,489	-	-	-	9,489
Public Safety:					
Current	478,904	-	-	-	478,904
Capital Outlay	101,976	-	-	-	101,976
Public Works:					
Current	229,589	-	-	-	229,589
Capital Outlay	538,164	-	-	-	538,164
Culture and Recreation:					
Current	-	412,285	-	238	412,523
Capital Outlay	-	888	-	-	888
Debt Service:					
Principal	44,977	93	220,000	50,000	315,070
Interest	10,000	-	52,026	48,239	110,265
Fees	-	-	-	-	-
Total Expenditures	<u>1,643,753</u>	<u>413,266</u>	<u>272,026</u>	<u>98,477</u>	<u>2,427,522</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	29,509	27,380	(271,772)	(21,354)	(236,237)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	138,897	888	-	-	139,785
Transfers In	24,026	32,520	280,192	60,000	396,738
Transfers Out	(313,712)	(70,000)	-	(4,026)	(387,738)
Total Other Financing Sources (Uses)	<u>(150,789)</u>	<u>(36,592)</u>	<u>280,192</u>	<u>55,974</u>	<u>148,785</u>
NET CHANGE IN FUND BALANCES	(121,280)	(9,212)	8,420	34,620	(87,452)
Fund Balances - Beginning of Year	944,106	94,301	323,679	323,906	1,685,992
FUND BALANCES - END OF YEAR	<u>\$ 822,826</u>	<u>\$ 85,089</u>	<u>\$ 332,099</u>	<u>\$ 358,526</u>	<u>\$ 1,598,540</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (87,452)

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	650,517
Depreciation Expense	(342,895)
Loss on Disposal of Capital Assets	(10,275)

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	(184,905)
Change in Pension Related Deferred Outflows	102,809

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	(2,173)
Debt Principal Retirement	315,070

Proceeds of long term-debt is reported as an other financing source in the governmental funds, but the proceeds increase long-term liabilities on the statement of net position. (139,785)

The statement of activities reports tax revenues that do not provide current financial resources and are not reported as revenues in the governmental funds. (14,343)

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. 1,707

Change in Net Position - Governmental Activities \$ 288,275

CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2016

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	\$ 1,168,494	\$ 60,652	\$ 55,085	\$ 88,796	\$ 1,373,027
Accounts Receivable, Net	317,708	42,614	-	-	360,322
Prepaid Items	18,213	-	10,565	3,659	32,437
Inventory	-	-	45,635	-	45,635
Total Current Assets	<u>1,504,415</u>	<u>103,266</u>	<u>111,285</u>	<u>92,455</u>	<u>1,811,421</u>
RESTRICTED ASSETS					
Cash and Cash Equivalents	1,449,431	58,320	22,415	-	1,530,166
Total Restricted Assets	<u>1,449,431</u>	<u>58,320</u>	<u>22,415</u>	<u>-</u>	<u>1,530,166</u>
CAPITAL ASSETS					
Nondepreciable:					
Land	55,382	-	-	15,699	71,081
Depreciable:					
Property, Plant, and Equipment, at Cost	13,928,838	189,474	2,155,730	650,367	16,924,409
Accumulated Depreciation	<u>(5,175,389)</u>	<u>(186,954)</u>	<u>(1,843,115)</u>	<u>(596,411)</u>	<u>(7,801,869)</u>
Total Capital Assets, Net	<u>8,808,831</u>	<u>2,520</u>	<u>312,615</u>	<u>69,655</u>	<u>9,193,621</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	<u>236,357</u>	<u>18,040</u>	<u>47,646</u>	<u>3,402</u>	<u>305,445</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,999,034</u>	<u>\$ 182,146</u>	<u>\$ 493,961</u>	<u>\$ 165,512</u>	<u>\$ 12,840,653</u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2016

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	\$ 36,846	\$ 24,010	\$ 11,029	\$ 1,107	\$ 72,992
Accrued Payroll and Benefits	4,267	152	1,456	300	6,175
Accrued Interest	92,114	-	144	-	92,258
Customer Deposits	88,350	-	-	-	88,350
Current Maturities of Long-Term Liabilities	740,880	749	59,194	10,851	811,674
Total Current Liabilities	<u>962,457</u>	<u>24,911</u>	<u>71,823</u>	<u>12,258</u>	<u>1,071,449</u>
LONG-TERM LIABILITIES					
Net Pension Liability	48,487	3,727	9,750	701	62,665
Long-Term Liabilities, Less Current Maturities	7,476,380	58,819	70,037	16,303	7,621,539
Total Long-Term Liabilities	<u>7,524,867</u>	<u>62,546</u>	<u>79,787</u>	<u>17,004</u>	<u>7,684,204</u>
 Total Liabilities	 <u>8,487,324</u>	 <u>87,457</u>	 <u>151,610</u>	 <u>29,262</u>	 <u>8,755,653</u>
NET POSITION					
Net Investment in Capital Assets	638,482	2,520	188,819	49,248	879,069
Restricted for Debt Service	1,251,149	-	22,271	-	1,273,420
Restricted for Pension	187,870	14,313	37,896	2,701	242,780
Restricted for Cemetery	-	-	-	45,596	45,596
Unrestricted	1,434,209	77,856	93,365	38,705	1,644,135
Total Net Position	<u>3,511,710</u>	<u>94,689</u>	<u>342,351</u>	<u>136,250</u>	<u>4,085,000</u>
 Total Liabilities and Net Position	 <u>\$ 11,999,034</u>	 <u>\$ 182,146</u>	 <u>\$ 493,961</u>	 <u>\$ 165,512</u>	 <u>\$ 12,840,653</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, 2016

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES					
Charges for Services	\$ 2,450,076	\$ 304,067	\$ 417,273	\$ 55,765	\$ 3,227,181
OPERATING EXPENSES					
Personnel Services	594,542	40,129	183,632	38,226	856,529
Utilities	180,793	-	15,877	9,222	205,892
Contractual Services	59,423	299,102	3,086	540	362,151
Insurance	25,785	-	16,837	5,203	47,825
Repair and Maintenance	180,073	1,648	19,932	2,220	203,873
Materials and Supplies	157,256	3,837	138,102	3,096	302,291
Depreciation and Amortization	438,091	(2,042)	46,127	19,352	501,528
Total Operating Expenses	<u>1,635,963</u>	<u>342,674</u>	<u>423,593</u>	<u>77,859</u>	<u>2,480,089</u>
OPERATING INCOME (LOSS)	<u>814,113</u>	<u>(38,607)</u>	<u>(6,320)</u>	<u>(22,094)</u>	<u>747,092</u>
NONOPERATING REVENUES (EXPENSES)					
Interest Income	3,402	931	114	187	4,634
Intergovernmental Grants	13,123	-	-	-	13,123
Interest Expense	(286,948)	-	(5,688)	-	(292,636)
Gain on Sale of Equipment	18,234	450	77,100	-	95,784
Other Income (Expense)	4,909	-	(14)	900	5,795
Total Nonoperating Revenues (Expenses)	<u>(247,280)</u>	<u>1,381</u>	<u>71,512</u>	<u>1,087</u>	<u>(173,300)</u>
TRANSFERS					
Transfers In	-	-	-	1,000	1,000
Transfers Out	-	-	(10,000)	-	(10,000)
Net Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>1,000</u>	<u>(9,000)</u>
CHANGE IN NET POSITION	566,833	(37,226)	55,192	(20,007)	564,792
Net Position - Beginning of Year	<u>2,944,877</u>	<u>131,915</u>	<u>287,159</u>	<u>156,257</u>	<u>3,520,208</u>
NET POSITION - END OF YEAR	<u>\$ 3,511,710</u>	<u>\$ 94,689</u>	<u>\$ 342,351</u>	<u>\$ 136,250</u>	<u>\$ 4,085,000</u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Combined Water and Wastewater	Sanitation	Golf	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 2,460,379	\$ 296,746	\$ 417,259	\$ 56,665	\$ 3,231,049
Cash Paid to Suppliers	(589,546)	(304,541)	(178,245)	(19,316)	(1,091,648)
Cash Paid to Employees	(621,671)	(42,511)	(197,956)	(32,751)	(894,889)
Net Cash Provided (Used) by Operating Activities	<u>1,249,162</u>	<u>(50,306)</u>	<u>41,058</u>	<u>4,598</u>	<u>1,244,512</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Transferred To (From) Other Funds	-	-	(10,000)	1,000	(9,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant Proceeds Received	13,123	-	-	-	13,123
Purchase of Equipment	(174,663)	(1,260)	(3,500)	(2,520)	(181,943)
Proceeds from Sale of Equipment	18,234	450	-	-	18,684
Payments on Long-Term Debt	(671,754)	-	(45,246)	(2,402)	(719,402)
Interest Paid on Long-Term Debt	(291,922)	-	(5,808)	-	(297,730)
Net Cash Used by Capital and Related Financing Activities	<u>(1,106,982)</u>	<u>(810)</u>	<u>(54,554)</u>	<u>(4,922)</u>	<u>(1,167,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	3,402	931	114	187	4,634
NET INCREASE (DECREASE) IN CASH	145,582	(50,185)	(23,382)	863	72,878
Cash - Beginning of Year	<u>2,472,343</u>	<u>169,157</u>	<u>100,882</u>	<u>87,933</u>	<u>2,830,315</u>
CASH - END OF YEAR	<u><u>\$ 2,617,925</u></u>	<u><u>\$ 118,972</u></u>	<u><u>\$ 77,500</u></u>	<u><u>\$ 88,796</u></u>	<u><u>\$ 2,903,193</u></u>

See accompanying Notes to Financial Statements.

CITY OF SAVANNAH, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

	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)	\$ 814,113	\$ (38,607)	\$ (6,320)	\$ (22,094)	\$ 747,092
Adjustment to Reconcile Operating Income to Net Cash Provided					
(Used) by Operating Activities:					
Depreciation	438,091	662	46,127	19,351	504,231
Amortization	-	(2,704)	-	-	(2,704)
Nonoperating Revenues	4,909	-	(14)	900	5,795
(Increase) Decrease in:					
Accounts Receivable	4,335	(7,321)	-	-	(2,986)
Prepaid Items	445	-	2,648	324	3,417
Inventory	-	-	8,792	-	8,792
Net Pension Asset	150,775	12,196	25,439	7,717	196,127
Pension Related Deferred Outflows	(169,936)	(12,461)	(37,218)	1,101	(218,514)
Increase (Decrease) in:					
Accounts Payable	13,339	46	4,149	642	18,176
Accrued Payroll	(5,019)	152	(4,523)	(2,132)	(11,522)
Compensated Absences	(2,949)	(2,269)	1,978	(1,211)	(4,451)
Customer Deposits	1,059	-	-	-	1,059
	<u>1,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,059</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,249,162</u>	<u>\$ (50,306)</u>	<u>\$ 41,058</u>	<u>\$ 4,598</u>	<u>\$ 1,244,512</u>
CASH RECONCILIATION					
Pooled Cash and Cash Equivalents	\$ 1,168,494	\$ 60,652	\$ 55,085	\$ 88,796	\$ 1,373,027
Restricted Cash and Cash Equivalents	<u>1,449,431</u>	<u>58,320</u>	<u>22,415</u>	<u>-</u>	<u>1,530,166</u>
Total Cash and Cash Equivalents	<u>\$ 2,617,925</u>	<u>\$ 118,972</u>	<u>\$ 77,500</u>	<u>\$ 88,796</u>	<u>\$ 2,903,193</u>
NONCASH INVESTING AND FINANCING ACTIVITIES					
Purchase of Equipment with Capital Lease	<u>\$ 57,103</u>	<u>\$ -</u>	<u>\$ 85,279</u>	<u>\$ 22,809</u>	<u>\$ 165,191</u>

See accompanying Notes to Financial Statements.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016, 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, 2016**

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, 2016**

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, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Major Governmental Funds (Continued)

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.

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$143,596 and \$12,599 in the Combined Water and Wastewater and Sanitation funds, respectively. Those funds establish an allowance for doubtful accounts based on the status of accounts receivable at year-end, historical losses, and existing economic conditions. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year.

Special Assessments Receivable

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

Prepaid Items

Prepaid items consist of amounts paid during the year ended September 30, 2016, which will be recognized as expenses in future periods.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and Intangible Assets

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

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

The City has elected to prospectively report infrastructure assets in the governmental activities, as allowed by 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.

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.

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 does not have deferred inflows of resources to report in its governmental activities, business-type activities, or proprietary fund financial statements in the current year.

Fund 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.

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

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance, Continued

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

Net Position

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

Permanent Funds

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

During the year ended September 30, 2016, the Alma Martin Trust Fund had net appreciation on cash and investments of \$322. It is the City's policy to expend income earned as necessary to fund park and cemetery operations to the extent they are available. Restricted fund balance available for spending was \$2,678 as of September 30, 2016.

During the year ended September 30, 2016, the Duncan-Kubach Trust Fund had net appreciation on cash and investments of \$960. 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, 2016.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 Cemetery, Golf, and Clasbey Center funds for the year ended September 30, 2016. The expenditures were funded through capital lease proceeds.

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, 2016, 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, 2016 is as follows:

	<u>Governmental</u>
Cash on Hand	\$ 850
Demand Deposits	3,553,678
Short-Term Investments Held in Trust	371,193
Certificates of Deposit	335,412
Total Deposits	\$ 4,261,133

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

Pooled Cash and Cash Equivalents	\$ 2,201,205
Restricted Cash and Cash Equivalents	2,059,928
Total Cash and Cash Equivalents	\$ 4,261,133

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 5,224
Public Safety	63,536
Public Works	184,661
Culture and Recreation	89,474
Total Depreciation Expense, Governmental Activities	\$ 342,895

Business-Type Activities

Water and wastewater	\$ 438,091
Sanitation	662
Golf Course	46,127
Clasbey Community Center	19,058
Cemetery	294
Total Depreciation Expense, Business-Type Activities	\$ 504,232

Capital asset activity for the year ended September 30, 2016 is as follows:

	Balance October 1, 2015	Additions	Disposals	Balance September 30, 2016
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 498,436	\$ -	\$ -	\$ 498,436
Construction in process	-	168,519	-	168,519
Total Capital Assets, Not Being Depreciated	498,436	168,519	-	666,955
Capital Assets, Being Depreciated:				
Buildings, Plant, and Improvements	3,322,545	31,024	6,666	3,346,903
Streets	4,088,957	318,355	-	4,407,312
Equipment	1,193,246	132,619	58,305	1,267,560
Total Capital Assets, Being Depreciated	8,604,748	481,998	64,971	9,021,775
Total Capital Assets	9,103,184	650,517	64,971	9,688,730
Less: Accumulated Depreciation	3,572,180	342,895	54,696	3,860,379
Governmental Activities Capital Assets, Net	\$ 5,531,004	\$ 307,622	\$ 10,275	\$ 5,828,351

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance October 1, 2015	Additions	Disposals	Balance September 30, 2016
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,081	\$ -	\$ -	\$ 71,081
Capital Assets, Being Depreciated:				
Buildings, Plant, and Improvements	13,244,163	38,656	450	13,282,369
Land Improvements	605,577	-	2,305	603,272
Equipment	2,829,085	385,581	175,898	3,038,768
Total Capital Assets, Being Depreciated	<u>16,678,825</u>	<u>424,237</u>	<u>178,653</u>	<u>16,924,409</u>
Total Capital Assets	16,749,906	424,237	178,653	16,995,490
Less: Accumulated Depreciation	<u>7,476,288</u>	<u>504,232</u>	<u>178,651</u>	<u>7,801,869</u>
Business-Type Activities □ Capital Assets, Net	<u>\$ 9,273,618</u>	<u>\$ (79,995)</u>	<u>\$ 2</u>	<u>\$ 9,193,621</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 LONG-TERM INDEBTEDNESS

The following is a summary of long-term debt of the City at September 30, 2016:

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%.	\$ 505,000
\$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%.	1,635,000
\$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%.	610,000
\$79,490 capital lease for the purpose of purchasing storm sirens. Monthly installments of \$1,422, through 2018; interest at 2.82%. At September 30, 2014, the City had capital assets related to this lease with a cost of \$79,490, and those assets had related accumulated depreciation of \$9,275.	34,128
\$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, 2016, the City had capital assets related to this lease with a cost of \$91,960, and those assets had related accumulated depreciation of \$22,988.	66,859
\$27,606 capital lease for the purpose of installing LED lighting. Monthly installments of \$484, through 2020; interest at 0%. At September 30, 2016, the City had capital assets related to this lease with a cost of \$27,606, and those assets had related accumulated depreciation of \$1,533.	24,701
\$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, 2016, the City had capital assets related to this lease with a cost of \$26,886, and those assets had related accumulated depreciation of \$1,344.	20,219
Compensated Absences	47,810
Total Governmental Activities	<u>\$ 2,943,717</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, 2016**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

Business-Type Activities

\$3,300,000 Series 2007 Revenue Bonds for the purpose of improving the water and sewer systems. Annual installments of \$60,000 to \$750,000 through 2026; interest at 4.0% to 5.25%.	\$ 2,505,000
\$5,670,000 Series 2013 Revenue Bonds (Refunding Series 2003 and 2004 Revenue Bonds) for the purpose of improving the water and sewer systems. Annual installments of \$205,000 to \$555,000 through 2026; interest at 2.65%.	4,575,000
\$1,500,000 Series 2003 Revenue Bonds with the State Environmental Improvement and Energy Resources Authority, State Revolving Fund program for the purpose of water pollution control improvements. Annual installments of \$55,000 to \$110,000 through 2024; interest at 3.5% to 5.0%. The City receives a subsidy for a portion of the interest.	745,000
\$570,000 Series 2004 Certificates of Participation for the purpose of improving the sewer system. Annual installments of \$15,000 to \$45,000 through 2024; interest at 3.125% to 5.125%.	290,000
\$400,000 Series 1999 Certificates of Participation for the purpose of golf course improvements. Annual installments of \$20,000 to \$30,000 through 2017; interest at 5.5% to 5.75%.	30,000
\$60,000 capital lease for the purpose of purchasing golf course mowers. Annual installments of \$9,694 through 2018; interest at 2.5%. At September 30, 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.	19,175
\$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.	74,621
\$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.	40,440
\$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.	35,316
Landfill	58,320
Compensated Absences	60,340
Total Business-Type Activities	<hr style="border-top: 1px solid black;"/> \$ 8,433,212 <hr style="border-top: 1px solid black;"/>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016:

	Balance October 1, 2015	Adjustments/ Additions	Adjustments/ Retired	Balance September 30, 2016	Current Portion	Long-Term Portion
Governmental Activities:						
2007 Park COP	\$ 535,000	\$ -	\$ 30,000	\$ 505,000	\$ 30,000	\$ 475,000
2012 Street Drainage COP	1,855,000	-	220,000	1,635,000	220,000	1,415,000
2013 Pool Bonds	630,000	-	20,000	610,000	25,000	585,000
Storm Sirens Capital Lease	51,192	-	17,064	34,128	16,339	17,789
Police Cars Capital Lease	-	91,960	25,101	66,859	20,962	45,897
LED Lighting Capital Lease	-	27,606	2,905	24,701	8,234	16,467
Backhoe Capital Lease	-	20,219	-	20,219	6,555	13,664
Compensated Absences	45,637	54,333	52,160	47,810	28,686	19,124
Total	<u>\$ 3,116,829</u>	<u>\$ 194,118</u>	<u>\$ 367,230</u>	<u>\$ 2,943,717</u>	<u>\$ 355,776</u>	<u>\$ 2,587,941</u>
Business-Type Activities:						
2007 Water and Sewer Revenue Bonds	\$ 2,605,000	\$ -	\$ 100,000	\$ 2,505,000	\$ 100,000	\$ 2,405,000
2013 Water and Sewer Revenue Bonds	5,040,000	-	465,000	4,575,000	480,000	4,095,000
2003 Sewer Revenue Bonds	820,000	-	75,000	745,000	80,000	665,000
2004 Sewer COP	320,000	-	30,000	290,000	30,000	260,000
1999 Golf COP	55,000	-	25,000	30,000	30,000	-
Landfill	61,024	-	2,704	58,320	-	58,320
Golf Mowers Capital Lease	28,763	-	9,588	19,175	9,549	9,626
Golf Carts Capital Lease	-	85,279	10,658	74,621	16,384	58,237
Backhoe Capital Lease	-	40,440	-	40,440	13,110	27,330
LED Lighting Capital Lease	-	39,472	4,156	35,316	11,783	23,533
Compensated Absences	64,792	26,463	30,915	60,340	40,848	19,492
Total	<u>\$ 8,994,579</u>	<u>\$ 191,654</u>	<u>\$ 753,021</u>	<u>\$ 8,433,212</u>	<u>\$ 811,674</u>	<u>\$ 7,621,538</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

The annual debt service requirement to amortize all debt outstanding as of September 30, 2016, 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
2017	\$ 30,000	\$ 24,812	\$ 54,812	\$ 220,000	\$ 45,160	\$ 265,160	\$ 25,000	\$ 19,419	\$ 44,419	\$ 16,339	\$ 725	\$ 17,064
2018	35,000	23,387	58,387	225,000	39,954	264,954	25,000	18,606	43,606	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	19,762	269,762	30,000	15,925	45,925	-	-	-
2022-2026	220,000	61,750	281,750	475,000	7,912	482,912	165,000	64,269	229,269	-	-	-
2027-2031	110,000	5,500	115,500	-	-	-	210,000	33,800	243,800	-	-	-
2032-2033	-	-	-	-	-	-	100,000	3,250	103,250	-	-	-
Total	\$ 505,000	\$ 175,636	\$ 680,636	\$ 1,635,000	\$ 173,980	\$ 1,808,980	\$ 610,000	\$ 189,963	\$ 799,963	\$ 34,128	\$ 983	\$ 35,111

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
2017	\$ 20,962	\$ 4,139	\$ 25,101	\$ 8,234	\$ -	\$ 8,234	\$ 6,555	\$ 566	\$ 7,121	\$ 327,090	\$ 94,821	\$ 421,911
2018	22,260	2,841	25,101	5,812	-	5,812	6,738	383	7,121	337,599	85,429	423,028
2019	23,637	1,463	25,100	5,812	-	5,812	6,926	194	7,120	326,375	75,118	401,493
2020	-	-	-	4,843	-	4,843	-	-	-	304,843	64,212	369,055
2021	-	-	-	-	-	-	-	-	-	320,000	54,087	374,087
2022-2026	-	-	-	-	-	-	-	-	-	860,000	133,931	993,931
2027-2031	-	-	-	-	-	-	-	-	-	320,000	39,300	359,300
2032-2033	-	-	-	-	-	-	-	-	-	100,000	3,250	103,250
Total	\$ 66,859	\$ 8,443	\$ 75,302	\$ 24,701	\$ -	\$ 24,701	\$ 20,219	\$ 1,143	\$ 21,362	\$ 2,895,907	\$ 550,148	\$ 3,446,055

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

Business-Type Activities												
Year Ending September 30,	2007 Revenue Bonds			2013 Revenue Bonds			2003 SRF Revenue Bonds			2004 COPs		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2017	\$ 100,000	\$ 112,725	\$ 212,725	\$ 480,000	\$ 121,237	\$ 601,237	\$ 80,000	\$ 37,250	\$ 117,250	\$ 30,000	\$ 13,720	\$ 43,720
2018	-	126,263	126,263	485,000	108,517	593,517	80,000	33,250	113,250	30,000	12,280	42,280
2019	-	126,263	126,263	500,000	95,665	595,665	85,000	29,250	114,250	35,000	10,720	45,720
2020	-	126,263	126,263	515,000	82,415	597,415	90,000	22,000	112,000	35,000	9,040	44,040
2021	500,000	126,263	626,263	525,000	68,767	593,767	95,000	20,500	115,500	35,000	7,303	42,303
2022-2026	1,905,000	435,877	2,340,877	2,070,000	138,462	2,208,462	315,000	31,670	346,670	125,000	9,866	134,866
Total	<u>\$ 2,505,000</u>	<u>\$ 1,053,654</u>	<u>\$ 3,558,654</u>	<u>\$ 4,575,000</u>	<u>\$ 615,063</u>	<u>\$ 5,190,063</u>	<u>\$ 745,000</u>	<u>\$ 173,920</u>	<u>\$ 918,920</u>	<u>\$ 290,000</u>	<u>\$ 62,929</u>	<u>\$ 352,929</u>
Year Ending September 30,	1999 COPs			Golf Mowers Capital Lease			Golf Carts Capital Lease			Backhoe Capital Lease		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2017	\$ 30,000	\$ 862	\$ 30,862	\$ 9,549	\$ 458	\$ 10,007	\$ 16,384	\$ 1,981	\$ 18,365	\$ 13,109	\$ 1,132	\$ 14,241
2018	-	-	-	9,626	232	9,858	16,874	1,491	18,365	13,476	766	14,242
2019	-	-	-	-	-	-	17,379	986	18,365	13,855	388	14,243
2020	-	-	-	-	-	-	17,899	467	18,366	-	-	-
2021	-	-	-	-	-	-	6,085	37	6,122	-	-	-
2022-2026	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 30,000</u>	<u>\$ 862</u>	<u>\$ 30,862</u>	<u>\$ 19,175</u>	<u>\$ 690</u>	<u>\$ 19,865</u>	<u>\$ 74,621</u>	<u>\$ 4,962</u>	<u>\$ 79,583</u>	<u>\$ 40,440</u>	<u>\$ 2,286</u>	<u>\$ 42,726</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 LONG-TERM INDEBTEDNESS (CONTINUED)

Year Ending September 30,	LED Lighting Capital Lease			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2017	\$ 11,773	\$ -	\$ 11,773	\$ 770,815	\$ 289,365	\$ 1,060,180
2018	8,310	-	8,310	643,286	282,799	926,085
2019	8,310	-	8,310	659,544	263,272	922,816
2020	6,923	-	6,923	664,822	240,185	905,007
2021	-	-	-	1,161,085	222,870	1,383,955
2022-2026	-	-	-	4,415,000	615,875	5,030,875
Total	\$ 35,316	\$ -	\$ 35,316	\$ 8,314,552	\$ 1,914,366	\$ 10,228,918

Post-Closure Landfill Obligation

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The City closed the landfill in 1995. The amount reported as landfill post-closure obligation at September 30, 2016 of \$58,320, 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 \$58,320 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, 2016**

NOTE 6 RESTRICTED ASSETS AND DEBT RESERVE FUNDING

The City's combined water and wastewater revenue bonds trust indentures require the City to establish various debt service, depreciation and replacement, and reserve accounts. At September 30, 2016, 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 consisted of customer deposits, and amounts for landfill post-closure are reported in the accompanying balance sheet/statement of position as restricted cash and investments as follows:

	General Fund	Street Drainage COPs	Nonmajor Governmental Funds	Combined Water & Wastewater	Sanitation Fund	Golf Fund	Total
Fire Department							
Sales Tax	\$ 109,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,614
Landfill Post-Closure	-	-	-	-	58,320	-	58,320
Customer Deposits	-	-	-	106,168	-	-	106,168
Debt Service, Replacement, and Reserve Accounts	-	227,097	193,051	1,343,263	-	22,415	1,785,826
Total	\$ 109,614	\$ 227,097	\$ 193,051	\$ 1,449,431	\$ 58,320	\$ 22,415	\$ 2,059,928

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.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

	2016 Valuation
Benefit Multiplier	1.60%
Final Average Salary	5 Years
Member Contributions	0%

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

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to but not yet Receiving Benefits	11
Active Employees	27
Total	51

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 10.6% of annual covered payroll for the general division, and 9.7% of annual covered payroll for the police division, for the year ended September 30, 2016.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the February 29, 2016 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 1994 Group Annuity Mortality Table set back three years for both males and females.

The actuarial assumptions used in the February 29, 2016 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	43.00%	5.00%
Fixed Income	26.00%	3.00%
Real Assets	21.00%	3.25%
Strategic Assets	10.00%	5.60%
	<u>100.00%</u>	

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 3,049,002	\$ 3,286,959	\$ (237,957)
Changes for the Year:			
Service Cost	92,300	-	92,300
Interest	221,481	-	221,481
Difference Between Expected and Actual Experience	62,637	-	62,637
Changes of Assumptions	138,335	-	138,335
Contributions - Employer	-	110,900	(110,900)
Contributions - Employee	-	-	-
Net Investment Income	-	(8,669)	8,669
Benefit Payments, Including Refunds	(80,278)	(80,278)	-
Administrative Expense	-	(3,955)	3,955
Other Changes	-	35,445	(35,445)
Net Changes	<u>434,475</u>	<u>53,443</u>	<u>381,032</u>
Balances at June 30, 2016	<u>\$ 3,483,477</u>	<u>\$ 3,340,402</u>	<u>\$ 143,075</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)	\$ 4,006,102	\$ 3,483,477	\$ 3,053,423
Plan Fiduciary Net Position	3,340,402	3,340,402	3,340,402
Net Pension Liability/(Asset) (NPL)	<u>\$ 665,700</u>	<u>\$ 143,075</u>	<u>\$ (286,979)</u>

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 June 30, 2016, the City recognized pension expense of \$127,987 for the general division and \$45,374 for the police division, for a total of \$173,361, 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	\$ 75,696	\$ -
Assumption Changes	110,675	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	300,286	-
Contributions Made After the Measurement Date	29,787	-
Total	\$ 516,444	\$ -

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

Year Ending September 30	Net Deferred Outflows of Resources
2017	\$ 161,373
2018	131,586
2019	131,051
2020	88,984
2021	3,450
Thereafter	-
Total	\$ 516,444

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, 2016**

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Transfer In:	Transfer Out:				Total
	General Fund	Parks & Recreation Fund	Nonmajor Governmental Funds	Golf Fund	
General Fund	\$ -	\$ 10,000	\$ 4,026	\$ 10,000	\$ 24,026
Park & Recreation Fund	32,520	-	-	-	32,520
Street Drainage COP's	280,192	-	-	-	280,192
Nonmajor Governmental Funds	-	60,000	-	-	60,000
Other Proprietary Funds	1,000	-	-	-	1,000
Total	\$ 313,712	\$ 70,000	\$ 4,026	\$ 10,000	\$ 397,738

NOTE 9 COMPONENTS OF FUND BALANCE

At September 30, 2016, 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	Parks & Recreation	Street Drainage COPs	Other Governmental Funds	Total
FUND BALANCES					
Nonspendable:					
Prepaid Items	\$ 50,355	\$ 18,682	\$ -	\$ -	\$ 69,037
Permanent Fund					
Principal	-	-	-	158,558	158,558
Restricted:					
Park Improvements	-	-	-	4,151	4,151
Park and Cemetery					
Improvements	-	-	-	2,678	2,678
Debt Service	-	-	332,099	193,139	525,238
Streets and Public					
Works	348,660	-	-	-	348,660
Assigned:					
Parks and Recreation					
Operations	-	66,407	-	-	66,407
Unassigned	423,811	-	-	-	423,811
Total	\$ 822,826	\$ 85,089	\$ 332,099	\$ 358,526	\$ 1,598,540

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

The City entered into an agreement for engineering services related to a street project. Future commitments related to the agreement were approximately \$77,000 at September 30, 2016.

NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and workers' compensation. The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a not-for-profit association formed by political subdivisions of the State of Missouri organized to operate as group self-insurer. The purpose of MIRMA is to seek the prevention of lessening of casualty and property losses to member political subdivisions and injuries to persons or employees which might result in claims being made against such subdivisions. In addition to insurance protection, MIRMA provides risk management services. The City has no direct control over budgeting, financing, the governing body, or management selection. The City assumes liability for any deductibles and claims in excess of coverage limitations.

MIRMA is fully funded by its members. Funds are used to pay losses within specific risk retention limits shared equally by all members, purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers, purchase services such as claims administration and data processing, and pay administrative expenses. Coverage obtained by the City through MIRMA includes fire and extended coverage, money and securities and employee fidelity, contractors equipment, automobile bodily injury and property damage liability, automobile physical damage, uninsured motorist, comprehensive general liability, employment practices liability, workers' compensation, employer's liability, airport liability, and boiler and machinery.

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

**CITY OF SAVANNAH, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 RISK MANAGEMENT (CONTINUED)

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, 2016 through June 30, 2017, was \$129,250.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAVANNAH, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 1,341,900	\$ 1,432,271	\$ 1,422,791	\$ (9,480)
Penalties and Interest on Delinquent Taxes	900	1,839	1,839	-
Licenses and Permits	16,950	19,817	19,816	(1)
Intergovernmental Revenues	-	124,159	140,771	16,612
Fines and Forfeits	16,400	21,844	20,544	(1,300)
Interest	900	1,066	1,066	-
Donations	-	150	150	-
Other Revenue	7,800	67,977	66,285	(1,692)
Total Revenues	<u>1,384,850</u>	<u>1,669,123</u>	<u>1,673,262</u>	<u>4,139</u>
EXPENDITURES				
General Government	269,100	242,924	240,143	(2,781)
Public Safety	457,350	483,600	580,880	97,280
Public Works	668,900	724,145	767,753	43,608
Other Expenditures	68,000	67,063	54,977	(12,086)
Total Expenditures	<u>1,463,350</u>	<u>1,517,732</u>	<u>1,643,753</u>	<u>126,021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(78,500)</u>	<u>151,391</u>	<u>29,509</u>	<u>(121,882)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	138,897	138,897
Transfers In	24,000	21,712	24,026	2,314
Transfers Out	(269,800)	(313,712)	(313,712)	-
Total Other Financing Sources (Uses)	<u>(245,800)</u>	<u>(292,000)</u>	<u>(150,789)</u>	<u>141,211</u>
NET CHANGE IN FUND BALANCE				
	(324,300)	(140,609)	(121,280)	19,329
Fund Balance - Beginning of Year	<u>944,106</u>	<u>944,106</u>	<u>944,106</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 619,806</u></u>	<u><u>\$ 803,497</u></u>	<u><u>\$ 822,826</u></u>	<u><u>\$ 19,329</u></u>

See accompanying Notes to Required Supplementary Information.

CITY OF SAVANNAH, MISSOURI
BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND
YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 326,200	\$ 339,779	\$ 337,372	\$ (2,407)
Penalties and Interest on Delinquent Taxes	750	1,159	1,159	-
Licenses and Permits	10,600	9,905	9,905	-
Intergovernmental Revenues	-	1,000	1,000	-
Charges for Services	92,700	90,527	90,527	-
Interest	200	167	167	-
Other Revenue	-	517	516	(1)
Total Revenues	<u>430,450</u>	<u>443,054</u>	<u>440,646</u>	<u>(2,408)</u>
EXPENDITURES				
Culture and Recreation	464,450	421,771	413,173	(8,598)
Debt Service - Principal	-	-	93	93
Total Expenditures	<u>464,450</u>	<u>421,771</u>	<u>413,266</u>	<u>(8,505)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(34,000)</u>	<u>21,283</u>	<u>27,380</u>	<u>6,097</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	888	888
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>(36,592)</u>	<u>888</u>
NET CHANGE IN FUND BALANCE				
	(70,000)	(16,197)	(9,212)	6,985
Fund Balance - Beginning of Year	<u>94,301</u>	<u>94,301</u>	<u>94,301</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 24,301</u></u>	<u><u>\$ 78,104</u></u>	<u><u>\$ 85,089</u></u>	<u><u>\$ 6,985</u></u>

See accompanying Notes to Required Supplementary Information.

**CITY OF SAVANNAH, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016**

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
Cemetery	\$ 41,061	\$ 38,336	\$ 2,725
Golf	549,033	441,603	107,430
Clasbey Center	42,777	19,499	23,278

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2016**

Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2007	\$ 82,806	\$ 82,126	\$ 680	\$ 691,947	11.9%
2008	\$ 86,140	\$ 85,627	\$ 513	\$ 757,948	11.3%
2009	\$ 101,380	\$ 101,186	\$ 194	\$ 897,555	11.3%
2010	\$ 109,251	\$ 109,251	\$ -	\$ 966,390	11.3%
2011	\$ 105,473	\$ 101,903	\$ 3,570	\$ 856,916	11.9%
2012	\$ 95,162	\$ 92,501	\$ 2,661	\$ 766,623	12.1%
2013	\$ 102,525	\$ 99,553	\$ 2,972	\$ 808,103	12.3%
2014	\$ 107,554	\$ 106,512	\$ 1,042	\$ 908,297	11.7%
2015	\$ 112,171	\$ 112,170	\$ 1	\$ 982,013	11.4%
2016	\$ 113,653	\$ 113,653	\$ -	\$ 1,094,228	10.4%

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, 2016

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

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

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF NET PENSION LIABILITY
YEAR ENDED SEPTEMBER 30, 2016**

Fiscal Year Ended June 30	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Plan Net Position as a Percent of Total Pension Liability	Covered Employee Payroll	Net Pension Liability (Asset) as a Percent of Covered Employee Payroll
2015	\$ 3,049,002	\$ 3,286,959	\$ (237,957)	107.80%	\$ 947,127	(25.1%)
2016	\$ 3,483,477	\$ 3,340,402	\$ 143,075	95.89%	\$ 1,071,415	13.4%

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, 2016**

	Special Revenue		Debt Service		Permanent		Total Nonmajor Governmental Funds
	Chester Baum	Pool Bond	Park and Recreation COPs	NID Bonds	Alma Martin	Duncan- Kubach	
ASSETS							
Pooled Cash	\$ 1,710	\$ -	\$ -	\$ -	\$ 672	\$ 66	\$ 2,448
Restricted Cash	-	100,933	92,118	-	-	-	193,051
Certificates of Deposit	-	-	-	-	60,006	102,933	162,939
Taxes Receivable	-	399	-	-	-	-	399
Special Assessments Receivable	-	-	-	16,772	-	-	16,772
Total Assets	\$ 1,710	\$ 101,332	\$ 92,118	\$ 16,772	\$ 60,678	\$ 102,999	\$ 375,609
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	\$ -	\$ 311	\$ -	\$ 16,772	\$ -	\$ -	\$ 17,083
Total Deferred Inflows of Resources	-	311	-	16,772	-	-	17,083
FUND BALANCES							
Nonspendable	-	-	-	-	58,000	100,558	158,558
Restricted	1,710	101,021	92,118	-	2,678	2,441	199,968
Total Fund Balances	1,710	101,021	92,118	-	60,678	102,999	358,526
Total Deferred Inflows of Resources and Fund Balances	\$ 1,710	\$ 101,332	\$ 92,118	\$ 16,772	\$ 60,678	\$ 102,999	\$ 375,609

**CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue		Debt Service		Permanent		Total Nonmajor Governmental Funds
	Chester Baum	Pool Bond	Park and Recreation COPs	NID Bonds	Alma Martin	Duncan- Kubach	
REVENUES							
Property Taxes	\$ -	\$ 66,534	\$ -	\$ -	\$ -	\$ -	\$ 66,534
Other Taxes	-	4,518	-	-	-	-	4,518
Special Assessments	-	-	-	4,026	-	-	4,026
Penalties and Interest on Delinquent Taxes	-	410	-	-	-	-	410
Interest	2	155	196	-	322	960	1,635
Total Revenues	2	71,617	196	4,026	322	960	77,123
EXPENDITURES							
Culture and Recreation:							
Current	238	-	-	-	-	-	238
Debt Service:							
Principal	-	20,000	30,000	-	-	-	50,000
Interest	-	20,627	27,612	-	-	-	48,239
Total Expenditures	238	40,627	57,612	-	-	-	98,477
EXCESS (DEFICIENCY) OF □							
REVENUES OVER EXPENDITURES	(236)	30,990	(57,416)	4,026	322	960	(21,354)
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	60,000	-	-	-	60,000
Transfers Out	-	-	-	(4,026)	-	-	(4,026)
Total Other Financing Sources (Uses)	-	-	60,000	(4,026)	-	-	55,974
NET CHANGE IN FUND BALANCES	(236)	30,990	2,584	-	322	960	34,620
Fund Balances - Beginning of Year	1,946	70,031	89,534	-	60,356	102,039	323,906
FUND BALANCES - END OF YEAR	\$ 1,710	\$ 101,021	\$ 92,118	\$ -	\$ 60,678	\$ 102,999	\$ 358,526

CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Clasbey Center	Cemetery	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Pooled Cash and Cash Equivalents	\$ 12,667	\$ 76,129	\$ 88,796
Prepaid Items	400	3,259	3,659
Total Current Assets	13,067	79,388	92,455
CAPITAL ASSETS			
Nondepreciable:			
Land	-	15,699	15,699
Depreciable:			
Property, Plant, and Equipment, at Cost	556,323	94,044	650,367
Accumulated Depreciation	(505,405)	(91,006)	(596,411)
Total Capital Assets, Net	50,918	18,737	69,655
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	-	3,402	3,402
Total Assets and Deferred Outflows of Resources	\$ 63,985	\$ 101,527	\$ 165,512
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	642	465	1,107
Accrued Payroll and Related Benefits	36	264	300
Current Maturities of Long-Term Debt	6,561	4,290	10,851
Total Current Liabilities	7,239	5,019	12,258
LONG-TERM LIABILITIES			
Net Pension Liability	-	701	701
Long-Term Debt, Less Current Maturities	13,120	3,183	16,303
Total Long-Term Liabilities	13,120	3,884	17,004
Total Liabilities	20,359	8,903	29,262
NET POSITION			
Net Investment in Capital Assets	31,237	18,011	49,248
Restricted for Pension	-	2,701	2,701
Restricted for Cemetery	-	45,596	45,596
Unrestricted	12,389	26,316	38,705
Total Net Position	43,626	92,624	136,250
Total Liabilities and Net Position	\$ 63,985	\$ 101,527	\$ 165,512

**CITY OF SAVANNAH, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED SEPTEMBER 30, 2016**

	Clasbey Center	Cemetery	Total
OPERATING REVENUES			
Charges for Services	\$ 17,590	\$ 38,175	\$ 55,765
OPERATING EXPENSES			
Personnel Services	9,820	28,406	38,226
Utilities	7,803	1,419	9,222
Contractual Services	540	-	540
Insurance	602	4,601	5,203
Repair and Maintenance	1,248	972	2,220
Materials and Supplies	765	2,331	3,096
Depreciation and Amortization	19,058	294	19,352
Total Operating Expenses	<u>39,836</u>	<u>38,023</u>	<u>77,859</u>
OPERATING INCOME (LOSS)	<u>(22,246)</u>	<u>152</u>	<u>(22,094)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	70	117	187
Other Income	-	900	900
Total Nonoperating Revenues	<u>70</u>	<u>1,017</u>	<u>1,087</u>
TRANSFERS			
Transfers In	1,000	-	1,000
Transfers Out	-	-	-
Net Transfers In (Out)	<u>1,000</u>	<u>-</u>	<u>1,000</u>
CHANGE IN NET POSITION	<u>(21,176)</u>	<u>1,169</u>	<u>(20,007)</u>
Net Position - Beginning of Year	<u>64,802</u>	<u>91,455</u>	<u>156,257</u>
NET POSITION - END OF YEAR	<u>\$ 43,626</u>	<u>\$ 92,624</u>	<u>\$ 136,250</u>

CITY OF SAVANNAH, MISSOURI
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Clasbey Center	Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 17,590	\$ 39,075	\$ 56,665
Cash Paid to Suppliers	(10,405)	(8,911)	(19,316)
Cash Paid to Employees	(6,777)	(25,974)	(32,751)
Net Cash Provided by Operating Activities	<u>408</u>	<u>4,190</u>	<u>4,598</u>
CASH FLOWS FROM NONCAPITAL □			
FINANCING ACTIVITIES			
Cash Transferred from Other Funds	<u>1,000</u>	<u>-</u>	<u>1,000</u>
CASH FLOWS FROM CAPITAL AND RELATED			
FINANCING ACTIVITIES			
Purchase of Equipment	-	(2,520)	(2,520)
Payments on Long-Term Debt	(2,316)	(86)	(2,402)
Net Cash Used by Capital and Related Financing Activities	<u>(2,316)</u>	<u>(2,606)</u>	<u>(4,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>70</u>	<u>117</u>	<u>187</u>
NET INCREASE (DECREASE) IN CASH	(838)	1,701	863
Cash - Beginning of Year	<u>13,505</u>	<u>74,428</u>	<u>87,933</u>
CASH - END OF YEAR	<u>\$ 12,667</u>	<u>\$ 76,129</u>	<u>\$ 88,796</u>
RECONCILIATION OF OPERATING INCOME (LOSS) □			
TO NET CASH PROVIDED (USED) BY OPERATING			
ACTIVITIES			
Operating Income (Loss)	\$ (22,246)	\$ 152	\$ (22,094)
Adjustment to Reconcile Operating Income (Loss) □ to Net Cash Provided (Used) by Operating Activities:			
Depreciation	19,057	294	19,351
Nonoperating Revenues	-	900	900
(Increase) Decrease in:			
Prepaid Items	69	255	324
Net Pension Asset	1,955	5,762	7,717
Pension Related Deferred Outflows	1,292	(191)	1,101
Increase (Decrease) in:			
Accounts Payable	485	157	642
Accrued Payroll	(204)	(1,928)	(2,132)
Compensated Absences	-	(1,211)	(1,211)
Net Cash Provided (Used) by Operating Activities	<u>\$ 408</u>	<u>\$ 4,190</u>	<u>\$ 4,598</u>

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

Board of Aldermen and Mayor
City of Savannah, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah, Missouri (the City), as of and for the year ended September 30, 2016, 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 24, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005 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 2016-006 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 2016-007.

The City of Savannah's Responses to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

St. Joseph, Missouri
February 24, 2017

**CITY OF SAVANNAH, MISSOURI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2016**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2016-001 – 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
SCHEDULES OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2016-002 – 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
SCHEDULES OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2016-003 – 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, 2016, the total cash reported in the funds was \$11,228 lower than the balance indicated on the pooled cash reconciliation. We also noted 80 items totaling \$4,266 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. 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
SCHEDULES OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2016-004 – 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
SCHEDULES OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2016-005 – Approval of Expenditures

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

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

Cause: Lack of management oversight.

Effect: Out of the 25 disbursements tested that totaled \$112,058, staff was unable to locate support for one transaction totaling \$1,730, and one transaction for \$4,820 was missing an approval signature. Of the five months of Sam's Club credit card statements examined, four did not have all supporting receipts attached. The nine charges without supporting receipts totaled \$644. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

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

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

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2016-006 – Procurement Policies

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

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

Cause: Unknown.

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

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

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

**CITY OF SAVANNAH, MISSOURI
SCHEDULES OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

COMPLIANCE AND OTHER MATTERS

2016-007 – Budget

Condition: Actual expenditures and transfers out exceeded budgeted appropriations in the Cemetery, Golf, and Clasbey Center funds for the year ended September 30, 2016.

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

Cause: Lack of management oversight. Overages primarily caused by assets purchased with capital leases, and the budget did not reflect the financing source and expenditure provided by the new leases.

Effect: While all expenditures were approved, certain expenditures were not authorized by the annual budget.

Recommendation: We recommend the annual budget be prospectively amended if additional revenue sources become available.

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