

CITY OF CRANE, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Crane
Crane, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Crane, Missouri, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crane, Missouri's management. 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the City of Crane, Missouri, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Board of Aldermen
City of Crane
Crane, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2011, 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, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Crane, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2010, and, in our opinion, is fairly stated in all material respects, in relation to the respective basic financial statements taken as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
February 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2010

The management's discussion and analysis of the City of Crane's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements, which begin on page 14.

Financial Highlights

- The net assets of the City's governmental activities increased by \$36,759 as a result of current year activities. The net assets of the City's business activities increased by \$418,584 for the year.
- The assets of the City exceeded its liabilities as of June 30, 2010, by \$3.1 million (net assets). Of this amount, \$332,887 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$54,173.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. The City's net assets – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2010

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, water, sewer, and refuse services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the City's funds and not the City as a whole. The Board of Aldermen establishes funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statements.
- Enterprise Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2010

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of June 30, 2010 and 2009:

	Governmental Activities	Business-Type Activities	Total June 30, 2010	Total June 30, 2009
Current and other assets	\$ 442,771	\$ 682,934	\$ 1,125,705	\$ 2,407,312
Capital assets	873,320	3,303,382	4,176,702	1,655,475
TOTAL ASSETS	1,316,091	3,986,316	5,302,407	4,062,787
Other liabilities	53,027	1,726,653	1,779,680	941,230
Long-term liabilities outstanding	3,280	380,851	384,131	438,304
TOTAL LIABILITIES	56,307	2,107,504	2,163,811	1,379,534
Net assets:				
Invested in capital assets				
net of related debt	873,320	1,747,418	2,620,738	1,846,104
Restricted	56,070	128,901	184,971	225,472
Unrestricted	330,394	2,493	332,887	611,677
TOTAL NET ASSETS	\$ 1,259,784	\$ 1,878,812	\$ 3,138,596	\$ 2,683,253

Total net assets of the City increased by \$455,343 for the year. Total liabilities for the City have increased by \$784,277. Restricted net assets of the City totaled \$184,971 as of June 30, 2010. This amount represents monies that are restricted for debt service, depreciation and replacement, and use tax.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2010

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended June 30, 2010	Total Year Ended June 30, 2009
REVENUES				
Program Revenues				
Charges for services	\$ 63,108	\$ 1,543,396	\$ 1,606,504	\$ 1,674,237
Operating grants and contributions	4,626	-	4,626	35,722
Capital grants and contributions	20,753	346,972	367,725	667,400
General Revenues				
Ad valorem taxes	67,138	-	67,138	65,896
Sales taxes	189,575	-	189,575	186,873
Motor vehicle and gas taxes	52,370	-	52,370	51,831
Other taxes	28,714	-	28,714	43,408
Franchise fees	41,070	-	41,070	43,612
Interest	2,527	1,989	4,516	5,023
Other revenue	22,390	2,383	24,773	18,476
TOTAL REVENUES	492,271	1,894,740	2,387,011	2,792,478
EXPENSES				
Administrative	68,611	-	68,611	80,034
Municipal court	53,317	-	53,317	52,158
Law and safety	164,097	-	164,097	179,937
Fire	23,239	-	23,239	54,421
Park	53,338	-	53,338	47,833
Street	92,910	-	92,910	90,595
Electric	-	1,075,673	1,075,673	1,053,236
Water	-	165,245	165,245	147,329
Sewer	-	121,155	121,155	116,575
Refuse	-	114,083	114,083	132,751
TOTAL EXPENSES	455,512	1,476,156	1,931,668	1,954,869
INCREASE IN NET ASSETS	\$ 36,759	\$ 418,584	\$ 455,343	\$ 837,609

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2010**

Governmental Activities

Governmental activities increased the net assets of the City by \$36,759. Tax revenues for the City were \$378,867, which represents 77% of the funding of these activities. Program revenues for the functions totaled just \$88,487. The following table shows the cost of the City's programs as well as each programs' net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF CRANE'S
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 68,611	\$ 62,088
Municipal court	53,317	53,317
Law and safety	164,097	104,751
Fire	23,239	23,239
Park	53,338	31,193
Street	92,910	92,437
	\$ 455,512	\$ 367,025

Business-Type Activities

Business-type activities increased the City's net assets by \$418,584. In the prior year, the City's business-type activities increased net assets by \$778,924.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2010, were \$389,744. The General Fund increased by \$22,527. The Park Fund decreased by \$14,445. The Street Fund increased by \$8,749.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2010

General Fund Budgetary Highlights

Revenues

The original General Fund budget had total revenues of \$314,794 and actual revenues were \$334,473.

Expenditures

The original General Fund budget had total expenditures of \$314,794 and actual expenditures were \$311,946.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$873,320 (net of accumulated depreciation) as of June 30, 2010. This represents a \$15,914 increase from the prior year. Capital assets for business-type activities were \$3,303,382 as of June 30, 2010. This represents an increase of \$1,417,055 which was due primarily to a water improvement project.

Debt

Total debt of the governmental activities as of June 30, 2010, was \$3,280, which represents compensated absences payable.

Total debt of the business-type activities as of June 30, 2010, was \$1,568,293 which includes \$1,140,000 Series 2007 Interim Financing Notes for the water improvement project.

Economic Factors and Next Year's Budget

The City's Utilities department is in the process of building an additional water tower and water line replacement and equipping water towers with monitoring controls. There has also been an increased cost of materials and supplies and higher cost of petroleum based pipe for sewer and water and electric supplies. All departments face challenges with fuel rate fluctuation. We now incur surcharges that we have not experienced in the past from our suppliers for increased fuel rates. The Parks department is looking at the renovation or replacement of the City pool and pool house and rebuilding bathroom facilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2010**

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

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cityclerk@crane-mo.com

Collin Brannan, Mayor
Beth Murphy, City Clerk

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 324,568	\$ 317,363	\$ 641,931
Investments	-	11,000	11,000
Ad valorem taxes receivable, net	45,722	-	45,722
Intergovernmental receivable	6,959	-	6,959
Utilities receivable, net	-	149,940	149,940
Prepaid expenses	9,452	7,376	16,828
Restricted cash and cash equivalents	56,070	197,255	253,325
Capital Assets:			
Non-depreciable	6,689	2,548,689	2,555,378
Depreciable, net	866,631	754,693	1,621,324
TOTAL ASSETS	1,316,091	3,986,316	5,302,407
LIABILITIES			
Current			
Accounts payable	45,747	455,029	500,776
Accrued expenses	7,280	15,828	23,108
Meter deposits payable	-	68,354	68,354
Short-term debt	-	1,140,000	1,140,000
Current maturities of long-term debt	-	47,442	47,442
	<u>53,027</u>	<u>1,726,653</u>	<u>1,779,680</u>
Noncurrent			
Bonds payable	-	365,000	365,000
Capital leases payable	-	3,522	3,522
Compensated absences payable	3,280	12,329	15,609
	<u>3,280</u>	<u>380,851</u>	<u>384,131</u>
TOTAL LIABILITIES	56,307	2,107,504	2,163,811
NET ASSETS			
Invested in capital assets, net of related debt	873,320	1,747,418	2,620,738
Restricted	56,070	128,901	184,971
Unrestricted	330,394	2,493	332,887
TOTAL NET ASSETS	\$ 1,259,784	\$ 1,878,812	\$ 3,138,596

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administrative	\$ (68,611)	\$ 6,523	\$ -	\$ -	\$ (62,088)	\$ -	\$ (62,088)
Municipal court	(53,317)	-	-	-	(53,317)	-	(53,317)
Law and safety	(164,097)	38,593	-	20,753	(104,751)	-	(104,751)
Fire	(23,239)	-	-	-	(23,239)	-	(23,239)
Park	(53,338)	17,519	4,626	-	(31,193)	-	(31,193)
Street	(92,910)	473	-	-	(92,437)	-	(92,437)
TOTAL GOVERNMENTAL ACTIVITIES	(455,512)	63,108	4,626	20,753	(367,025)	-	(367,025)
Business-type activities							
Electric	(1,075,673)	1,064,911	-	-	-	(10,762)	(10,762)
Water	(165,245)	259,058	-	346,972	-	440,785	440,785
Sewer	(121,155)	94,801	-	-	-	(26,354)	(26,354)
Refuse	(114,083)	124,626	-	-	-	10,543	10,543
TOTAL BUSINESS-TYPE ACTIVITIES	(1,476,156)	1,543,396	-	346,972	-	414,212	414,212
TOTAL GOVERNMENT	\$ (1,931,668)	\$ 1,606,504	\$ 4,626	\$ 367,725	(367,025)	414,212	47,187
		General Revenues:					
					67,138	-	67,138
					189,575	-	189,575
					52,370	-	52,370
					28,714	-	28,714
					41,070	-	41,070
					2,527	1,989	4,516
					22,390	2,383	24,773
				Total General Revenues	403,784	4,372	408,156
				Changes in Net Assets	36,759	418,584	455,343
				Net Assets, Beginning of year	1,223,025	1,460,228	2,683,253
				Net Assets, End of year	\$ 1,259,784	\$ 1,878,812	\$ 3,138,596

See accompanying notes.

CITY OF CRANE, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Park Fund	Street Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 125,790	\$ 63,039	\$ 135,739	\$ 324,568
Taxes receivable	31,406	1,136	13,180	45,722
Intergovernmental receivable	-	1,251	5,708	6,959
Due from other fund	10,556	-	-	10,556
Prepaid expenses	8,250	841	361	9,452
Restricted cash and cash equivalents	56,070	-	-	56,070
TOTAL ASSETS	<u>\$ 232,072</u>	<u>\$ 66,267</u>	<u>\$ 154,988</u>	<u>\$ 453,327</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,420	\$ -	\$ 44,327	\$ 45,747
Due to other fund	-	10,556	-	10,556
Accrued expenses	4,403	1,827	1,050	7,280
TOTAL LIABILITIES	<u>5,823</u>	<u>12,383</u>	<u>45,377</u>	<u>63,583</u>
Fund Balances				
Reserved, reported in:				
General Fund	56,070	-	-	56,070
Unreserved, reported in:				
General Fund	170,179	-	-	170,179
Special Revenue Fund	-	53,884	109,611	163,495
TOTAL FUND BALANCES	<u>226,249</u>	<u>53,884</u>	<u>109,611</u>	<u>389,744</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 232,072</u>	<u>\$ 66,267</u>	<u>\$ 154,988</u>	<u>\$ 453,327</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 June 30, 2010

Fund balance - total governmental funds	\$ 389,744
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	1,266,450
Less accumulated depreciation	<u>(393,130)</u>
	873,320
Compensated absences are not accrued in the governmental funds but rather is recognized as an expenditure when due	<u>(3,280)</u>
Net assets of governmental activities	<u><u>\$ 1,259,784</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General Fund	Park Fund	Street Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 259,415	\$ 8,462	\$ 110,990	\$ 378,867
Licenses and permits	6,523	-	-	6,523
Intergovernmental revenues	20,753	-	-	20,753
Charges for services	38,593	17,519	473	56,585
Miscellaneous	9,189	19,744	610	29,543
TOTAL REVENUES	334,473	45,725	112,073	492,271
EXPENDITURES				
Current				
Administrative	67,599	-	-	67,599
Municipal court	52,320	-	-	52,320
Law and safety	180,128	-	-	180,128
Fire	11,899	-	-	11,899
Park	-	60,170	-	60,170
Street	-	-	103,324	103,324
TOTAL EXPENDITURES	311,946	60,170	103,324	475,440
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	22,527	(14,445)	8,749	16,831
FUND BALANCE, July 1	203,722	68,329	100,862	372,913
FUND BALANCE, June 30	\$ 226,249	\$ 53,884	\$ 109,611	\$ 389,744

See accompanying notes.

CITY OF CRANE, MISSOURI
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2010

Net change in fund balances - total governmental funds	\$ 16,831
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives on a straight line basis and reported as depreciation expense. The following is the detail of the amount by which capital outlays exceeded depreciation for the year.	
Capital outlay	77,640
Depreciation	<u>(61,726)</u>
	15,914
The repayment of the principal portion of long-term debt is a use of current financial resources of governmental funds.	2,000
Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the statement of activities when incurred.	<u>2,014</u>
Change in net assets of governmental activities	<u><u>\$ 36,759</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS – ENTERPRISE FUND
June 30, 2010

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 317,363
Investments	11,000
Utilities receivable	149,940
Prepaid expenses	<u>7,376</u>
TOTAL CURRENT ASSETS	485,679
Restricted Assets	
Cash and cash equivalents	<u>197,255</u>
TOTAL RESTRICTED ASSETS	197,255
Property, Plant and Equipment	5,265,305
Less Accumulated Depreciation	<u>(1,961,923)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>3,303,382</u>
TOTAL ASSETS	3,986,316
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	455,029
Accrued expenses	15,828
Meter deposits payable	68,354
Short-term debt	1,140,000
Current maturities of long-term debt	<u>47,442</u>
TOTAL CURRENT LIABILITIES	1,726,653
Long-Term Liabilities	
Capital leases payable	3,522
Bonds payable	365,000
Compensated absences	<u>12,329</u>
TOTAL LONG-TERM LIABILITIES	<u>380,851</u>
TOTAL LIABILITIES	<u>2,107,504</u>
Net Assets	
Invested in capital assets, net of related debt	1,747,418
Restricted	128,901
Unrestricted	<u>2,493</u>
TOTAL NET ASSETS	<u>\$ 1,878,812</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ENTERPRISE FUND
 Year Ended June 30, 2010

OPERATING REVENUES

Charges for services		
Electric	\$	1,064,911
Water		259,058
Sewer		94,801
Refuse		124,626
		<hr/>
	TOTAL OPERATING REVENUES	1,543,396

OPERATING EXPENSES

Electric		
Wages and benefits		170,824
Purchased power		748,855
Supplies		56,241
Other operating expenses		76,275
Depreciation		23,478
Water		
Wages and benefits		43,657
Supplies		54,399
Other operating expenses		36,895
Depreciation		6,257
Sewer		
Wages and benefits		85,963
Supplies		312
Other operating expenses		1,624
Depreciation		33,256
Refuse		
Landfill service		111,101
Supplies		6
Other operating expenses		1,482
Depreciation		1,494
		<hr/>
	TOTAL OPERATING EXPENSES	1,452,119
	OPERATING INCOME	91,277

NONOPERATING REVENUES (EXPENSES)

Interest income		1,989
Other revenue		2,383
Grant revenue		346,972
Interest expense		(24,037)
		<hr/>
	TOTAL NONOPERATING REVENUES (EXPENSES)	327,307

NET INCOME 418,584

NET ASSETS, July 1		1,460,228
NET ASSETS, June 30	\$	1,878,812

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended June 30, 2010

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,671,099
Cash paid to suppliers	(1,481,525)
Cash paid to employees	<u>(289,572)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(99,998)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other revenue	<u>2,383</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,383
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(1,026,511)
Principal paid on bonds	(35,000)
Principal paid on leases	(6,665)
Interest paid on debt	(24,037)
Interim financing proceeds	700,000
Grant revenue	<u>346,972</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(45,241)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>1,989</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,989
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(140,867)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>655,485</u>
CASH AND CASH EQUIVALENTS, End of year	514,618
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>(197,255)</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 317,363</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Operating income	\$ 91,277
Adjustments to reconcile operating income to net cash (used) by operating activities:	
Depreciation	64,485
(Increase) decrease in:	
Utilities receivable	(12,880)
Intergovernmental receivable	130,686
Prepaid expenses	(1,391)
Increase (decrease) in:	
Accounts payable	(392,944)
Accrued expenses	14,865
Meter deposits payable	9,897
Compensated absences	<u>(3,993)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (99,998)</u></u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Board of Aldermen/Mayor form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include water, sewer, electric and refuse operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB 1600.131 (Accrual Basis in Proprietary Fund Statements), the proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Assets and the Statement of Activities) and fund financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the enterprise funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Fund Balance identifying categories that required conversion from the fund statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following 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.

Park Fund: The Park Fund of the City is used to account for resources restricted for operations of the City Park.

Street Fund: The Street Fund of the City is used to account for resources restricted for operations of the City streets.

The City reports the following major enterprise fund:

Utility Fund: The Utility Fund accounts for the activities and capital improvements of the City's electric, water, sewer, and refuse operations.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least five years. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Electric plant	25 years
Water and sewer systems	25 years
Structures and improvements	25 - 40 years
Vehicles and equipment	3 - 20 years
Infrastructure	10 - 25 years

Expenses for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Unreserved Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Compensated Absences

Employees earn vacation time based on the number of year's service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Due To and From Other Funds

During the course of its operations, the City has transactions between funds to finance operations, provide services, construct assets, and service debt.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

No allowance for doubtful accounts has been provided as management deems that all receivables are considered fully collectible.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB Accounting Standards Codification Topic No. 835-20-30 – *The Amount of Interest Cost to be Capitalized in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City first applies restricted net assets.

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2010, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2010, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	11/23/2011 - 11/14/2012	<u>\$ 11,000</u>

Custodial Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City’s Certificates of Deposit are entirely insured or collateralized by a trust department of a bank that does not hold the collateralized deposits.

NOTE D – RESTRICTED ASSETS

General Fund

Cash has been restricted and fund balance/net assets reserved in the amount of \$56,070 for the balance of use tax reserve.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE D – RESTRICTED ASSETS (continued)

Utility Fund

During 1998, the City issued Revenue Refunding Bonds, Series 1998, in the amount of \$735,000. The bond covenants establish amounts required to be deposited in certain sinking and reserve funds. As of June 30, 2010, the City has made the required deposits. Cash has also been restricted for customer deposits.

	Restricted Cash and Cash Equivalents	Restricted Net Assets
1998 Refunding Revenue Bonds		
Replacement Account	\$ 45,582	\$ 45,582
Debt Service Reserve	83,319	83,319
Customer Deposits	68,354	-
	<u>\$ 197,255</u>	<u>\$ 128,901</u>

NOTE E – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

Assessed Valuation	<u>2009</u>
Real estate	\$ 7,367,679
Personal property	<u>1,777,573</u>
	TOTAL \$ <u>9,145,252</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.8142
Park Fund	<u>.1286</u>
	TOTAL \$ <u>.9428</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE E – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

The legal debt margin at June 30, 2010, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 914,525	\$ 914,525	\$ 1,829,050
LEGAL DEBT MARGIN	\$ 914,525	\$ 914,525	\$ 1,829,050

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights-of-way, construction, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

NOTE F – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

The business-type activities long-term debt as of June 30, 2010, consists of the 1998 Refunding Revenue Bonds and two capital leases.

1998 Refunding Revenue Bonds

On December 1, 1998, the City issued \$735,000 in Series 1998 Combined Waterworks and Sewerage System Refunding Revenue Bonds with interest rates ranging from 4.25% to 5.30%, with principal payments due May 1 and interest payments due May 1 and November 1 of each year. The City used the proceeds to refund the outstanding 1994 Revenue Bonds on December 1, 1998. The Bonds outstanding at June 30, 2010, are due as follows:

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE F – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Year Ended June 30,	Principal	Interest	Total
2011	\$ 40,000	\$ 21,225	\$ 61,225
2012	40,000	19,185	59,185
2013	40,000	17,145	57,145
2014	40,000	15,105	55,105
2015	45,000	12,985	57,985
2016	45,000	10,600	55,600
2017	50,000	8,215	58,215
2018	55,000	5,565	60,565
2019	50,000	2,650	52,650
	<u>\$ 405,000</u>	<u>\$ 112,675</u>	<u>\$ 517,675</u>

Capital Lease Obligations

On June 15, 2006, the City entered into a lease purchase agreement to finance the purchase of a vehicle. The agreement required monthly lease payments of \$353 including interest at 9.89%.

On May 13, 2008, the city entered into a lease purchase agreement to finance the purchase of a backhoe. The agreement requires monthly lease payments of \$309 including interest at 5%.

The City’s lease/purchase agreements provide for cancellation of the leases at the City’s option on the renewal dates each year per state statute, however, the City does not foresee exercising its options to cancel. Therefore, the leases are accounted for as noncancellable capital leases in accordance with FASB Accounting Standards Codification Topic No. 840-30-30, “Accounting for Capital Leases.”

The total minimum lease payments required at June 30, 2010, are as follows:

Year Ended June 30,	Vehicle	Backhoe	Total
2011	\$ 4,236	\$ 3,708	\$ 7,944
2012	259	3,346	3,605
TOTAL MINIMUM LEASE PAYMENTS	4,495	7,054	11,549
LESS AMOUNT REPRESENTING INTEREST	(249)	(336)	(585)
PRINCIPAL BALANCE, JUNE 30, 2010	<u>\$ 4,246</u>	<u>\$ 6,718</u>	<u>\$ 10,964</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE F – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

The following is a summary of the changes in business-type activities long-term debt for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Revenue Bonds				
Series 2003 Refunding Revenue Bonds	\$ 440,000	\$ -	\$ 35,000	\$ 405,000
Capital Lease Obligations				
Vehicle Lease	7,597	-	3,351	4,246
Backhoe Lease	10,032	-	3,314	6,718
	<u>17,629</u>	<u>-</u>	<u>6,665</u>	<u>10,964</u>
Compensated Absences	16,322	-	3,993	12,329
TOTAL	<u>\$ 473,951</u>	<u>\$ -</u>	<u>\$ 45,658</u>	<u>\$ 428,293</u>

NOTE G – SHORT-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Short-term debt for the Utility Fund consists of Series 2007 Interim Financing Notes through the Missouri Public Utilities Commission in the amount of \$1,140,000. The amount authorized totals \$1,500,000 and is being used as interim construction financing to fund the improvements to the water system of the City. The obligation is due at the completion of construction. The loan bears interest at 2.7%. Permanent financing will be obtained from USDA Rural Development at the completion of the construction project.

Changes in short-term debt for the Utility Fund during the current year were as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Loan Payable - Missouri Public Utilities Commission	\$ 440,000	\$ 700,000	\$ -	\$ 1,140,000

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
GOVERNMENTAL ACTIVITIES				
Non-depreciable capital assets				
Construction in progress	\$ 6,689	\$ -	\$ -	\$ 6,689
Depreciable capital assets				
Building and improvements	290,411	\$ 12,004	\$ -	302,415
Vehicles and equipment	309,378	21,886	-	331,264
Infrastructure	582,332	43,750	-	626,082
Total Depreciable Capital Assets	1,182,121	\$ 77,640	\$ -	1,259,761
Less accumulated depreciation				
Building and improvements	105,272	\$ 7,060	\$ -	112,332
Vehicles and equipment	83,792	15,817	-	99,609
Infrastructure	142,340	38,849	-	181,189
Total Accumulated Depreciation	331,404	\$ 61,726	\$ -	393,130
Total Depreciable Capital Assets, net	850,717			866,631
Total Governmental Activities Capital Assets, net	\$ 857,406			\$ 873,320

Depreciation expense was charged to functions as follows:

Administration	\$ 1,290
Law and safety	3,996
Fire	13,340
Park	5,172
Street	37,928
	<u>\$ 61,726</u>

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE H – CAPITAL ASSETS (continued)

BUSINESS-TYPE ACTIVITIES	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Electric				
Non-Depreciable				
Land	\$ 50,900	\$ -	\$ -	\$ 50,900
Depreciable capital assets				
Electric plant	1,132,493	\$ 21,109	\$ -	1,153,602
	<u>1,132,493</u>	<u>\$ 21,109</u>	<u>\$ -</u>	<u>1,153,602</u>
Less accumulated depreciation				
Electric Plant	806,876	\$ 23,478	\$ -	830,354
	<u>806,876</u>	<u>\$ 23,478</u>	<u>\$ -</u>	<u>830,354</u>
Depreciable Capital Assets, net	325,617			323,248
Water and Sewer				
Non-depreciable capital assets				
Construction in progress	1,031,320	\$ 1,460,431	\$ -	2,491,751
Depreciable capital assets				
Water and Sewer plant	1,528,906	\$ -	\$ -	1,528,906
	<u>1,528,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,528,906</u>
Less accumulated depreciation				
Water and Sewer plant	1,066,268	\$ 39,513	\$ -	1,105,781
	<u>1,066,268</u>	<u>\$ 39,513</u>	<u>\$ -</u>	<u>1,105,781</u>
Depreciable Capital Assets, net	462,638			423,125
Refuse				
Non-depreciable capital assets				
Land	6,038	\$ -	\$ -	6,038
Depreciable capital assets				
Equipment	13,663	\$ -	\$ -	13,663
Improvements	20,445	-	-	20,445
	<u>34,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>34,108</u>
Less accumulated depreciation				
Equipment	12,249	\$ 598	\$ -	12,847
Improvements	12,045	896	-	12,941
	<u>24,294</u>	<u>\$ 1,494</u>	<u>\$ -</u>	<u>25,788</u>
Depreciable Capital Assets, net	9,814			8,320
Total Capital Assets- Business-Type Activities, net	<u>\$ 1,886,327</u>			<u>\$ 3,303,382</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE I – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE J – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of June 30, 2010, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE K – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at June 30, 2010, consists of compensated absences payable.

The following is a summary of the changes in governmental activities long-term debt for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Fire Truck Lease	\$ 2,000	\$ -	\$ 2,000	\$ -
Compensated Absences	5,294	-	2,014	3,280
TOTAL	<u>\$ 7,294</u>	<u>\$ -</u>	<u>\$ 4,014</u>	<u>\$ 3,280</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE L – COMMITMENTS

At June 30, 2010, the City was committed to Harper Drilling in the amount of \$161,014; Caldwell Tanks in the amount of \$6,926; and Shaffer & Hines, Inc. in the amount of \$91,983 for services related to improvement of the water system.

On June 25, 2007, the City approved obtaining \$1,500,000 in Series 2007 Interim Financing Notes through the Missouri Public Utilities Commission as an advance of funds to be provided through issuance of the bond ordinance passed in 2005 by the citizens of the City. At June 30, 2010, \$1,140,000 of Series 2007 Interim Financing Notes through the Missouri Public Utilities Commission had been issued. This leaves \$360,000 available for issuance from the Interim Financing Notes.

On March 17, 2009, based on the 2005 bond election approving the issuance of up to \$1,500,000 in combined waterworks and sewerage system revenue bonds, the City authorized \$1,500,000 in Series 2009A Combined Waterworks and Sewerage System Revenue Bonds for improvements to the water system. At June 30, 2010, the City had not issued the bonds. These bonds will serve as the permanent financing for the 2007 Interim Financing Notes.

At June 30, 2010, the City was committed to purchase a 2011 fire truck from Deep South Fire Truck Inc. for \$169,115. A federal grant will pay \$160,659 and the remaining \$8,456 will be paid by the City.

NOTE M – INTERNAL BALANCES

Internal balances as of June 30, 2010, consisted of the following:

	General Fund	Park Fund
Interfund balances	\$ 10,556	\$ (10,556)

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE N – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the 1998 Combined Waterworks and Sewerage System Revenue Refunding Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2019. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$517,675. Principal and interest paid for the current year and total customer net revenues were \$58,010 and \$155,762, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes, penalties and interest	\$ 52,000	\$ 52,000	\$ 58,676	\$ 6,676
Sales tax	144,000	144,000	137,355	(6,645)
Franchise taxes	45,300	45,300	41,070	(4,230)
Other taxes	25,000	25,000	22,314	(2,686)
	<u>266,300</u>	<u>266,300</u>	<u>259,415</u>	<u>(6,885)</u>
Licenses and Permits				
Business licenses	2,000	2,000	1,945	(55)
Other	900	900	4,578	3,678
	<u>2,900</u>	<u>2,900</u>	<u>6,523</u>	<u>3,623</u>
Intergovernmental Revenues				
Grants	-	-	20,753	20,753
Charges for Services				
Fines and forfeitures	40,934	40,934	36,861	(4,073)
Boarding fees	2,075	2,075	1,732	(343)
	<u>43,009</u>	<u>43,009</u>	<u>38,593</u>	<u>(4,416)</u>
Miscellaneous				
Interest	1,000	1,000	1,364	364
Other	1,585	1,585	7,825	6,240
	<u>2,585</u>	<u>2,585</u>	<u>9,189</u>	<u>6,604</u>
TOTAL REVENUES	<u>314,794</u>	<u>314,794</u>	<u>334,473</u>	<u>19,679</u>
EXPENDITURES				
Current				
Administrative	71,250	71,250	67,599	3,651
Municipal court	48,632	48,632	52,320	(3,688)
Law and safety	171,923	171,923	180,128	(8,205)
Fire	22,989	22,989	11,899	11,090
	<u>314,794</u>	<u>314,794</u>	<u>311,946</u>	<u>2,848</u>
TOTAL EXPENDITURES	<u>314,794</u>	<u>314,794</u>	<u>311,946</u>	<u>2,848</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>22,527</u>	<u>22,527</u>
FUND BALANCE, July 1	<u>203,722</u>	<u>203,722</u>	<u>203,722</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 203,722</u>	<u>\$ 203,722</u>	<u>\$ 226,249</u>	<u>\$ 22,527</u>

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 8,630	\$ 8,630	\$ 8,462	\$ (168)
Charges for Services				
Pool receipts	12,900	12,900	14,901	2,001
Park receipts	6,100	6,100	2,618	(3,482)
	<u>19,000</u>	<u>19,000</u>	<u>17,519</u>	<u>(1,481)</u>
Other				
Donations	-	-	4,626	4,626
Interest	10	10	553	543
Miscellaneous	1,675	1,675	14,565	12,890
	<u>1,685</u>	<u>1,685</u>	<u>19,744</u>	<u>18,059</u>
TOTAL REVENUES	29,315	29,315	45,725	16,410
EXPENDITURES				
Park	27,692	27,692	60,170	(32,478)
TOTAL EXPENDITURES	<u>27,692</u>	<u>27,692</u>	<u>60,170</u>	<u>(32,478)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	1,623	1,623	(14,445)	(16,068)
FUND BALANCE, July 1	68,329	68,329	68,329	-
FUND BALANCE, June 30	<u>\$ 69,952</u>	<u>\$ 69,952</u>	<u>\$ 53,884</u>	<u>\$ (16,068)</u>

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 58,600	\$ 58,600	\$ 52,220	\$ (6,380)
Motor vehicle taxes	55,800	55,800	52,370	(3,430)
Other taxes	6,400	6,400	6,400	-
	<u>120,800</u>	<u>120,800</u>	<u>110,990</u>	<u>(9,810)</u>
Charges for Services				
Park receipts	700	700	473	(227)
Other				
Interest	490	490	610	120
	<u>121,990</u>	<u>121,990</u>	<u>112,073</u>	<u>(9,917)</u>
EXPENDITURES				
Street	114,426	114,426	103,324	11,102
	<u>114,426</u>	<u>114,426</u>	<u>103,324</u>	<u>11,102</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	7,564	7,564	8,749	1,185
FUND BALANCE, July 1	100,862	100,862	100,862	-
FUND BALANCE, June 30	<u>\$ 108,426</u>	<u>\$ 108,426</u>	<u>\$ 109,611</u>	<u>\$ 1,185</u>

CITY OF CRANE, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2010

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late May or early June to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to July 1, ordinances are passed by Board of Aldermen which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Aldermen on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION



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

Honorable Mayor and Board of Aldermen
City of Crane
Crane, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Crane, Missouri as of and for the year ended June 30, 2010, which collectively comprise the City of Crane, Missouri's basic financial statements and have issued our report thereon dated February 4, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Crane, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Crane, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Honorable Mayor and Board of Aldermen
City of Crane
Crane, Missouri

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. They are identified as items 10-1, 10-2 and 10-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crane, Missouri'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, express no opinion on it.

We noted certain other matters that we have reported to management of the City of Crane, Missouri in a separate letter dated February 4, 2011.

This report is intended solely for the information and use of the Honorable Mayor and Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
February 4, 2011



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Crane
Crane, Missouri

We have audited the compliance of the City of Crane, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The City of Crane, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Crane, Missouri's management. Our responsibility is to express an opinion on the City of Crane, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the City of Crane, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Crane, Missouri's compliance with those requirements.

In our opinion, the City of Crane, Missouri complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Honorable Mayor and Board of Aldermen
City of Crane
Crane, Missouri

Internal Control Over Compliance

Management of the City of Crane, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Crane, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Honorable Mayor and Board of Aldermen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
February 4, 2011

CITY OF CRANE, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2010

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>\$ 963,398</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			963,398
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development			
Community Development Block Grant	14.228	2007-PF-41	<u>346,972</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>346,972</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Missouri Department of Public Safety			
Local Law Enforcement Block Grant	16.738	2009-LBGJ-002 2009-LBGJ-RA-027	9,000 <u>9,996</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>18,996</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,329,366</u></u>

N/A - Not Applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the City's financial statements.

CITY OF CRANE, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. Three material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

Water and Waste Disposal Systems for Rural Communities	10.760
Community Development Block Grant	14.228
8. The threshold for determining Type A programs was \$300,000.
9. The City of Crane, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

10-1 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. There are some mitigating controls in place but it is not possible to have segregation in all areas.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

CITY OF CRANE, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.

10-2 Design of internal control system for preparation of financial statements

Condition: The City has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management. However, the City does not have accounting professionals with the knowledge, experience and training to prepare governmental financial statements in conformity with Government Accounting Standards as part of their internal control system.

Criteria: A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

Effect: The City employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

Recommendation: We recognize that the City may not have the resources to have an accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

Response: The City does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The City does have personnel with sufficient understanding to take responsibility for the financial statements.

CITY OF CRANE, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

10-3 Application of accounting principles generally accepted in the United States of America

Condition: The City has an accounting system and personnel in place to perform all basic bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management for the day-to-day operation of the City. However, the City does not have accounting professionals with the knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America. This condition is found in the majority of smaller entities.

Criteria: The City should have an accounting system that will ensure that accounting principles generally accepted in the United States of America are properly applied.

Effect: Audit adjustments were proposed to management to correct misstatements in order to ensure that the accounting principles generally accepted in the United States of America were properly applied.

Recommendation: We realize due to limited resources, the City may not be able to employ or contract accounting professionals with the combination of knowledge, experience, and training necessary to properly apply accounting principles generally accepted in the United States of America. However, our professional standards require that we bring this to your attention in this report.

Response: Due to limited resources, the City does not have the ability to employ accounting professionals with the combination of knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award programs.

CITY OF CRANE, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

There were no prior audit findings.