

CITY OF CRANE, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2011

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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, 2011, 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, 2011, 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.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011.

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 17, 2012, 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 as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Financial Data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
February 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2011

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, 2011. 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 \$339,095 as a result of current year activities. The net assets of the City's business activities increased by \$176,168 for the year.
- The assets of the City exceeded its liabilities as of June 30, 2011, by \$3.65 million (net assets). Of this amount, \$734,024 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$33,413.

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 indicators of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2011

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 reconciliations following the fund financial statements.
- Proprietary 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 proprietary funds. Proprietary 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, 2011

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of June 30, 2011 and 2010:

| | Governmental Activities | Business-Type Activities | Total June 30, 2011 | Total June 30, 2010 |
|-----------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|
| Current and other assets | \$ 562,786 | \$ 833,894 | \$ 1,396,680 | \$ 1,125,705 |
| Capital assets | 1,144,796 | 3,296,982 | 4,441,778 | 4,176,702 |
| TOTAL ASSETS | 1,707,582 | 4,130,876 | 5,838,458 | 5,302,407 |
| Other liabilities | 99,136 | 1,734,745 | 1,833,881 | 1,779,680 |
| Long-term liabilities outstanding | 9,567 | 341,151 | 350,718 | 384,131 |
| TOTAL LIABILITIES | 108,703 | 2,075,896 | 2,184,599 | 2,163,811 |
| Net assets: | | | | |
| Invested in capital assets | | | | |
| net of related debt | 1,144,796 | 1,469,950 | 2,614,746 | 2,620,738 |
| Restricted | 161,086 | 144,003 | 305,089 | 184,971 |
| Unrestricted | 292,997 | 441,027 | 734,024 | 332,887 |
| TOTAL NET ASSETS | \$ 1,598,879 | \$ 2,054,980 | \$ 3,653,859 | \$ 3,138,596 |

Total net assets of the City increased by \$515,263 for the year. Total liabilities for the City have increased by \$20,788. Restricted net assets of the City totaled \$305,089 as of June 30, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2011

CHANGES IN NET ASSETS

| | Governmental Activities | Business-Type Activities | Total Year Ended June 30, 2011 | Total Year Ended June 30, 2010 |
|------------------------------------|----------------------------|-----------------------------|---|---|
| REVENUES | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 56,941 | \$ 1,574,590 | \$ 1,631,531 | \$ 1,606,504 |
| Operating grants and contributions | 7,354 | - | 7,354 | 4,626 |
| Capital grants and contributions | 375,126 | 35,550 | 410,676 | 367,725 |
| General Revenues | | | | |
| Ad valorem taxes | 69,142 | - | 69,142 | 67,138 |
| Sales taxes | 190,729 | - | 190,729 | 189,575 |
| Motor vehicle and gas taxes | 53,318 | - | 53,318 | 52,370 |
| Other taxes | 25,405 | - | 25,405 | 28,714 |
| Franchise fees | 41,162 | - | 41,162 | 41,070 |
| Interest | 696 | 1,631 | 2,327 | 4,516 |
| Other revenue | 10,388 | - | 10,388 | 24,773 |
| TOTAL REVENUES | 830,261 | 1,611,771 | 2,442,032 | 2,387,011 |
| EXPENSES | | | | |
| Administrative | 75,694 | - | 75,694 | 68,611 |
| Municipal court | 46,530 | - | 46,530 | 53,317 |
| Law and safety | 133,339 | - | 133,339 | 164,097 |
| Fire | 74,506 | - | 74,506 | 23,239 |
| Park | 69,099 | - | 69,099 | 53,338 |
| Street | 91,998 | - | 91,998 | 92,910 |
| Electric | - | 1,078,924 | 1,078,924 | 1,075,673 |
| Water | - | 128,478 | 128,478 | 165,245 |
| Sewer | - | 118,812 | 118,812 | 121,155 |
| Refuse | - | 109,389 | 109,389 | 114,083 |
| TOTAL EXPENSES | 491,166 | 1,435,603 | 1,926,769 | 1,931,668 |
| INCREASE IN NET ASSETS | \$ 339,095 | \$ 176,168 | \$ 515,263 | \$ 455,343 |

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2011**

Governmental Activities

Governmental activities increased the net assets of the City by \$339,095. Tax revenues for the City were \$379,756, which represents 46% of the funding of these activities. Program revenues for the functions totaled \$439,421. 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 | \$ 75,694 | \$ 69,443 |
| Municipal court | 46,530 | 46,530 |
| Law and safety | 133,339 | 61,985 |
| Fire | 74,506 | (142,765) |
| Park | 69,099 | 44,656 |
| Street | 91,998 | (28,104) |
| | \$ 491,166 | \$ 51,745 |

Business-Type Activities

Business-type activities increased the City's net assets by \$176,168. In the prior year, the City's business-type activities increased net assets by \$418,584.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2011, were \$463,650. The General Fund increased by \$56,346. The Park Fund decreased by \$36,276. The Street Fund increased by \$53,836.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2011

General Fund Budgetary Highlights

Revenues

The original General Fund budget had total revenues of \$314,794 and actual revenues were \$561,755.

Expenditures

The original General Fund budget had total expenditures of \$314,794 and actual expenditures were \$505,409.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$1,144,796 (net of accumulated depreciation) as of June 30, 2011. This represents a \$271,476 increase from the prior year. Capital assets for business-type activities were \$3,296,982 as of June 30, 2011. This represents a decrease of \$6,400.

Debt

Total debt of the governmental activities as of June 30, 2011, was \$9,567, which represents compensated absences payable.

Total debt of the business-type activities as of June 30, 2011, was \$1,843,183 which includes \$1,458,769 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 a deep-water well. 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. The City also has continued sidewalk improvements under the Safe Routes to School project.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2011**

Contacting the City's Financial Management

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

City of Crane
120 N. Commerce, PO Box 17
Crane, MO 65633
(417) 723-8305
cityclerk@crane-mo.com

Collin Brannan, Mayor
Beth Murphy, City Clerk

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS
June 30, 2011

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents - unrestricted | \$ 247,906 | \$ 438,714 | \$ 686,620 |
| Investments | - | 11,000 | 11,000 |
| Taxes receivable | 51,913 | - | 51,913 |
| Intergovernmental receivable | 80,949 | - | 80,949 |
| Utilities receivable | - | 156,842 | 156,842 |
| Prepaid expenses | 11,149 | 6,287 | 17,436 |
| Internal balance | 14,662 | (14,662) | - |
| Restricted cash and cash equivalents | 156,207 | 221,051 | 377,258 |
| Capital Assets: | | | |
| Non-depreciable | 133,516 | 2,607,565 | 2,741,081 |
| Depreciable, net | 1,011,280 | 689,417 | 1,700,697 |
| TOTAL ASSETS | 1,707,582 | 4,116,214 | 5,823,796 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable | 94,102 | 132,545 | 226,647 |
| Accrued expenses | 5,034 | 8,458 | 13,492 |
| Meter deposits payable | - | 77,048 | 77,048 |
| Short-term debt | - | 1,458,769 | 1,458,769 |
| Current maturities of long-term debt | - | 43,263 | 43,263 |
| | 99,136 | 1,720,083 | 1,819,219 |
| Noncurrent | | | |
| Bonds payable | - | 325,000 | 325,000 |
| Compensated absences payable | 9,567 | 16,151 | 25,718 |
| | 9,567 | 341,151 | 350,718 |
| TOTAL LIABILITIES | 108,703 | 2,061,234 | 2,169,937 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,144,796 | 1,469,950 | 2,614,746 |
| Restricted | 161,086 | 144,003 | 305,089 |
| Unrestricted | 292,997 | 441,027 | 734,024 |
| TOTAL NET ASSETS | \$ 1,598,879 | \$ 2,054,980 | \$ 3,653,859 |

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

| 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 | \$ (75,694) | \$ 6,251 | \$ - | \$ - | \$ (69,443) | \$ - | \$ (69,443) |
| Municipal court | (46,530) | - | - | - | (46,530) | - | (46,530) |
| Law and safety | (133,339) | 33,377 | - | 37,977 | (61,985) | - | (61,985) |
| Fire | (74,506) | - | - | 217,271 | 142,765 | - | 142,765 |
| Park | (69,099) | 17,089 | 7,354 | - | (44,656) | - | (44,656) |
| Street | (91,998) | 224 | - | 119,878 | 28,104 | - | 28,104 |
| TOTAL GOVERNMENTAL ACTIVITIES | (491,166) | 56,941 | 7,354 | 375,126 | (51,745) | - | (51,745) |
| Business-type activities | | | | | | | |
| Electric | (1,078,924) | 1,089,112 | - | - | - | 10,188 | 10,188 |
| Water | (128,478) | 263,661 | - | 35,550 | - | 170,733 | 170,733 |
| Sewer | (118,812) | 94,209 | - | - | - | (24,603) | (24,603) |
| Refuse | (109,389) | 127,608 | - | - | - | 18,219 | 18,219 |
| TOTAL BUSINESS-TYPE ACTIVITIES | (1,435,603) | 1,574,590 | - | 35,550 | - | 174,537 | 174,537 |
| TOTAL GOVERNMENT | \$ (1,926,769) | \$ 1,631,531 | \$ 7,354 | \$ 410,676 | (51,745) | 174,537 | 122,792 |
| | | General Revenues: | | | | | |
| | | | | | 69,142 | - | 69,142 |
| | | | | | 190,729 | - | 190,729 |
| | | | | | 53,318 | - | 53,318 |
| | | | | | 25,405 | - | 25,405 |
| | | | | | 41,162 | - | 41,162 |
| | | | | | 696 | 1,631 | 2,327 |
| | | | | | 10,388 | - | 10,388 |
| | | | | Total General Revenues | 390,840 | 1,631 | 392,471 |
| | | | | Changes in Net Assets | 339,095 | 176,168 | 515,263 |
| | | | | Net Assets, Beginning of year | 1,259,784 | 1,878,812 | 3,138,596 |
| | | | | Net Assets, End of year | \$ 1,598,879 | \$ 2,054,980 | \$ 3,653,859 |

See accompanying notes.

CITY OF CRANE, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2011

| | General Fund | Special Revenue Funds | | Total Governmental Funds |
|--|-------------------|-----------------------|-------------------|--------------------------------|
| | | Park Fund | Street Fund | |
| ASSETS | | | | |
| Cash and cash equivalents - unrestricted | \$ 221,510 | \$ 26,396 | \$ - | \$ 247,906 |
| Taxes receivable | 35,677 | 1,599 | 14,637 | 51,913 |
| Intergovernmental receivable | - | 1,251 | 79,698 | 80,949 |
| Due from other fund | 27,198 | - | - | 27,198 |
| Prepaid expenses | 7,655 | 1,133 | 2,361 | 11,149 |
| Restricted cash and cash equivalents | - | - | 156,207 | 156,207 |
| TOTAL ASSETS | <u>\$ 292,040</u> | <u>\$ 30,379</u> | <u>\$ 252,903</u> | <u>\$ 575,322</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 6,211 | \$ - | \$ 87,891 | \$ 94,102 |
| Due to other fund | - | 11,380 | 1,156 | 12,536 |
| Accrued expenses | 3,234 | 1,391 | 409 | 5,034 |
| TOTAL LIABILITIES | <u>9,445</u> | <u>12,771</u> | <u>89,456</u> | <u>111,672</u> |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Prepaid items | 7,655 | 1,133 | 2,361 | 11,149 |
| Restricted for: | | | | |
| Streets | - | - | 161,086 | 161,086 |
| Assigned to: | | | | |
| Parks and recreation | - | 16,475 | - | 16,475 |
| Unassigned | 274,940 | - | - | 274,940 |
| TOTAL FUND BALANCES | <u>282,595</u> | <u>17,608</u> | <u>163,447</u> | <u>463,650</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 292,040</u> | <u>\$ 30,379</u> | <u>\$ 252,903</u> | <u>\$ 575,322</u> |

See accompanying notes.

CITY OF CRANE, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 June 30, 2011

| | |
|--|----------------------------|
| Fund balance - total governmental funds | \$ 463,650 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: | |
| Governmental capital assets | 1,600,179 |
| Less accumulated depreciation | <u>(455,383)</u> |
| | 1,144,796 |
| Compensated absences are not accrued in the governmental funds but rather is recognized as an expenditure when due | <u>(9,567)</u> |
| Net assets of governmental activities | <u><u>\$ 1,598,879</u></u> |

-

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

| | General Fund | Special Revenue Funds | | Total Governmental Funds |
|---|-----------------|-----------------------|----------------|--------------------------------|
| | | Park Fund | Street Fund | |
| REVENUES | | | | |
| Taxes | \$ 255,974 | \$ 9,555 | \$ 114,227 | \$ 379,756 |
| Licenses and permits | 6,251 | - | - | 6,251 |
| Intergovernmental revenues | 255,248 | - | 119,878 | 375,126 |
| Charges for services | 33,377 | 17,089 | 224 | 50,690 |
| Miscellaneous | 10,905 | 7,410 | 123 | 18,438 |
| TOTAL REVENUES | 561,755 | 34,054 | 234,452 | 830,261 |
| EXPENDITURES | | | | |
| Current | | | | |
| Administrative | 72,536 | - | - | 72,536 |
| Municipal court | 47,526 | - | - | 47,526 |
| Law and safety | 144,860 | - | - | 144,860 |
| Fire | 240,487 | - | - | 240,487 |
| Park | - | 70,330 | - | 70,330 |
| Street | - | - | 180,616 | 180,616 |
| TOTAL EXPENDITURES | 505,409 | 70,330 | 180,616 | 756,355 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 56,346 | (36,276) | 53,836 | 73,906 |
| FUND BALANCE, July 1 | 226,249 | 53,884 | 109,611 | 389,744 |
| FUND BALANCE, June 30 | \$ 282,595 | \$ 17,608 | \$ 163,447 | \$ 463,650 |

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, 2011

Net change in fund balances - total governmental funds \$ 73,906

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 assets | 333,729 |
| Depreciation | <u>(62,253)</u> |
| | 271,476 |

Some expenditures reported in the governmental funds represent
 the use of current financial resources and were recognized in
 the statement of activities when incurred.

(6,287)

Change in net assets of governmental activities \$ 339,095

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUND
June 30, 2011

| | <u>Utility Fund</u> |
|---|----------------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 438,714 |
| Investments | 11,000 |
| Utilities receivable | 156,842 |
| Prepaid expenses | <u>6,287</u> |
| TOTAL CURRENT ASSETS | 612,843 |
| Restricted Assets | |
| Cash and cash equivalents | <u>221,051</u> |
| TOTAL RESTRICTED ASSETS | 221,051 |
| Property, Plant and Equipment | 5,276,778 |
| Less Accumulated Depreciation | <u>(1,979,796)</u> |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | <u>3,296,982</u> |
| TOTAL ASSETS | 4,130,876 |
| LIABILITIES AND NET ASSETS | |
| Current Liabilities | |
| Accounts payable | 132,545 |
| Accrued expenses | 8,458 |
| Meter deposits payable | 77,048 |
| Internal balances | 14,662 |
| Short-term debt | 1,458,769 |
| Current maturities of long-term debt | <u>43,263</u> |
| TOTAL CURRENT LIABILITIES | 1,734,745 |
| Long-Term Liabilities | |
| Bonds payable | 325,000 |
| Compensated absences | <u>16,151</u> |
| TOTAL LONG-TERM LIABILITIES | <u>341,151</u> |
| TOTAL LIABILITIES | <u>2,075,896</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 1,469,950 |
| Restricted | 144,003 |
| Unrestricted | <u>441,027</u> |
| TOTAL NET ASSETS | <u><u>\$ 2,054,980</u></u> |

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUND
Year Ended June 30, 2011

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| | <u>Utility Fund</u> |
| OPERATING REVENUES | |
| Charges for services | |
| Electric | \$ 1,089,112 |
| Water | 263,661 |
| Sewer | 94,209 |
| Refuse | <u>127,608</u> |
| TOTAL OPERATING REVENUES | 1,574,590 |
| OPERATING EXPENSES | |
| Electric | |
| Wages and benefits | 175,640 |
| Purchased power | 769,834 |
| Supplies | 33,195 |
| Other operating expenses | 75,042 |
| Depreciation | 25,213 |
| Water | |
| Wages and benefits | 23,717 |
| Supplies | 28,664 |
| Other operating expenses | 48,033 |
| Depreciation | 5,958 |
| Sewer | |
| Wages and benefits | 53,414 |
| Supplies | 13,484 |
| Other operating expenses | 18,658 |
| Depreciation | 33,256 |
| Refuse | |
| Landfill service | 104,804 |
| Supplies | 7 |
| Other operating expenses | 3,084 |
| Depreciation | <u>1,494</u> |
| TOTAL OPERATING EXPENSES | <u>1,413,497</u> |
| OPERATING INCOME | 161,093 |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 1,631 |
| Intergovernmental revenue | 35,550 |
| Interest expense | <u>(22,106)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>15,075</u> |
| NET INCOME | 176,168 |
| NET ASSETS, July 1 | <u>1,878,812</u> |
| NET ASSETS, June 30 | <u><u>\$ 2,054,980</u></u> |

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2011

| | <u>Enterprise Fund</u> <u>Utility Fund</u> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 1,576,382 |
| Cash paid to suppliers | (1,378,260) |
| Cash paid to employees | (256,319) |
| | <hr/> |
| NET CASH (USED) BY OPERATING ACTIVITIES | (58,197) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Loans from other funds | 14,662 |
| | <hr/> |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | 14,662 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of capital assets | (97,461) |
| Principal paid on bonds | (40,000) |
| Principal paid on leases | (7,701) |
| Interest paid on debt | (22,106) |
| Interim financing proceeds | 318,769 |
| Grant proceeds | 35,550 |
| | <hr/> |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | 187,051 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received on investments | 1,631 |
| | <hr/> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 1,631 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 145,147 |
| CASH AND CASH EQUIVALENTS, Beginning of year | 514,618 |
| | <hr/> |
| CASH AND CASH EQUIVALENTS, End of year | 659,765 |
| LESS RESTRICTED CASH AND CASH EQUIVALENTS | (221,051) |
| | <hr/> |
| UNRESTRICTED CASH AND CASH EQUIVALENTS | <u>\$ 438,714</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES: | |
| Operating income | \$ 161,093 |
| Adjustments to reconcile operating income to net cash (used) by operating activities: | |
| Depreciation | 65,921 |
| (Increase) decrease in: | |
| Utilities receivable | (6,902) |
| Prepaid expenses | 1,089 |
| Increase (decrease) in: | |
| Accounts payable | (284,544) |
| Accrued expenses | (7,370) |
| Meter deposits payable | 8,694 |
| Compensated absences | 3,822 |
| | <hr/> |
| NET CASH (USED) BY OPERATING ACTIVITIES | <u>\$ (58,197)</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 proprietary 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, committed, or assigned for operations of the City Park.

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

The City reports the following major proprietary 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.

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

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.

Accounts Receivable

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Proprietary Fund 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.

New Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The City adopted GASB No. 54 for the current financial statements and has disclosed information about the fund balance reporting.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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, 2011, all bank balances on deposit are entirely insured or collateralized.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2011, 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

Governmental Activities

Cash and cash equivalents and net assets have been restricted in the following funds:

| | <u>Restricted Cash and Cash Equivalents</u> | <u>Restricted Net Assets</u> |
|------------------|---|--------------------------------------|
| STREET FUND | | |
| Street sales tax | <u>\$ 156,207</u> | <u>\$ 161,086</u> |

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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, 2011, the City has made the required deposits. Cash has also been restricted for customer deposits.

| | <u>Restricted Cash and Cash Equivalents</u> | <u>Restricted Net Assets</u> |
|------------------------------|---|--------------------------------------|
| 1998 Refunding Revenue Bonds | | |
| Replacement Account | \$ 53,086 | \$ 53,086 |
| Debt Service Reserve | 90,917 | 90,917 |
| Customer Deposits | 77,048 | - |
| | <u>\$ 221,051</u> | <u>\$ 144,003</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:

| | <u>2010</u> |
|--|---------------------|
| Assessed Valuation | |
| Real estate | \$ 7,298,759 |
| Personal property | 1,733,820 |
| | <u>\$ 9,032,579</u> |
| Tax Rate Per \$100 of Assessed Valuation | |
| General Fund | \$.8244 |
| Park Fund | .1302 |
| | <u>\$.9546</u> |

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

The legal debt margin at June 30, 2011, was computed as follows:

| | General Obligation Bonds | | |
|---------------------------|--------------------------|----------------|--------------|
| | Ordinary (1) | Additional (2) | Total |
| Constitutional Debt Limit | \$ 903,258 | \$ 903,258 | \$ 1,806,516 |
| LEGAL DEBT MARGIN | \$ 903,258 | \$ 903,258 | \$ 1,806,516 |

(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, 2011, consists of the 1998 Refunding Revenue Bonds and a capital lease.

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, 2011, are due as follows:

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 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>\$ 365,000</u> | <u>\$ 91,450</u> | <u>\$ 456,450</u> |

Capital Lease Obligations

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, 2011, are as follows:

| Year Ended June 30, | Backhoe |
|-----------------------------------|-----------------|
| 2012 | <u>\$ 3,346</u> |
| TOTAL MINIMUM LEASE PAYMENTS | 3,346 |
| LESS AMOUNT REPRESENTING INTEREST | <u>(83)</u> |
| PRINCIPAL BALANCE, JUNE 30, 2011 | <u>\$ 3,263</u> |

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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, 2011:

| | Balance June 30, 2010 | Additions | Retirements | Balance June 30, 2011 |
|-------------------------------------|-----------------------------|-----------------|------------------|-----------------------------|
| Revenue Bonds | | | | |
| Series 2003 Refunding Revenue Bonds | \$ 405,000 | \$ - | \$ 40,000 | \$ 365,000 |
| Capital Lease Obligations | | | | |
| Vehicle Lease | 4,246 | - | 4,246 | - |
| Backhoe Lease | 6,718 | - | 3,455 | 3,263 |
| | 10,964 | - | 7,701 | 3,263 |
| Compensated Absences | 12,329 | 3,822 | - | 16,151 |
| TOTAL | <u>\$ 428,293</u> | <u>\$ 3,822</u> | <u>\$ 47,701</u> | <u>\$ 384,414</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 \$1,458,769. 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, 2010 | Additions | Retirements | Balance June 30, 2011 |
|---|-----------------------------|-------------------|-------------|-----------------------------|
| Loan Payable - Missouri Public Utilities Commission | <u>\$ 1,140,000</u> | <u>\$ 318,769</u> | <u>\$ -</u> | <u>\$ 1,458,769</u> |

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

| | Balance June 30, 2010 | Additions | Deletions | Balance June 30, 2011 |
|--|-----------------------------|------------|-----------|-----------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Non-depreciable capital assets | | | | |
| Construction in progress | \$ 6,689 | \$ 126,827 | \$ - | \$ 133,516 |
| Depreciable capital assets | | | | |
| Building and improvements | 302,415 | \$ - | \$ - | 302,415 |
| Vehicles and equipment | 331,264 | 212,048 | 11,849 | 531,463 |
| Infrastructure | 626,082 | 6,703 | - | 632,785 |
| Total Depreciable Capital Assets | 1,259,761 | \$ 218,751 | \$ 11,849 | 1,466,663 |
| Less accumulated depreciation | | | | |
| Building and improvements | 112,332 | \$ 7,360 | \$ - | 119,692 |
| Vehicles and equipment | 99,609 | 28,632 | 11,849 | 116,392 |
| Infrastructure | 181,189 | 38,110 | - | 219,299 |
| Total Accumulated Depreciation | 393,130 | \$ 74,102 | \$ 11,849 | 455,383 |
| Total Depreciable Capital Assets, net | 866,631 | | | 1,011,280 |
| Total Governmental Activities Capital Assets, net | \$ 873,320 | | | \$ 1,144,796 |

Depreciation expense was charged to functions as follows:

| | |
|----------------|------------------|
| Administration | \$ 1,290 |
| Law and safety | 7,373 |
| Fire | 22,778 |
| Park | 5,472 |
| Street | 37,189 |
| | <u>\$ 74,102</u> |

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE H – CAPITAL ASSETS (continued)

| BUSINESS-TYPE ACTIVITIES | Balance June 30, 2010 | Additions | Deletions | Balance June 30, 2011 |
|--|-----------------------------|-----------|-----------|-----------------------------|
| Electric | | | | |
| Non-depreciable | | | | |
| Land | \$ 50,900 | \$ - | \$ - | \$ 50,900 |
| Depreciable capital assets | | | | |
| Electric plant | 1,153,602 | \$ - | \$ 48,048 | 1,105,554 |
| | 1,153,602 | \$ - | \$ 48,048 | 1,105,554 |
| Less accumulated depreciation | | | | |
| Electric plant | 830,354 | \$ 25,213 | \$ 48,048 | 807,519 |
| | 830,354 | \$ 25,213 | \$ 48,048 | 807,519 |
| Depreciable Capital Assets, net | 323,248 | | | 298,035 |
| Water and Sewer | | | | |
| Non-depreciable capital assets | | | | |
| Construction in progress | 2,491,751 | \$ 58,876 | \$ - | 2,550,627 |
| Depreciable capital assets | | | | |
| Water and Sewer plant | 1,528,906 | \$ 645 | \$ - | 1,529,551 |
| | 1,528,906 | \$ 645 | \$ - | 1,529,551 |
| Less accumulated depreciation | | | | |
| Water and Sewer plant | 1,105,781 | \$ 39,214 | \$ - | 1,144,995 |
| | 1,105,781 | \$ 39,214 | \$ - | 1,144,995 |
| Depreciable Capital Assets, net | 423,125 | | | 384,556 |
| Refuse | | | | |
| Non-depreciable capital assets | | | | |
| Land | 6,038 | \$ - | \$ - | 6,038 |
| Depreciable capital assets | | | | |
| Equipment | 13,663 | \$ - | \$ - | 13,663 |
| Improvements | 20,445 | - | - | 20,445 |
| | 34,108 | \$ - | \$ - | 34,108 |
| Less accumulated depreciation | | | | |
| Equipment | 12,847 | \$ 598 | \$ - | 13,445 |
| Improvements | 12,941 | 896 | - | 13,837 |
| | 25,788 | \$ 1,494 | \$ - | 27,282 |
| Depreciable Capital Assets, net | 8,320 | | | 6,826 |
| Total Capital Assets- Business-Type Activities, net | \$ 3,303,382 | | | \$ 3,296,982 |

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, 2011, 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, 2011, consists of compensated absences payable in the amount of \$9,567.

NOTE L – COMMITMENTS

At June 30, 2011, the City was committed to Harper Drilling in the amount of \$183,005; Caldwell Tanks in the amount of \$78,920; and Shaffer & Hines, Inc. in the amount of \$75,823 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, 2011, \$1,458,769 of Series 2007 Interim Financing Notes through the Missouri Public Utilities Commission had been issued. This leaves \$41,231 available for issuance from the Interim Financing Notes.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE L – COMMITMENTS (continued)

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, 2011, the City had not issued the bonds. On July 20, 2011, the City issued \$1,500,000 of the Series 2009A bonds and the proceeds repaid the interim financing notes through the Missouri Public Utilities Commission.

At June 30, 2011, the City was committed to Hunter Chase & Associates in the amount of \$54,729 for services related to the sidewalk project.

NOTE M – INTERNAL BALANCES

Internal balances as of June 30, 2011, consisted of the following:

| | General Fund | Park Fund | Street Fund | Utility Funds |
|-------------------|-----------------|--------------------|-------------------|--------------------|
| Internal balances | <u>27,198</u> | <u>\$ (11,380)</u> | <u>\$ (1,156)</u> | <u>\$ (14,662)</u> |

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, 2011, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

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 \$456,450. Principal and interest paid for the current year and total customer net revenues were \$61,225 and \$227,014, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-------------------|-------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem taxes, penalties and interest | \$ 52,000 | \$ 52,000 | \$ 59,587 | \$ 7,587 |
| Sales tax | 144,000 | 143,000 | 136,220 | (6,780) |
| Franchise taxes | 45,300 | 38,300 | 41,162 | 2,862 |
| Other taxes | 25,000 | 21,500 | 19,005 | (2,495) |
| | <u>266,300</u> | <u>254,800</u> | <u>255,974</u> | <u>1,174</u> |
| Licenses and Permits | | | | |
| Business licenses | 2,000 | 1,800 | 2,026 | 226 |
| Other | 900 | 700 | 4,225 | 3,525 |
| | <u>2,900</u> | <u>2,500</u> | <u>6,251</u> | <u>3,751</u> |
| Intergovernmental Revenues | | | | |
| Grants | - | 260,555 | 255,248 | (5,307) |
| Charges for Services | | | | |
| Fines and forfeitures | 40,934 | 30,456 | 31,790 | 1,334 |
| Boarding fees | 2,075 | 3,903 | 1,587 | (2,316) |
| | <u>43,009</u> | <u>34,359</u> | <u>33,377</u> | <u>(982)</u> |
| Miscellaneous | | | | |
| Interest | 1,000 | 1,015 | 517 | (498) |
| Other | 1,585 | 10,050 | 10,388 | 338 |
| | <u>2,585</u> | <u>11,065</u> | <u>10,905</u> | <u>(160)</u> |
| TOTAL REVENUES | <u>314,794</u> | <u>563,279</u> | <u>561,755</u> | <u>(1,524)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Administrative | 71,250 | 95,715 | 72,536 | 23,179 |
| Municipal court | 48,632 | 43,847 | 47,526 | (3,679) |
| Law and safety | 171,923 | 174,827 | 144,860 | 29,967 |
| Fire | 22,989 | 243,525 | 240,487 | 3,038 |
| | <u>314,794</u> | <u>557,914</u> | <u>505,409</u> | <u>52,505</u> |
| TOTAL EXPENDITURES | <u>314,794</u> | <u>557,914</u> | <u>505,409</u> | <u>52,505</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | - | 5,365 | 56,346 | 50,981 |
| FUND BALANCE, July 1 | <u>226,249</u> | <u>226,249</u> | <u>226,249</u> | - |
| FUND BALANCE, June 30 | <u>\$ 226,249</u> | <u>\$ 231,614</u> | <u>\$ 282,595</u> | <u>\$ 50,981</u> |

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 8,630 | \$ 8,630 | \$ 9,555 | \$ 925 |
| Charges for Services | | | | |
| Pool receipts | 12,900 | 15,200 | 13,751 | (1,449) |
| Park receipts | 6,100 | 4,200 | 3,338 | (862) |
| | <u>19,000</u> | <u>19,400</u> | <u>17,089</u> | <u>(2,311)</u> |
| Intergovernmental | | | | |
| Grants | - | 37,000 | - | (37,000) |
| Other | | | | |
| Donations | - | 1,000 | 7,354 | 6,354 |
| Interest | 10 | 220 | 56 | (164) |
| Miscellaneous | 1,675 | 1,300 | - | (1,300) |
| | <u>1,685</u> | <u>2,520</u> | <u>7,410</u> | <u>4,890</u> |
| TOTAL REVENUES | <u>29,315</u> | <u>67,550</u> | <u>34,054</u> | <u>(33,496)</u> |
| EXPENDITURES | | | | |
| Park | <u>27,692</u> | <u>70,349</u> | <u>70,330</u> | <u>19</u> |
| TOTAL EXPENDITURES | <u>27,692</u> | <u>70,349</u> | <u>70,330</u> | <u>19</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 1,623 | (2,799) | (36,276) | (33,477) |
| FUND BALANCE, July 1 | <u>53,884</u> | <u>53,884</u> | <u>53,884</u> | <u>-</u> |
| FUND BALANCE, June 30 | <u>\$ 55,507</u> | <u>\$ 51,085</u> | <u>\$ 17,608</u> | <u>\$ (33,477)</u> |

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-------------------|-------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Sales taxes | \$ 58,600 | \$ 58,600 | \$ 54,509 | \$ (4,091) |
| Motor vehicle taxes | 55,800 | 44,000 | 53,318 | 9,318 |
| Other taxes | 6,400 | 6,400 | 6,400 | - |
| | <u>120,800</u> | <u>109,000</u> | <u>114,227</u> | <u>5,227</u> |
| Intergovernmental Revenue | | | | |
| Grants | - | - | 119,878 | 119,878 |
| Charges for Services | | | | |
| Mowing receipts | 700 | 700 | 224 | (476) |
| Other | | | | |
| Interest | 490 | 490 | 123 | (367) |
| TOTAL REVENUES | <u>121,990</u> | <u>110,190</u> | <u>234,452</u> | <u>124,262</u> |
| EXPENDITURES | | | | |
| Street | <u>114,426</u> | <u>92,274</u> | <u>180,616</u> | <u>(88,342)</u> |
| TOTAL EXPENDITURES | <u>114,426</u> | <u>92,274</u> | <u>180,616</u> | <u>(88,342)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 7,564 | 17,916 | 53,836 | 35,920 |
| FUND BALANCE, July 1 | <u>109,611</u> | <u>109,611</u> | <u>109,611</u> | <u>-</u> |
| FUND BALANCE, June 30 | <u>\$ 117,175</u> | <u>\$ 127,527</u> | <u>\$ 163,447</u> | <u>\$ 35,920</u> |

CITY OF CRANE, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2011

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 accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Crane, Missouri, as of and for the year ended June 30, 2011, which collectively comprise the City of Crane, Missouri's basic financial statements and have issued our report thereon dated February 17, 2012. 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 opinions 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 responses, 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 responses to be material weaknesses. They are identified as items 11-1, 11-2 and 11-3.

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 responses. 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 17, 2012.

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 17, 2012

CITY OF CRANE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

11-1 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.

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.

11-2 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
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

11-3 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.