

CITY OF CRANE, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2012

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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, 2012, 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 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, 2012, 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 March 6, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the 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 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 also not a required part of the basic financial statements. The Other Financial Information 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 as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
March 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2012

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, 2012. 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 \$175,168 as a result of current year activities. The net assets of the City's business activities increased by \$478,328 for the year.
- The assets of the City exceeded its liabilities as of June 30, 2012, by \$4.3 million (net assets). Of this amount, \$992,170 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$1,415,098.

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, 2012

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, 2012

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of June 30, 2012 and 2011:

	Governmental Activities	Business-Type Activities	Total June 30, 2012	Total June 30, 2011
Current and other assets	\$ 595,831	\$ 1,012,989	\$ 1,608,820	\$ 1,396,680
Capital assets	1,194,810	3,578,060	4,772,870	4,441,778
TOTAL ASSETS	1,790,641	4,591,049	6,381,690	5,838,458
Other liabilities	10,469	298,050	308,519	1,833,881
Long-term liabilities outstanding	6,125	1,759,691	1,765,816	350,718
TOTAL LIABILITIES	16,594	2,057,741	2,074,335	2,184,599
Net assets:				
Invested in capital assets				
net of related debt	1,194,810	1,756,927	2,951,737	2,614,746
Restricted	209,226	154,222	363,448	305,089
Unrestricted	370,011	622,159	992,170	734,024
TOTAL NET ASSETS	<u>\$ 1,774,047</u>	<u>\$ 2,533,308</u>	<u>\$ 4,307,355</u>	<u>\$ 3,653,859</u>

Total net assets of the City increased by \$653,496 for the year. Total liabilities for the City have decreased by \$110,264. Restricted net assets of the City totaled \$363,448 as of June 30, 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2012**

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended June 30, 2012	Total Year Ended June 30, 2011
REVENUES				
Program Revenues				
Charges for services	\$ 102,651	\$ 1,542,754	\$ 1,645,405	\$ 1,631,531
Operating grants and contributions	8,597	-	8,597	7,354
Capital grants and contributions	112,358	412,408	524,766	410,676
General Revenues				
Ad valorem taxes	70,458	-	70,458	69,142
Sales taxes	187,383	-	187,383	190,729
Motor vehicle and gas taxes	52,584	-	52,584	53,318
Other taxes	25,664	-	25,664	25,405
Franchise fees	40,478	-	40,478	41,162
Interest	308	1,856	2,164	2,327
Other revenue	12,371	25,718	38,089	10,388
TOTAL REVENUES	612,852	1,982,736	2,595,588	2,442,032
EXPENSES				
Administrative	81,227	-	81,227	75,694
Municipal court	53,769	-	53,769	46,530
Law and safety	142,067	-	142,067	133,339
Fire	39,382	-	39,382	74,506
Park	41,002	-	41,002	69,099
Street	80,237	-	80,237	91,998
Electric	-	985,392	985,392	1,078,924
Water	-	140,873	140,873	128,478
Sewer	-	253,551	253,551	118,812
Refuse	-	124,592	124,592	109,389
TOTAL EXPENSES	437,684	1,504,408	1,942,092	1,926,769
INCREASE IN NET ASSETS	\$ 175,168	\$ 478,328	\$ 653,496	\$ 515,263

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2012**

Governmental Activities

Governmental activities increased the net assets of the City by \$175,168. Tax revenues for the City were \$376,567, which represents 61% of the funding of these activities. Program revenues for the functions totaled \$223,606. 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	\$ 81,227	\$ 77,780
Municipal court	53,769	53,769
Law and safety	142,067	37,257
Fire	39,382	39,382
Park	41,002	19,113
Street	80,237	(13,223)
	\$ 437,684	\$ 214,078

Business-Type Activities

Business-type activities increased the City's net assets by \$478,328. In the prior year, the City's business-type activities increased net assets by \$176,168.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2012, were \$585,362. The General Fund increased by \$78,414. The Park Fund decreased by \$3,540. The Street Fund increased by \$46,838.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2012

General Fund Budgetary Highlights

Revenues

The original General Fund budget had total revenues of \$563,279 and actual revenues were \$375,522. The variance is due to the inclusion of intergovernmental revenues in the budget for projects planned but not completed during the 2011-12 fiscal year.

Expenditures

The original General Fund budget had total expenditures of \$557,914 and actual expenditures were \$303,508. The variance is due to the inclusion of grant related project expenditures that were planned but not completed during the 2011-12 fiscal year.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$1,194,810 (net of accumulated depreciation) as of June 30, 2012. This represents a \$50,014 increase from the prior year. Capital assets for business-type activities were \$3,578,060 as of June 30, 2012. This represents an increase of \$281,079.

Debt

Total debt of the governmental activities as of June 30, 2012, was \$6,125, which represents compensated absences payable.

Total debt of the business-type activities as of June 30, 2012, was \$1,828,057 which is down by \$15,126 from the prior year due to the repayment of principal on debt.

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, 2012**

Contacting the City's Financial Management

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

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(417) 723-8305
cityclerk@crane-mo.com

Collin Brannan, Mayor
Bob Savage, City Administrator
Beth Murphy, City Clerk

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 310,866	\$ 579,188	\$ 890,054
Investments	-	11,000	11,000
Taxes receivable	43,279	-	43,279
Intergovernmental receivable	1,251	-	1,251
Utilities receivable	-	157,094	157,094
Prepaid expenses	6,535	8,428	14,963
Internal balance	32,953	(32,953)	-
Restricted cash and cash equivalents	200,947	290,232	491,179
Capital Assets:			
Non-depreciable	195,054	56,938	251,992
Depreciable, net	999,756	3,521,122	4,520,878
TOTAL ASSETS	1,790,641	4,591,049	6,381,690
LIABILITIES			
Current			
Accounts payable	2,322	81,671	83,993
Accrued expenses	8,147	12,003	20,150
Deferred revenue	-	57,592	57,592
Meter deposits payable	-	78,418	78,418
Current maturities of long-term debt	-	68,366	68,366
	10,469	298,050	308,519
Noncurrent			
Bonds payable	-	1,752,767	1,752,767
Compensated absences payable	6,125	6,924	13,049
	6,125	1,759,691	1,765,816
TOTAL LIABILITIES	16,594	2,057,741	2,074,335
NET ASSETS			
Invested in capital assets, net of related debt	1,194,810	1,756,927	2,951,737
Restricted	209,226	154,222	363,448
Unrestricted	370,011	622,159	992,170
TOTAL NET ASSETS	\$ 1,774,047	\$ 2,533,308	\$ 4,307,355

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

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	\$ (81,227)	\$ 3,447	\$ -	\$ -	\$ (77,780)	\$ -	\$ (77,780)
Municipal court	(53,769)	-	-	-	(53,769)	-	(53,769)
Law and safety	(142,067)	83,109	-	21,701	(37,257)	-	(37,257)
Fire	(39,382)	-	-	-	(39,382)	-	(39,382)
Park	(41,002)	13,292	8,597	-	(19,113)	-	(19,113)
Street	(80,237)	2,803	-	90,657	13,223	-	13,223
TOTAL GOVERNMENTAL ACTIVITIES	(437,684)	102,651	8,597	112,358	(214,078)	-	(214,078)
Business-type activities							
Electric	(985,392)	1,059,591	-	-	-	74,199	74,199
Water	(140,873)	254,940	-	412,408	-	526,475	526,475
Sewer	(253,551)	94,078	-	-	-	(159,473)	(159,473)
Refuse	(124,592)	134,145	-	-	-	9,553	9,553
TOTAL BUSINESS-TYPE ACTIVITIES	(1,504,408)	1,542,754	-	412,408	-	450,754	450,754
TOTAL GOVERNMENT	\$ (1,942,092)	\$ 1,645,405	\$ 8,597	\$ 524,766	(214,078)	450,754	236,676
		General Revenues:					
					70,458	-	70,458
					187,383	-	187,383
					52,584	-	52,584
					25,664	-	25,664
					40,478	-	40,478
					308	1,856	2,164
					12,371	25,718	38,089
				Total General Revenues	389,246	27,574	416,820
				Changes in Net Assets	175,168	478,328	653,496
				Net Assets, Beginning of year	1,598,879	2,054,980	3,653,859
				Net Assets, End of year	\$ 1,774,047	\$ 2,533,308	\$ 4,307,355

See accompanying notes.

CITY OF CRANE, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue Funds		Total Governmental Funds
		Park Fund	Street Fund	
ASSETS				
Cash and cash equivalents - unrestricted	\$ 285,691	\$ 25,175	\$ -	\$ 310,866
Taxes receivable	29,407	1,700	12,172	43,279
Intergovernmental receivable	-	1,251	-	1,251
Due from other fund	47,334	-	-	47,334
Prepaid expenses	5,036	440	1,059	6,535
Restricted cash and cash equivalents	-	-	200,947	200,947
TOTAL ASSETS	<u>\$ 367,468</u>	<u>\$ 28,566</u>	<u>\$ 214,178</u>	<u>\$ 610,212</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,534	\$ 588	\$ 200	\$ 2,322
Due to other fund	-	11,627	2,754	14,381
Accrued expenses	4,925	2,283	939	8,147
TOTAL LIABILITIES	<u>6,459</u>	<u>14,498</u>	<u>3,893</u>	<u>24,850</u>
Fund Balances				
Nonspendable:				
Prepaid items	5,036	440	1,059	6,535
Restricted for:				
Streets	-	-	209,226	209,226
Assigned to:				
Parks and recreation	-	13,628	-	13,628
Unassigned	355,973	-	-	355,973
TOTAL FUND BALANCES	<u>361,009</u>	<u>14,068</u>	<u>210,285</u>	<u>585,362</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 367,468</u>	<u>\$ 28,566</u>	<u>\$ 214,178</u>	<u>\$ 610,212</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
June 30, 2012

Fund balance - total governmental funds	\$ 585,362
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	1,731,905
Less accumulated depreciation	<u>(537,095)</u>
	1,194,810
Compensated absences are not accrued in the governmental funds but rather are recognized as expenditures when due	<u>(6,125)</u>
Net assets of governmental activities	<u><u>\$ 1,774,047</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General Fund	Special Revenue Funds		Total Governmental Funds
		Park Fund	Street Fund	
REVENUES				
Taxes	\$ 255,008	\$ 9,495	\$ 112,064	\$ 376,567
Licenses and permits	3,447	-	-	3,447
Intergovernmental revenues	21,701	-	90,657	112,358
Charges for services	83,109	13,292	2,803	99,204
Miscellaneous	12,257	8,934	85	21,276
TOTAL REVENUES	375,522	31,721	205,609	612,852
EXPENDITURES				
Current				
Administrative	85,094	-	-	85,094
Municipal court	53,769	-	-	53,769
Law and safety	148,514	-	-	148,514
Fire	16,131	-	-	16,131
Park	-	35,261	-	35,261
Street	-	-	152,371	152,371
TOTAL EXPENDITURES	303,508	35,261	152,371	491,140
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	72,014	(3,540)	53,238	121,712
OTHER FINANCING SOURCES (USES)				
Operating transfers in	6,400	-	-	6,400
Operating transfers out	-	-	(6,400)	(6,400)
TOTAL OTHER FINANCING SOURCES (USES)	6,400	-	(6,400)	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	78,414	(3,540)	46,838	121,712
FUND BALANCE, July 1	282,595	17,608	163,447	463,650
FUND BALANCE, June 30	\$ 361,009	\$ 14,068	\$ 210,285	\$ 585,362

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, 2012

Net change in fund balances - total governmental funds \$ 121,712

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	131,726
Depreciation	<u>(81,712)</u>
	50,014

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

3,442

Change in net assets of governmental activities \$ 175,168

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUND
June 30, 2012

	<u>Enterprise Fund</u> <u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 579,188
Investments	11,000
Utilities receivable	157,094
Prepaid expenses	8,428
	<u>755,710</u>
	TOTAL CURRENT ASSETS
	755,710
Restricted Assets	
Cash and cash equivalents	290,232
	<u>290,232</u>
	TOTAL RESTRICTED ASSETS
	290,232
Property, Plant and Equipment	5,621,240
Less Accumulated Depreciation	<u>(2,043,180)</u>
	TOTAL PROPERTY, PLANT AND EQUIPMENT
	3,578,060
	TOTAL ASSETS
	4,624,002
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	81,671
Accrued expenses	12,003
Deferred revenue	57,592
Meter deposits payable	78,418
Internal balances	32,953
Current maturities of long-term debt	68,366
	<u>331,003</u>
	TOTAL CURRENT LIABILITIES
	331,003
Long-Term Liabilities	
Bonds payable	1,752,767
Compensated absences	6,924
	<u>1,759,691</u>
	TOTAL LONG-TERM LIABILITIES
	1,759,691
	TOTAL LIABILITIES
	<u>2,090,694</u>
Net Assets	
Invested in capital assets, net of related debt	1,756,927
Restricted	154,222
Unrestricted	622,159
	<u>2,533,308</u>
	TOTAL NET ASSETS
	<u>\$ 2,533,308</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUND
Year Ended June 30, 2012

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	
Electric	\$ 1,059,591
Water	254,940
Sewer	94,078
Refuse	134,145
	<u>1,542,754</u>
TOTAL OPERATING REVENUES	1,542,754
OPERATING EXPENSES	
Electric	
Wages and benefits	115,367
Purchased power	768,702
Supplies	31,479
Other operating expenses	44,632
Depreciation	25,212
Water	
Wages and benefits	28,059
Supplies	8,434
Other operating expenses	79,229
Depreciation	5,947
Sewer	
Wages and benefits	59,369
Supplies	11,992
Other operating expenses	151,459
Depreciation	30,731
Refuse	
Landfill service	120,085
Supplies	627
Other operating expenses	2,386
Depreciation	1,494
	<u>1,485,204</u>
TOTAL OPERATING EXPENSES	1,485,204
OPERATING INCOME	57,550
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,856
Other revenue	25,718
Intergovernmental revenue	412,408
Interest expense	(19,204)
	<u>420,778</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	420,778
NET INCOME	478,328
NET ASSETS, July 1	2,054,980
NET ASSETS, June 30	<u>\$ 2,533,308</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2012

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,543,872
Cash paid to suppliers	(1,272,040)
Cash paid to employees	(208,477)
Other cash received from nonoperating revenues	<u>25,718</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	89,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loans from other funds	<u>18,291</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	18,291
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(344,462)
Principal paid on bonds	(383,867)
Principal paid on leases	(3,263)
Principal paid on interim financing	(1,458,769)
Interest paid on debt	(19,204)
Bond proceeds	1,840,000
Grant proceeds	<u>470,000</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	100,435
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>1,856</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,856
NET INCREASE IN CASH AND CASH EQUIVALENTS	209,655
CASH AND CASH EQUIVALENTS, Beginning of year	<u>659,765</u>
CASH AND CASH EQUIVALENTS, End of year	869,420
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>(290,232)</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 579,188</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (continued)
Year Ended June 30, 2012

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 57,550
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	63,384
(Increase) decrease in:	
Utilities receivable	(252)
Prepaid expenses	(2,141)
Increase (decrease) in:	
Accounts payable	(50,874)
Accrued expenses	3,545
Meter deposits payable	1,370
Compensated absences	(9,227)
Other cash received for nonoperating revenues	<u>25,718</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 89,073</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, 2012

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. For purposes of the statement of cash flows, the City considers all accounts subject to withdrawal by check or on demand to be cash equivalents.

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.

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.

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.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2012, consist of the following:

Investment Type	Maturity	Total
Certificates of Deposit	11/14/2012 to 11/23/2014	\$ 11,000

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE C – INVESTMENTS (continued)

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.

The City has no policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Net Assets
	<u> </u>	<u> </u>
STREET FUND		
Street sales tax	\$ 200,947	\$ 209,226
	<u> </u>	<u> </u>

Utility Fund

The 2012 Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Ordinance and USDA Series 2011A Combined Waterworks and Sewerage System Revenue Bonds established amounts required to be deposited in certain sinking and reserve funds. All required deposits have been made. These special cash reserves are reported in the accompanying balance sheet as restricted cash and investments, and restricted net assets. Restricted cash and investments also include cash restricted for customer deposits, bond proceeds and grant funds. These restrictions are as follows:

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE D – RESTRICTED ASSETS (continued)

	Restricted Cash and Cash Equivalents	Restricted Net Assets
2012 Refunding Revenue Bonds		
Replacement Account	\$ 58,148	\$ 58,148
Debt Service Reserve	96,074	96,074
USDA Deferred Revenue	57,592	-
Customer Deposits	78,418	-
	<u>\$ 290,232</u>	<u>\$ 154,222</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	2011
Real estate	\$ 7,236,700
Personal property	1,667,220
	<u>TOTAL \$ 8,903,920</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.8304
Park Fund	.1312
	<u>TOTAL \$.9616</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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

The legal debt margin at June 30, 2012, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 890,392	\$ 890,392	\$ 1,780,784
LEGAL DEBT MARGIN	\$ 890,392	\$ 890,392	\$ 1,780,784

(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, 2012, consists of the 2012 Refunding Revenue Bonds, 2011A Combined Waterworks and Sewerage System Revenue Bonds, and compensated absences.

2012 Refunding Revenue Bonds

On February 27, 2012, the City issued \$340,000 in Series 2012 Combined Waterworks and Sewerage System Refunding Revenue Bonds with interest rates ranging from 2.00% to 2.75%, 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 1998 Revenue Bonds on February 27, 2012. The Bonds outstanding at June 30, 2012, are due as follows:

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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

Year Ended June 30,	Principal	Interest	Total
2013	\$ 45,000	\$ 7,730	\$ 52,730
2014	45,000	6,830	51,830
2015	50,000	5,930	55,930
2016	45,000	4,930	49,930
2017	50,000	3,962	53,962
2018	55,000	2,888	57,888
2019	50,000	1,375	51,375
	<u>\$ 340,000</u>	<u>\$ 33,645</u>	<u>\$ 373,645</u>

2011 Combined Waterworks and Sewerage System Revenue Bonds

On July 20, 2011, the City entered into an agreement with the United States Department of Agriculture to issue \$1,500,000 in Combined Waterworks and Sewerage System Revenue Bonds Series A. The bonds bear interest at 4.125%. Principal and interest payments are due monthly each year.

The annual debt service requirements to amortize the principal on the bonds outstanding at June 30, 2012, are listed in the following table:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 23,366	\$ 60,658	\$ 84,024
2014	24,348	59,676	84,024
2015	25,372	58,652	84,024
2016	26,438	57,586	84,024
2017	27,550	56,474	84,024
2018 - 2022	156,125	263,995	420,120
2023 - 2027	191,819	228,301	420,120
2028 - 2032	235,674	184,446	420,120
2033 - 2037	289,555	130,565	420,120
2038 - 2042	355,755	64,365	420,120
2043 - 2044	125,131	4,233	129,364
	<u>\$ 1,481,133</u>	<u>\$ 1,168,951</u>	<u>\$ 2,650,084</u>

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Revenue Bonds				
Series 1998 Refunding Revenue Bonds	\$ 365,000	\$ -	\$ 365,000	\$ -
Series 2012 Refunding Revenue Bonds	-	340,000	-	340,000
2011 USDA Bonds	-	1,500,000	18,867	1,481,133
	<u>365,000</u>	<u>1,840,000</u>	<u>383,867</u>	<u>1,821,133</u>
Capital Lease Obligations				
Backhoe Lease	3,263	-	3,263	-
Compensated Absences	<u>16,151</u>	<u>-</u>	<u>9,227</u>	<u>6,924</u>
TOTAL	<u>\$ 384,414</u>	<u>\$ 1,840,000</u>	<u>\$ 396,357</u>	<u>\$ 1,828,057</u>

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

Short-term debt was retired during the year ended June 30, 2012, for the Utility Fund and consisted 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 was being used as interim construction financing to fund the improvements to the water system of the City. The obligation was due at the completion of construction. The loan bore interest at 2.7%. Permanent financing was obtained from USDA Rural Development at the completion of the construction project. The USDA revenue bonds were issued in the amount of \$1,500,000 in July 2011 to pay off interim financing.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE G – SHORT-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

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

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Loan Payable - Missouri Public Utilities Commission	\$ 1,458,769	\$ -	\$ 1,458,769	\$ -

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
GOVERNMENTAL ACTIVITIES				
Non-depreciable capital assets				
Construction in progress	\$ 133,516	\$ 61,538	\$ -	\$ 195,054
Depreciable capital assets				
Building and improvements	302,415	\$ -	\$ -	302,415
Vehicles and equipment	531,463	30,061	-	561,524
Infrastructure	632,785	40,127	-	672,912
Total Depreciable Capital Assets	1,466,663	\$ 70,188	\$ -	1,536,851
Less accumulated depreciation				
Building and improvements	119,692	\$ 7,360	\$ -	127,052
Vehicles and equipment	116,392	35,797	-	152,189
Infrastructure	219,299	38,555	-	257,854
Total Accumulated Depreciation	455,383	\$ 81,712	\$ -	537,095
Total Depreciable Capital Assets, net	1,011,280			999,756
Total Governmental Activities Capital Assets, net	\$ 1,144,796			\$ 1,194,810

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE H – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Administration	\$ 1,467
Law and safety	13,729
Fire	23,251
Park	5,741
Street	37,524
	<u>\$ 81,712</u>

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
BUSINESS-TYPE ACTIVITIES				
Electric				
Non-depreciable				
Land	\$ 50,900	\$ -	\$ -	\$ 50,900
Depreciable capital assets				
Electric plant	1,105,554	\$ -	\$ -	1,105,554
	<u>1,105,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,105,554</u>
Less accumulated depreciation				
Electric plant	807,519	\$ 25,212	\$ -	832,731
	<u>807,519</u>	<u>\$ 25,212</u>	<u>\$ -</u>	<u>832,731</u>
Depreciable Capital Assets, net	298,035			272,823
Water and Sewer				
Non-depreciable capital assets				
Construction in progress	2,550,627	\$ 331,151	\$ 2,881,778	-
Depreciable capital assets				
Water and Sewer plant	1,529,551	\$ 2,895,090	\$ -	4,424,641
	<u>1,529,551</u>	<u>\$ 2,895,090</u>	<u>\$ -</u>	<u>4,424,641</u>
Less accumulated depreciation				
Water and Sewer plant	1,144,995	\$ 36,678	\$ -	1,181,673
	<u>1,144,995</u>	<u>\$ 36,678</u>	<u>\$ -</u>	<u>1,181,673</u>
Depreciable Capital Assets, net	384,556			3,242,968

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE H – CAPITAL ASSETS (continued)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Refuse				
Non-depreciable capital assets				
Land	6,038	\$ -	\$ -	6,038
Depreciable capital assets				
Equipment	13,662	\$ -	\$ -	13,662
Improvements	20,445	-	-	20,445
	<u>34,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>34,107</u>
Less accumulated depreciation				
Equipment	13,445	\$ 598	\$ -	14,043
Improvements	13,837	896	-	14,733
	<u>27,282</u>	<u>\$ 1,494</u>	<u>\$ -</u>	<u>28,776</u>
Depreciable Capital Assets, net	<u>6,825</u>			<u>5,331</u>
Total Capital Assets- Business-Type Activities, net	<u>\$ 3,296,981</u>			<u>\$ 3,578,060</u>

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.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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, 2012, 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, 2012, consists of compensated absences payable in the amount of \$6,125.

NOTE L – COMMITMENTS

At June 30, 2012, the City was committed to Olsson Associates in the amount of \$183,005 for engineering services related to the sidewalk project.

NOTE M – INTERNAL BALANCES

Internal balances as of June 30, 2012, consisted of the following:

	General Fund	Park Fund	Street Fund	Utility Funds
Internal balances	<u>47,334</u>	<u>\$ (11,627)</u>	<u>\$ (2,754)</u>	<u>\$ (32,953)</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, 2012, 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, 2012

NOTE N – DEFERRED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. Deferred revenue recorded in the Utility Fund represents unearned grant revenue. All of the deferred revenues at June 30, 2012, are accounted for as follows:

Utility Fund	
Deferred grant revenue	<u>\$ 57,592</u>

NOTE O – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the 2012 Combined Waterworks and Sewerage System Revenue Refunding Bonds and 2011A Combined Waterworks and Sewerage System Revenue 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 2044. 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 \$3,023,729. Principal and interest paid for the current year and total customer net revenues were \$130,876 and \$120,934, respectively.

NOTE P – BOND REFUND

On February 27, 2012, the City issued \$340,000 in Series 2012 Combined Waterworks and Sewerage System Refunding Revenue Bonds with interest rates at 2.00% to 2.75%. The City deposited bond proceeds totaling \$372,834 in an irrevocable escrow account at UMB Bank to earn interest and pay principal of \$325,000 and accrued interest on Series 1998 Refunding Revenue Bonds on March 28, 2012.

As a result of the refunding, the City reduced its debt service requirements by \$37,246, which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$26,017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes, penalties and interest	\$ 52,000	\$ 53,000	\$ 60,963	\$ 7,963
Sales tax	143,000	143,000	134,303	(8,697)
Franchise taxes	38,300	41,000	40,478	(522)
Other taxes	21,500	19,050	19,264	214
	<u>254,800</u>	<u>256,050</u>	<u>255,008</u>	<u>(1,042)</u>
Licenses and Permits				
Business licenses	1,800	1,000	2,580	1,580
Other	700	650	867	217
	<u>2,500</u>	<u>1,650</u>	<u>3,447</u>	<u>1,797</u>
Intergovernmental Revenues				
Grants	260,555	9,000	21,701	12,701
	<u>260,555</u>	<u>9,000</u>	<u>21,701</u>	<u>12,701</u>
Charges for Services				
Fines and forfeitures	30,456	30,000	81,467	51,467
Boarding fees	3,903	5,100	1,642	(3,458)
	<u>34,359</u>	<u>35,100</u>	<u>83,109</u>	<u>48,009</u>
Miscellaneous				
Interest	1,015	100	211	111
Other	10,050	1,550	12,046	10,496
	<u>11,065</u>	<u>1,650</u>	<u>12,257</u>	<u>10,607</u>
TOTAL REVENUES	<u>563,279</u>	<u>303,450</u>	<u>375,522</u>	<u>72,072</u>
EXPENDITURES				
Current				
Administrative	95,715	68,296	85,094	(16,798)
Municipal court	43,847	42,666	53,769	(11,103)
Law and safety	174,827	154,270	148,514	5,756
Fire	243,525	15,515	16,131	(616)
	<u>557,914</u>	<u>280,747</u>	<u>303,508</u>	<u>(22,761)</u>
TOTAL EXPENDITURES	<u>557,914</u>	<u>280,747</u>	<u>303,508</u>	<u>(22,761)</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,365	22,703	72,014	49,311
OTHER FINANCING SOURCES				
Transfers in	-	-	6,400	6,400
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>6,400</u>	<u>6,400</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	5,365	22,703	78,414	55,711
FUND BALANCE, July 1	282,595	282,595	282,595	-
FUND BALANCE, June 30	<u>\$ 287,960</u>	<u>\$ 305,298</u>	<u>\$ 361,009</u>	<u>\$ 55,711</u>

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 8,630	\$ 8,200	\$ 9,495	\$ 1,295
Charges for Services				
Pool receipts	15,200	14,400	10,152	(4,248)
Park receipts	4,200	4,300	3,140	(1,160)
	19,400	18,700	13,292	(5,408)
Intergovernmental				
Grants	37,000	-	-	-
Other				
Donations	1,000	1,000	8,597	7,597
Interest	220	20	12	(8)
Miscellaneous	1,300	2,000	325	(1,675)
	2,520	3,020	8,934	5,914
TOTAL REVENUES	67,550	29,920	31,721	1,801
EXPENDITURES				
Park	70,349	32,691	35,261	(2,570)
TOTAL EXPENDITURES	70,349	32,691	35,261	(2,570)
(DEFICIT) OF REVENUES OVER EXPENDITURES	(2,799)	(2,771)	(3,540)	(769)
FUND BALANCE, July 1	17,608	17,608	17,608	-
FUND BALANCE, June 30	\$ 14,809	\$ 14,837	\$ 14,068	\$ (769)

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 58,600	\$ 58,000	\$ 53,080	\$ (4,920)
Motor vehicle taxes	44,000	87,000	52,584	(34,416)
Other taxes	6,400	6,400	6,400	-
	<u>109,000</u>	<u>151,400</u>	<u>112,064</u>	<u>(39,336)</u>
Intergovernmental Revenue				
Grants	-	-	90,657	90,657
Charges for Services				
Mowing receipts	700	700	2,803	2,103
Other				
Interest	490	490	85	(405)
TOTAL REVENUES	<u>110,190</u>	<u>152,590</u>	<u>205,609</u>	<u>53,019</u>
EXPENDITURES				
Street	92,274	145,992	152,371	(6,379)
TOTAL EXPENDITURES	<u>92,274</u>	<u>145,992</u>	<u>152,371</u>	<u>(6,379)</u>
EXCESS OF REVENUES OVER EXPENDITURES	17,916	6,598	53,238	46,640
OTHER FINANCING SOURCES				
Transfers out	-	-	(6,400)	(6,400)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>(6,400)</u>	<u>(6,400)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	17,916	6,598	46,838	40,240
FUND BALANCE, July 1	163,447	163,447	163,447	-
FUND BALANCE, June 30	<u>\$ 181,363</u>	<u>\$ 170,045</u>	<u>\$ 210,285</u>	<u>\$ 40,240</u>

CITY OF CRANE, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2012

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. 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, 2012, which collectively comprise the City of Crane, Missouri's basic financial statements and have issued our report thereon dated March 6, 2013. 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

Management of the City of Crane, Missouri, is responsible for establishing and maintaining effective internal controls 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 questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. It is identified as item 12-1.

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 March 6, 2013.

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.
March 6, 2013



DAVIS, LYNN &
MOOTS, P.C.
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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

Compliance

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 program for the year ended June 30, 2012. The City of Crane, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying summary schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City'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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we consider 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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 the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

The City of Crane, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Aldermen, management, others within the entity, 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.
March 6, 2013

CITY OF CRANE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

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	\$ 412,408
TOTAL U.S. DEPARTMENT OF AGRICULTURE			412,408
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Highway Planning & Construction	20.205	STP 9900(831)	54,745
Highway Planning & Construction	20.205	INFH 288(104)	31,071
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			85,816
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Missouri Department of Public Safety			
Local Law Enforcement Block Grant	16.738	2010-LLEBG-116	8,997
TOTAL U.S. DEPARTMENT OF JUSTICE			8,997
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 507,221

N/A - Not Applicable

NOTES 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
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements.
2. A significant deficiency disclosed during the audit of the financial statements is 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. This deficiency is considered to be a material weakness.
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 awards programs.
5. The auditors' report on compliance for the major federal award program 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 following was tested as a major program:

Water and Waste Disposal Systems for Rural Communities	10.760
--	--------
8. The threshold to determine a Type A program was \$300,000.
9. The City of Crane, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

12-1 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.

CITY OF CRANE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

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.

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

None

CITY OF CRANE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

There were no prior year audit findings.