

CITY OF CRANE, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2008

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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, business-type activities, and each major fund of the City of Crane, Missouri, as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2009, 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.

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. The Management's Discussion and Analysis requires presentation of comparative financial information relating to the Statement of Net Assets and the Statement of Activities. This comparative information has not been presented. 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.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
February 26, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2008

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, 2008. Please read it in conjunction with the City's financial statements, which begin on page 14.

Financial Highlights

- The assets of the City exceeded its liabilities as of June 30, 2008, by \$1.8 million (net assets).
- The net assets of the City's governmental activities increased by \$112,982 as a result of current year activities. The net assets of the City's business activities increased by \$154,407 for the year.

Using This Annual Report

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

Government-Wide Financial Statements

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

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 water, sewer, electric and refuse services are provided here.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2008

Fund Financial Statements

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

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

Notes to the Basic Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2008**

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of June 30, 2008:

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 323,736	\$ 499,051	\$ 822,787
Capital assets	871,704	865,429	1,737,133
TOTAL ASSETS	1,195,440	1,364,480	2,559,920
Other liabilities	23,281	215,848	239,129
Long-term liabilities outstanding	7,819	467,328	475,147
TOTAL LIABILITIES	31,100	683,176	714,276
Net assets:			
Invested in capital assets			
net of related debt	871,704	533,429	1,405,133
Restricted	91,530	98,286	189,816
Unrestricted	201,106	49,589	250,695
TOTAL NET ASSETS	\$ 1,164,340	\$ 681,304	\$ 1,845,644

Total net assets of the City was \$1,845,644 for the year. Total liabilities for the City was \$714,276. Restricted net assets of the City totaled \$189,816 as of June 30, 2008. This amount represents monies that are restricted for debt service, depreciation replacement, reserve, and use tax.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2008

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended June 30, Total
REVENUES			
Program Revenues			
Charges for services	\$ 66,406	\$ 1,479,295	\$ 1,545,701
Operating grants and contributions	25,100	17,376	42,476
Capital grants and contributions	65,679	-	65,679
General Revenues			
Ad valorem taxes	63,360	-	63,360
Sales taxes	199,790	-	199,790
Motor vehicle and gas taxes	55,330	-	55,330
Other taxes	49,150	-	49,150
Franchise fees	36,483	-	36,483
Interest	2,692	7,743	10,435
Other revenue	76,562	6,625	83,187
Transfers	12,813	(12,813)	-
TOTAL REVENUES	653,365	1,498,226	2,151,591
EXPENSES			
Administrative	91,650	-	91,650
Law and safety	190,454	-	190,454
Fire	26,163	-	26,163
Airport	39,456	-	39,456
Street	150,738	-	150,738
Park	41,922	-	41,922
Water	-	106,522	106,522
Sewer	-	140,165	140,165
Electric	-	961,788	961,788
Gas	-	135,344	135,344
TOTAL EXPENSES	540,383	1,343,819	1,884,202
INCREASE IN NET ASSETS	\$ 112,982	\$ 154,407	\$ 267,389

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2008**

Governmental Activities

Governmental activities increased the net assets of the City by \$112,982. Tax revenues for the City were \$404,113, which represents 75% of the funding of these activities. Program revenues for the functions totaled just \$157,185. 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
Administration	\$ 91,650	\$ 88,789
Law and safety	190,454	146,580
Fire	26,163	3,136
Municipal court	39,456	(7,537)
Street	150,738	150,588
Park	41,922	1,642
	\$ 540,383	\$ 383,198

Business-Type Activities

Business-type activities increased the City's net assets by \$154,407.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2008, were \$302,455. The General Fund decreased by \$123,134. The Park Fund increased by \$26,451. The Street Fund decreased by \$59,345.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2008**

General Fund Budgetary Highlights

Revenues

The original General Fund budget had total revenues of \$394,825 and actual receipts were \$406,390.

Expenditures

The original General Fund budget had total expenditures of \$578,228 and actual expenditures were \$550,837.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$871,704 (net of accumulated depreciation) as of June 30, 2008. This represents a \$261,892 increase from the prior year due primarily to vehicle purchases. Capital assets for business-type activities were \$1,032,482 as of June 30, 2008. This represents an increase of \$157,220 which was due primarily to a water service project.

Debt

Total debt of the governmental activities as of June 30, 2008, was \$9,819, which represents compensated absences payable and capital leases.

During the year, the City issued a capital lease in the amount of \$13,410. Total debt of the business-type activities as of June 30, 2008, was \$508,269, which is down by \$23,912 from the prior year.

Economic Factors and Next Year's Budget

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2008**

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
Beth Murphy, City Clerk

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 136,873	\$ 19,457	\$ 156,330
Investments	-	11,000	11,000
Ad valorem taxes receivable, net	35,566	-	35,566
FEMA receivable	33,463	-	33,463
Due from other fund	10,556	-	10,556
Utilities receivable, net	-	144,650	144,650
Prepaid expenses	15,748	-	15,748
Restricted cash and cash equivalents	91,530	156,891	248,421
Capital Assets:			
Non-depreciable	6,689	167,053	173,742
Depreciable, net	865,015	865,429	1,730,444
TOTAL ASSETS	<u>1,195,440</u>	<u>1,364,480</u>	<u>2,559,920</u>
LIABILITIES			
Current			
Accounts payable	6,462	113,524	119,986
Accrued expenses	4,263	2,778	7,041
Due to other fund	10,556	-	10,556
Meter deposits payable	-	58,605	58,605
Current maturities of long-term debt	2,000	40,941	42,941
	<u>23,281</u>	<u>215,848</u>	<u>239,129</u>
Noncurrent			
Compensated absences payable	5,819	9,216	15,035
Bonds payable	-	440,000	440,000
Capital lease payable	2,000	18,112	20,112
	<u>7,819</u>	<u>467,328</u>	<u>475,147</u>
TOTAL LIABILITIES	<u>31,100</u>	<u>683,176</u>	<u>714,276</u>
NET ASSETS			
Invested in capital assets, net of related debt	871,704	533,429	1,405,133
Restricted	91,530	98,286	189,816
Unrestricted	201,106	49,589	250,695
TOTAL NET ASSETS	<u>\$ 1,164,340</u>	<u>\$ 681,304</u>	<u>\$ 1,845,644</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

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	(91,650)	\$ 2,861	\$ -	\$ -	\$ (88,789)	\$ -	\$ (88,789)
Law and safety	(190,454)	-	454	43,420	(146,580)	-	(146,580)
Fire	(26,163)	768	-	22,259	(3,136)	-	(3,136)
Municipal court	(39,456)	46,993	-	-	7,537	-	7,537
Street	(150,738)	150	-	-	(150,588)	-	(150,588)
Park	(41,922)	15,634	24,646	-	(1,642)	-	(1,642)
TOTAL GOVERNMENTAL ACTIVITIES	(540,383)	66,406	25,100	65,679	(383,198)	-	(383,198)
Business-type activities							
Water	(106,522)	227,773	-	-	-	121,251	121,251
Sewer	(140,165)	100,604	-	-	-	(39,561)	(39,561)
Electric	(961,788)	1,016,016	17,376	-	-	71,604	71,604
Refuse	(135,344)	134,902	-	-	-	(442)	(442)
TOTAL BUSINESS-TYPE ACTIVITIES	(1,343,819)	1,479,295	17,376	-	-	152,852	152,852
TOTAL GOVERNMENT	\$ (1,884,202)	\$ 1,545,701	\$ 42,476	\$ 65,679	(383,198)	152,852	(230,346)
		General Revenues:					
					63,360	-	63,360
					199,790	-	199,790
					55,330	-	55,330
					49,150	-	49,150
					36,483	-	36,483
					2,692	7,743	10,435
					76,562	6,625	83,187
					12,813	(12,813)	-
				Total General Revenues	496,180	1,555	497,735
				Changes in Net Assets	112,982	154,407	267,389
				Net Assets, Beginning of year	1,051,358	526,897	1,578,255
				Net Assets, End of year	\$ 1,164,340	\$ 681,304	\$ 1,845,644

See accompanying notes.

CITY OF CRANE, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Park Fund	Street Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 83,820	\$ 34,850	\$ 18,203	\$ 136,873
Taxes receivable, net	22,578	376	12,612	35,566
FEMA receivable	-	33,463	-	33,463
Due from other fund	10,556	-	-	10,556
Prepaid expenses	15,748	-	-	15,748
Restricted cash and cash equivalents	91,530	-	-	91,530
TOTAL ASSETS	\$ 224,232	\$ 68,689	\$ 30,815	\$ 323,736
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,966	\$ 3,021	\$ 1,475	\$ 6,462
Due to other fund	-	10,556	-	10,556
Accrued expenses	2,736	518	1,009	4,263
TOTAL LIABILITIES	4,702	14,095	2,484	21,281
Fund Balances				
Reserved, reported in:				
General Fund	91,530	-	-	91,530
Unreserved, reported in:				
General Fund	128,000	-	-	128,000
Special Revenue Fund	-	54,594	28,331	82,925
TOTAL FUND BALANCES	219,530	54,594	28,331	302,455
TOTAL LIABILITIES AND FUND BALANCES	\$ 224,232	\$ 68,689	\$ 30,815	\$ 323,736

See accompanying notes.

CITY OF CRANE, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 June 30, 2008

Fund balance - total governmental funds	\$ 302,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	1,141,626
Less accumulated depreciation	<u>(269,922)</u>
	871,704
Compensated absences are not accrued in the governmental funds but rather is recognized as an expenditure when due	(5,819)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(4,000)</u>
Net assets of governmental activities	<u><u>\$ 1,164,340</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General Fund	Park Fund	Street Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 268,462	\$ 10,511	\$ 125,140	\$ 404,113
Licenses and permits	2,861	-	-	2,861
Intergovernmental revenues	66,133	-	-	66,133
Charges for services	47,761	15,634	150	63,545
Miscellaneous	21,173	82,173	554	103,900
TOTAL REVENUES	<u>406,390</u>	<u>108,318</u>	<u>125,844</u>	<u>640,552</u>
EXPENDITURES				
Current				
Administrative	90,989	-	-	90,989
Law and safety	212,061	-	-	212,061
Municipal court	39,401	-	-	39,401
Fire	208,386	-	-	208,386
Street	-	-	176,689	176,689
Park	-	81,867	-	81,867
TOTAL EXPENDITURES	<u>550,837</u>	<u>81,867</u>	<u>176,689</u>	<u>809,393</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(144,447)	26,451	(50,845)	(168,841)
OTHER FINANCING SOURCES				
Operating transfers in	28,813	-	1,500	30,313
Operating transfers out	(7,500)	-	(10,000)	(17,500)
TOTAL OTHER FINANCING SOURCES	<u>21,313</u>	<u>-</u>	<u>(8,500)</u>	<u>12,813</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(123,134)	26,451	(59,345)	(156,028)
FUND BALANCE, July 1	<u>342,664</u>	<u>28,143</u>	<u>87,676</u>	<u>458,483</u>
FUND BALANCE, June 30	<u>\$ 219,530</u>	<u>\$ 54,594</u>	<u>\$ 28,331</u>	<u>\$ 302,455</u>

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, 2008

Net change in fund balances - total governmental funds \$ (156,028)

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 depreciation
 exceeded capital outlays for the year.

Capital outlay	322,665
Depreciation	<u>(60,773)</u>
	261,892

The issuance of long-term debt provides current financial resources to governmental funds. The
 repayment of the principal portion of long-term debt is a use of current financial resources of
 governmental funds. 7,700

Some expenditures reported in the governmental funds represent
 the use of current financial resources and were recognized in
 the statement of activities when incurred. (582)

Change in net assets of governmental activities \$ 112,982

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF NET ASSETS – ENTERPRISE FUND
June 30, 2008

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 19,457
Investments	11,000
Utilities receivable, net	<u>144,650</u>
TOTAL CURRENT ASSETS	175,107
Restricted Assets	
Cash and cash equivalents	<u>156,891</u>
TOTAL RESTRICTED ASSETS	156,891
Property, Plant and Equipment	2,862,560
Less Accumulated Depreciation	<u>(1,830,078)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>1,032,482</u>
TOTAL ASSETS	1,364,480
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	113,524
Accrued expenses	2,778
Meter deposits payable	58,605
Current maturities of long-term debt	<u>40,941</u>
TOTAL CURRENT LIABILITIES	215,848
Long-Term Liabilities	
Capital lease payable	18,112
Bonds payable	440,000
Compensated absences	<u>9,216</u>
TOTAL LONG-TERM LIABILITIES	<u>467,328</u>
TOTAL LIABILITIES	<u>683,176</u>
Net Assets	
Invested in capital assets, net of related debt	533,429
Restricted	98,286
Unrestricted	<u>49,589</u>
TOTAL NET ASSETS	<u>\$ 681,304</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ENTERPRISE FUND
Year Ended June 30, 2008

OPERATING REVENUES

Charges for services		
Water	\$	227,773
Electric		1,016,016
Sewer		100,604
Refuse		134,902
		<hr/>
	TOTAL OPERATING REVENUES	1,479,295

OPERATING EXPENSES

Electric		
Wages and benefits		158,350
Purchased power		648,529
Supplies		61,594
Other operating expenses		70,146
Depreciation		23,113
Water		
Wages and benefits		57,763
Supplies		31,383
Other operating expenses		11,031
Depreciation		6,345
Sewer		
Wages and benefits		55,110
Supplies		15,882
Other operating expenses		8,887
Depreciation		33,256
Refuse		
Landfill service		121,730
Supplies		3,702
Depreciation		3,380
Other operating expenses		6,532
		<hr/>
	TOTAL OPERATING EXPENSES	1,316,733

OPERATING INCOME 162,562

NONOPERATING REVENUES (EXPENSES)

Interest income		7,743
Other revenue		675
Donations		17,376
Interest expense		(27,086)
Gain on disposal of equipment		5,950
		<hr/>
	TOTAL NONOPERATING REVENUES (EXPENSES)	4,658

OTHER FINANCING SOURCES (USES)

Transfer in		34,056
Transfer out		(46,869)
		<hr/>
	TOTAL OTHER FINANCING SOURCES (USES)	(12,813)

NET INCOME 154,407

NET ASSETS, July 1		526,897
NET ASSETS, June 30	\$	681,304
		<hr/> <hr/>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended June 30, 2008

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,493,107
Cash paid to suppliers	(977,542)
Cash paid to employees	<u>(268,301)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	247,264
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other revenue	675
Operating transfers to other funds	<u>(12,813)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(12,138)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(227,866)
Trade in on disposal of asset	10,500
Donations received	17,376
Principal paid on debt	(35,000)
Interest paid on debt	(27,086)
Capital lease proceeds	13,410
Principal paid on leases	<u>(3,244)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(251,910)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>7,743</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>7,743</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,041)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>185,389</u>
CASH AND CASH EQUIVALENTS, End of year	176,348
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>(156,891)</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 19,457</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 162,562
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	66,094
(Increase) decrease in:	
Utilities receivable	13,812
Prepaid expenses	13,700
Increase (decrease) in:	
Accounts payable	1,984
Accrued expenses	2,000
Meter deposits payable	(13,810)
Compensated absences	922
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 247,264</u></u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB-20 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), 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 of Aldermen. 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 City's financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

The City reports the following major enterprise fund:

Utility Fund: The Utility Fund accounts for the activities and capital improvements of the City's water, sewer, electric 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, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

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

Unreserved Fund Equity

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

Revenue Recognition – Property Taxes

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

Compensated Absences

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

Use of Estimates

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

Due To and From Other Funds

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

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

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Statement No. 62 - *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Net Assets

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

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

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

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

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

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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, 2008, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2008, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	11/23/08-11/14/09	<u>\$ 11,000</u>

Custodial Risk

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

NOTE D – RESTRICTED ASSETS

General Fund

Cash has been restricted and fund balance/net assets reserved in the amount of \$91,530 for the balance of use reserve and depreciation replacement.

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, 2008, the City has made the required deposits.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
DEBT SERVICE		
Replacement Account	\$ 30,464	\$ 30,464
Debt Service Reserve	67,822	67,822
Customer Deposits	58,605	-
	<u>\$ 156,891</u>	<u>\$ 98,286</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>2007</u>
Assessed Valuation	
Real estate	\$ 7,194,630
Personal property	<u>2,004,940</u>
	TOTAL <u>\$ 9,199,570</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	<u>\$.7761</u>

The legal debt margin at June 30, 2008, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 919,957	\$ 919,957	\$ 1,839,914
LEGAL DEBT MARGIN	<u>\$ 919,957</u>	<u>\$ 919,957</u>	<u>\$ 1,839,914</u>

(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.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

(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, 2008, consists of the 1998 Refunding Revenue Bonds and two capital leases.

Refunding Revenue Bonds

On December 1, 1998, the City issued \$735,000 in Series 1998 Refunding Revenue Bonds Combined Waterwork and Sewerage System 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, 2008, are due as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 35,000	\$ 24,795	\$ 59,795
2010	35,000	23,010	58,010
2011	40,000	21,225	61,225
2012	40,000	19,185	59,185
2013	40,000	17,145	57,145
2014	40,000	15,105	55,105
2015	45,000	12,985	57,985
2016	45,000	10,600	55,600
2017	50,000	8,215	58,215
2018	55,000	5,565	60,565
2019	50,000	2,650	52,650
	<u>\$ 475,000</u>	<u>\$ 160,480</u>	<u>\$ 635,480</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

Capital Lease Obligations

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

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

The total minimum lease payments required at June 30, 2008, are as follows:

Year Ended March 31,	Vehicle	Backhoe	Total
2009	\$ 4,230	\$ 3,711	\$ 7,941
2010	4,231	3,711	7,942
2011	4,168	3,712	7,880
2012	-	3,378	3,378
TOTAL MINIMUM LEASE PAYMENTS	12,629	14,512	27,141
LESS AMOUNT REPRESENTING INTEREST	(1,733)	(1,355)	(3,088)
PRINCIPAL BALANCE, JUNE 30, 2008	\$ 10,896	\$ 13,157	\$ 24,053

A summary of the changes in long-term debt – business-type activities for the year ended June 30, 2008, is as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
1998 Refunding Revenue Bonds	\$ 510,000	\$ -	\$ 35,000	\$ 475,000
Compensated Absences	8,294	922	-	9,216
Capital Lease	-	13,410	254	13,156
Capital Lease	13,887	-	2,990	10,897
TOTAL	\$ 532,181	\$ 14,332	\$ 38,244	\$ 508,269

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
Non-depreciable capital assets:				
Construction in progress	\$ -	\$ 6,689	\$ -	\$ 6,689
Depreciable capital assets				
Building and improvements	265,256	\$ -	\$ -	265,256
Vehicles and equipment	58,849	228,500		287,349
Infrastructure	494,856	87,476	-	582,332
Total Depreciable Capital Assets	818,961	\$ 315,976	\$ -	1,134,937
Less accumulated depreciation				
Building and improvements	91,781	\$ 6,431	\$ -	98,212
Vehicles and equipment	46,909	17,891		64,800
Infrastructure	70,459	36,451	-	106,910
Total Accumulated Depreciation	209,149	\$ 60,773	\$ -	269,922
Total Depreciable Capital Assets, net	609,812			865,015
Total Governmental Activities Capital Assets	\$ 609,812			\$ 871,704

Depreciation expense was charged to functions as follows:

Administration	\$ 661
Fire	13,012
Law and safety	7,031
Street	33,876
Park	6,193
	<u>\$ 60,773</u>

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE G – CAPITAL ASSETS (continued)

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Business-Type Activities				
Electric				
Non-Depreciable				
Land	\$ 50,900	\$ -	\$ -	\$ 50,900
Depreciable capital assets:				
Electric plant	1,062,109	\$ 105,384	\$ 35,000	1,132,493
	<u>1,062,109</u>	<u>\$ 105,384</u>	<u>\$ 35,000</u>	<u>1,132,493</u>
Less accumulated depreciation				
Electric Plant	789,548	\$ 23,113	\$ 30,450	782,211
	<u>789,548</u>	<u>\$ 23,113</u>	<u>\$ 30,450</u>	<u>782,211</u>
Depreciable Capital Assets, net	272,561			350,282
Water and Sewer				
Non-depreciable capital assets:				
Work in progress	-	\$ 110,115	\$ -	110,115
Depreciable capital assets:				
Water and Sewer plant	1,516,541	\$ 12,365	\$ -	1,528,906
	<u>1,516,541</u>	<u>\$ 12,365</u>	<u>\$ -</u>	<u>1,528,906</u>
Less accumulated depreciation				
Sewer plant	986,880	\$ 39,601	\$ -	1,026,481
	<u>986,880</u>	<u>\$ 39,601</u>	<u>\$ -</u>	<u>1,026,481</u>
Depreciable Capital Assets, net	529,661			502,425
Refuse				
Non-depreciable capital assets				
Land	6,038	\$ -	\$ -	6,038
Depreciable capital assets:				
Equipment	13,663	\$ -	\$ -	13,663
Improvements	20,445	-	-	20,445
	<u>34,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>34,108</u>
Less accumulated depreciation				
Equipment	10,363	\$ 1,886	\$ -	12,249
Improvements	7,643	1,494	-	9,137
	<u>18,006</u>	<u>\$ 3,380</u>	<u>\$ -</u>	<u>21,386</u>
Depreciable Capital Assets, net	16,102			12,722
Total Capital Assets- Business-Type Activities, net	<u>\$ 875,262</u>			<u>\$ 1,032,482</u>

NOTE H – 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 I – 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, 2008, 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 J – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at June 30, 2008, consists of one capital lease obligation and compensated absences payable.

Capital Lease Obligations

On December 31, 2003, the City entered into a lease purchase agreement to finance the purchase of a fire truck. The agreement requires annual lease payments with 4.5% interest due at maturity.

On November 28, 2004, the City entered into a lease purchase agreement to finance the purchase of a vehicle. The agreement requires monthly lease payments of \$494 including interest at 5.25%. The lease purchase was paid off during the year.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE J – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

The total annual minimum lease payments required at June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 2,000	\$ -	\$ 2,000
2010	2,000	1,890	3,890
	<u>\$ 4,000</u>	<u>\$ 1,890</u>	<u>\$ 5,890</u>

A summary of the changes in long-term debt – governmental activities for the year ended June 30, 2008, is as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Compensated Absences	\$ 5,237	\$ 582	\$ -	\$ 5,819
Capital Lease	5,700	-	5,700	-
Capital Lease	6,000	-	2,000	4,000
TOTAL	<u>\$ 16,937</u>	<u>\$ 582</u>	<u>\$ 7,700</u>	<u>\$ 9,819</u>

NOTE K – COMMITMENTS

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 issue passed in 2005 by the citizens of the City. At June 30, 2008, the City had not received interim financing in the form of Series 2007 Interim Financing Notes. In addition, the bonds approved in the 2005 election were unissued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes, penalties and interest	\$ 71,000	\$ 71,000	\$ 54,796	\$ (16,204)
Sales tax	140,500	140,500	134,906	(5,594)
Franchise taxes	38,100	38,100	36,483	(1,617)
Other taxes	22,585	22,585	42,277	19,692
	<u>272,185</u>	<u>272,185</u>	<u>268,462</u>	<u>(3,723)</u>
Licenses and Permits				
Business licenses	2,210	2,210	2,046	(164)
Other	875	875	815	(60)
	<u>3,085</u>	<u>3,085</u>	<u>2,861</u>	<u>(224)</u>
Intergovernmental Revenues				
Grants	70,704	70,704	66,133	(4,571)
Charges for Services				
Fines and forfeitures	42,000	42,000	46,993	4,993
Other	-	-	768	768
	<u>42,000</u>	<u>42,000</u>	<u>47,761</u>	<u>5,761</u>
Miscellaneous				
Interest	1,400	1,400	1,841	441
Other	5,451	5,451	19,332	13,881
	<u>6,851</u>	<u>6,851</u>	<u>21,173</u>	<u>14,322</u>
TOTAL REVENUES	<u>394,825</u>	<u>394,825</u>	<u>406,390</u>	<u>11,565</u>
EXPENDITURES				
Current				
Administrative	90,595	102,095	90,989	11,106
Police	223,100	223,100	212,061	11,039
Municipal court	43,733	43,733	39,401	4,332
Fire	220,800	220,800	208,386	12,414
	<u>578,228</u>	<u>589,728</u>	<u>550,837</u>	<u>38,891</u>
TOTAL EXPENDITURES	<u>578,228</u>	<u>589,728</u>	<u>550,837</u>	<u>38,891</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(183,403)	(194,903)	(144,447)	(50,456)
OTHER FINANCING SOURCES (USES)				
Transfers in	30,600	30,600	28,813	(1,787)
Transfers (out)	-	-	(7,500)	(7,500)
	<u>30,600</u>	<u>30,600</u>	<u>21,313</u>	<u>(9,287)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,600</u>	<u>30,600</u>	<u>21,313</u>	<u>(9,287)</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(152,803)	(164,303)	(123,134)	41,169
FUND BALANCE, July 1	<u>342,664</u>	<u>342,664</u>	<u>342,664</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 189,861</u>	<u>\$ 178,361</u>	<u>\$ 219,530</u>	<u>\$ 41,169</u>

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 9,800	\$ 9,800	\$ 1,947	\$ (7,853)
Ad valorem taxes	-	-	8,564	8,564
	<u>9,800</u>	<u>9,800</u>	<u>10,511</u>	<u>711</u>
Charges for Services				
Pool receipts	-	-	13,049	13,049
Park receipts	-	-	2,585	2,585
	<u>-</u>	<u>-</u>	<u>15,634</u>	<u>15,634</u>
Other				
Donations	-	-	24,646	24,646
Interest earned	-	-	347	347
Miscellaneous	-	-	57,180	57,180
	<u>-</u>	<u>-</u>	<u>82,173</u>	<u>82,173</u>
TOTAL REVENUES	9,800	9,800	108,318	98,518
EXPENDITURES				
Park	9,800	9,800	81,867	(72,067)
TOTAL EXPENDITURES	<u>9,800</u>	<u>9,800</u>	<u>81,867</u>	<u>(72,067)</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	-	-	26,451	26,451
FUND BALANCE, July 1	<u>28,143</u>	<u>28,143</u>	<u>28,143</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 28,143</u>	<u>\$ 28,143</u>	<u>\$ 54,594</u>	<u>\$ 26,451</u>

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 70,250	\$ 70,250	\$ 62,937	\$ (7,313)
Motor vehicle taxes	59,985	59,985	55,330	(4,655)
Other taxes	6,400	6,400	6,873	473
	<u>136,635</u>	<u>136,635</u>	<u>125,140</u>	<u>(11,495)</u>
Intergovernmental Revenue				
Grants	200,000	200,000	-	(200,000)
Charges for Services				
Park receipts	448	448	150	(298)
Other				
Interest earned	200	200	504	304
Miscellaneous	425	425	50	(375)
	<u>625</u>	<u>625</u>	<u>554</u>	<u>(71)</u>
TOTAL REVENUES	337,708	337,708	125,844	(211,864)
EXPENDITURES				
Street	368,400	375,400	176,689	198,711
TOTAL EXPENDITURES	<u>368,400</u>	<u>375,400</u>	<u>176,689</u>	<u>198,711</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(30,692)	(37,692)	(50,845)	(13,153)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,500	1,500
Transfers out	-	-	(10,000)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(8,500)</u>	<u>(8,500)</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(30,692)	(37,692)	(59,345)	(21,653)
FUND BALANCE, July 1	87,676	87,676	87,676	-
FUND BALANCE, June 30	<u>\$ 56,984</u>	<u>\$ 49,984</u>	<u>\$ 28,331</u>	<u>\$ (21,653)</u>

CITY OF CRANE, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2008

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 which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Aldermen on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION



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

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

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the City of Crane, Missouri as of and for the year ended June 30, 2008, which collectively comprise the City of Crane, Missouri's basic financial statements and have issued our report thereon dated February 26, 2009. 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'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

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

with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 08-1, 08-2 and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

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*.

We noted certain other matters that we have reported to management of the City of Crane, Missouri in a separate letter dated February 26, 2009.

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.

This report is intended solely for the information and use of the Board of Aldermen and management, 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 26, 2009

CITY OF CRANE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008

08-1. 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.

08-2. 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.

CITY OF CRANE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2008

08-2. Design of internal control system for preparation of financial statements (continued)

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.

08-3 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.