

CITY OF CRANE, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Crane, Missouri, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison schedules 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.

Other Information

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended June 30, 2013.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of the City of Crane, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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* in considering the City of Crane, Missouri's internal control over financial reporting and compliance.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
December 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2013

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, 2013. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities increased by \$161,800 as a result of current year activities. The net position of the City's business activities increased by \$157,786 for the year.
- The assets of the City exceeded its liabilities as of June 30, 2013, by \$4.6 million (net position). Of this amount, \$1,172,430 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$70,147.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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 position and changes in them. The City's net position – 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 position are indicators of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2013

In the Statement of Net Position 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 Position 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 Position 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, 2013

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of June 30, 2013 and 2012:

	Governmental Activities	Business-Type Activities	Total June 30, 2013	Total June 30, 2012
Current and other assets	\$ 752,956	\$ 1,048,770	\$ 1,801,726	\$ 1,608,820
Capital assets	1,246,572	3,559,421	4,805,993	4,772,870
TOTAL ASSETS	1,999,528	4,608,191	6,607,719	6,381,690
Other liabilities	58,346	226,763	285,109	308,519
Long-term liabilities outstanding	5,335	1,690,334	1,695,669	1,765,816
TOTAL LIABILITIES	63,681	1,917,097	1,980,778	2,074,335
Net position:				
Net investment in capital assets	1,246,572	1,806,653	3,053,225	2,951,737
Restricted	246,680	154,606	401,286	363,448
Unrestricted	442,595	729,835	1,172,430	992,170
TOTAL NET POSITION	\$ 1,935,847	\$ 2,691,094	\$ 4,626,941	\$ 4,307,355

Total net position of the City increased by \$319,586 for the year. Total liabilities for the City have decreased by \$93,557. Restricted net position of the City totaled \$401,286 as of June 30, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2013

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended June 30, 2013	Total Year Ended June 30, 2012
REVENUES				
Program Revenues				
Charges for services	\$ 97,097	\$ 1,543,501	\$ 1,640,598	\$ 1,645,405
Operating grants and contributions	3,737	-	3,737	8,597
Capital grants and contributions	123,778	57,592	181,370	524,766
General Revenues				
Ad valorem taxes	69,394	-	69,394	70,458
Sales taxes	200,356	-	200,356	187,383
Motor vehicle and gas taxes	52,641	-	52,641	52,584
Other taxes	28,188	-	28,188	25,664
Franchise fees	30,535	-	30,535	40,478
Interest	369	2,246	2,615	2,164
Other revenue	41,062	28,767	69,829	38,089
Special Item				
Gain on sale of capital assets	-	6,300	6,300	-
TOTAL REVENUES	647,157	1,638,406	2,285,563	2,595,588
EXPENSES				
Administrative	79,385	-	79,385	81,227
Municipal court	48,874	-	48,874	53,769
Law and safety	150,376	-	150,376	142,067
Fire	28,071	-	28,071	39,382
Park	50,345	-	50,345	41,002
Street	128,306	-	128,306	80,237
Electric	-	968,714	968,714	985,392
Water	-	245,802	245,802	140,873
Sewer	-	147,052	147,052	253,551
Refuse	-	119,052	119,052	124,592
TOTAL EXPENSES	485,357	1,480,620	1,965,977	1,942,092
INCREASE IN NET POSITION	\$ 161,800	\$ 157,786	\$ 319,586	\$ 653,496

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2013**

Governmental Activities

Governmental activities increased the net position of the City by \$161,800. Tax revenues for the City were \$381,114, which represents 59% of the funding of these activities. Program revenues for the functions totaled \$224,612. 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	\$ 79,385	\$ 77,445
Municipal court	48,874	48,874
Law and safety	150,376	71,615
Fire	28,071	28,071
Park	50,345	30,212
Street	128,306	4,528
	\$ 485,357	\$ 260,745

Business-Type Activities

Business-type activities increased the City's net position by \$157,786. In the prior year, the City's business-type activities increased net position by \$478,328.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2013, were \$694,610. The General Fund increased by \$86,921. The Park Fund decreased by \$14,068. The Street Fund increased by \$36,395.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2013

General Fund Budgetary Highlights

Revenues

The original General Fund budget had total revenues of \$340,467 and actual revenues were \$357,699. The variance is due to additional miscellaneous revenue.

Expenditures

The original General Fund budget had total expenditures of \$385,331 and actual expenditures were \$269,130. The variance is due to additional administrative and fire expenditures.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$1,246,572 (net of accumulated depreciation) as of June 30, 2013. This represents a \$51,762 increase from the prior year. Capital assets for business-type activities were \$3,559,421 as of June 30, 2013. This represents a decrease of \$18,639.

Debt

Total debt of the governmental activities as of June 30, 2013, was \$5,335, which represents compensated absences payable.

Total debt of the business-type activities as of June 30, 2013, was \$1,759,682 which is down by \$68,375 from the prior year due to the repayment of principal on debt.

Economic Factors and Next Year's Budget

The City's departments face challenges with fuel rate fluctuation. We continue to incur surcharges that we have not experienced in the past from our suppliers for increased fuel rates. The Parks department continues to renovate the City pool and pool house bathroom facilities. The City also has continued sidewalk improvements under the Safe Routes to School project. The City may be required to replace the digger/derrick truck, which could cost approximately \$50,000 or more.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF CRANE, MISSOURI
June 30, 2013**

Contacting the City's Financial Management

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

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

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

CITY OF CRANE, MISSOURI
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 376,375	\$ 697,788	\$ 1,074,163
Investments	-	11,000	11,000
Taxes receivable	48,432	-	48,432
Intergovernmental receivable	50,268	-	50,268
Utilities receivable	-	146,176	146,176
Prepaid expenses	1,556	-	1,556
Internal balance	40,248	(40,248)	-
Restricted cash and cash equivalents	236,077	234,054	470,131
Capital Assets:			
Non-depreciable	310,263	56,938	367,201
Depreciable, net	936,309	3,502,483	4,438,792
TOTAL ASSETS	<u>1,999,528</u>	<u>4,608,191</u>	<u>6,607,719</u>
LIABILITIES			
Current			
Accounts payable	49,338	64,506	113,844
Accrued expenses	9,008	13,461	22,469
Meter deposits payable	-	79,448	79,448
Current maturities of long-term debt	-	69,348	69,348
	<u>58,346</u>	<u>226,763</u>	<u>285,109</u>
Noncurrent			
Bonds payable	-	1,683,420	1,683,420
Compensated absences payable	5,335	6,914	12,249
	<u>5,335</u>	<u>1,690,334</u>	<u>1,695,669</u>
TOTAL LIABILITIES	<u>63,681</u>	<u>1,917,097</u>	<u>1,980,778</u>
NET POSITION			
Net investment in capital assets	1,246,572	1,806,653	3,053,225
Restricted	246,680	154,606	401,286
Unrestricted	442,595	729,835	1,172,430
TOTAL NET POSITION	<u>\$ 1,935,847</u>	<u>\$ 2,691,094</u>	<u>\$ 4,626,941</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities								
Administrative	\$ (79,385)	\$ 1,940	\$ -	\$ -	\$ (77,445)	\$ -	\$ (77,445)	
Municipal court	(48,874)	-	-	-	(48,874)	-	(48,874)	
Law and safety	(150,376)	78,761	-	-	(71,615)	-	(71,615)	
Fire	(28,071)	-	-	-	(28,071)	-	(28,071)	
Park	(50,345)	16,396	3,737	-	(30,212)	-	(30,212)	
Street	(128,306)	-	-	123,778	(4,528)	-	(4,528)	
TOTAL GOVERNMENTAL ACTIVITIES	(485,357)	97,097	3,737	123,778	(260,745)	-	(260,745)	
Business-type activities								
Electric	(968,714)	1,069,865	-	-	-	101,151	101,151	
Water	(245,802)	247,908	-	57,592	-	59,698	59,698	
Sewer	(147,052)	94,842	-	-	-	(52,210)	(52,210)	
Refuse	(119,052)	130,886	-	-	-	11,834	11,834	
TOTAL BUSINESS-TYPE ACTIVITIES	(1,480,620)	1,543,501	-	57,592	-	120,473	120,473	
TOTAL GOVERNMENT	\$ (1,965,977)	\$ 1,640,598	\$ 3,737	\$ 181,370	(260,745)	120,473	(140,272)	
		General Revenues:						
					Ad valorem taxes	69,394	-	69,394
					Sales taxes	200,356	-	200,356
					Motor vehicle and gas taxes	52,641	-	52,641
					Other taxes	28,188	-	28,188
					Franchise fees	30,535	-	30,535
					Interest	369	2,246	2,615
					Other revenues	41,062	28,767	69,829
					Special Item:			
					Gain on sale of capital asset	-	6,300	6,300
					Total General Revenues and Special Item	422,545	37,313	459,858
					Changes in Net Position	161,800	157,786	319,586
					Net Position, Beginning of year	1,774,047	2,533,308	4,307,355
					Net Position, End of year	\$ 1,935,847	\$ 2,691,094	\$ 4,626,941

See accompanying notes.

CITY OF CRANE, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue Funds		Total Governmental Funds
		Park Fund	Street Fund	
ASSETS				
Cash and cash equivalents - unrestricted	\$ 364,378	\$ 11,997	\$ -	\$ 376,375
Taxes receivable	32,901	2,550	12,981	48,432
Intergovernmental receivable	-	1,251	49,017	50,268
Due from other fund	57,520	-	-	57,520
Prepaid expenses	1,429	127	-	1,556
Restricted cash and cash equivalents	-	-	236,077	236,077
TOTAL ASSETS	<u>\$ 456,228</u>	<u>\$ 15,925</u>	<u>\$ 298,075</u>	<u>\$ 770,228</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,824	\$ 588	\$ 46,926	\$ 49,338
Due to other fund	-	13,678	3,594	17,272
Accrued expenses	6,474	1,659	875	9,008
TOTAL LIABILITIES	<u>8,298</u>	<u>15,925</u>	<u>51,395</u>	<u>75,618</u>
Fund Balances				
Nonspendable:				
Prepaid items	1,429	127	-	1,556
Restricted for:				
Streets	-	-	246,680	246,680
Unassigned	446,501	(127)	-	446,374
TOTAL FUND BALANCES	<u>447,930</u>	<u>-</u>	<u>246,680</u>	<u>694,610</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 456,228</u>	<u>\$ 15,925</u>	<u>\$ 298,075</u>	<u>\$ 770,228</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 June 30, 2013

Fund balance - total governmental funds	\$ 694,610
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	1,867,139
Less accumulated depreciation	<u>(620,567)</u>
	1,246,572
Compensated absences are not accrued in the governmental funds but rather are recognized as expenditures when due	<u>(5,335)</u>
Net position of governmental activities	<u><u>\$ 1,935,847</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Special Revenue Funds		Total Governmental Funds
		Park Fund	Street Fund	
REVENUES				
Taxes	\$ 256,912	\$ 9,749	\$ 114,453	\$ 381,114
Licenses and permits	1,940	-	-	1,940
Intergovernmental revenues	-	-	123,778	123,778
Charges for services	78,761	16,396	-	95,157
Miscellaneous	20,086	4,044	21,038	45,168
TOTAL REVENUES	357,699	30,189	259,269	647,157
EXPENDITURES				
Current				
Administrative	77,737	-	-	77,737
Municipal court	48,874	-	-	48,874
Law and safety	137,699	-	-	137,699
Fire	4,820	-	-	4,820
Park	-	45,905	-	45,905
Street	-	-	222,874	222,874
TOTAL EXPENDITURES	269,130	45,905	222,874	537,909
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	88,569	(15,716)	36,395	109,248
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	1,648	-	1,648
Operating transfers (out)	(1,648)	-	-	(1,648)
TOTAL OTHER FINANCING SOURCES (USES)	(1,648)	1,648	-	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	86,921	(14,068)	36,395	109,248
FUND BALANCE, July 1	361,009	14,068	210,285	585,362
FUND BALANCE, June 30	\$ 447,930	\$ -	\$ 246,680	\$ 694,610

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, 2013

Net change in fund balances - total governmental funds \$ 109,248

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	135,234
Depreciation	<u>(83,472)</u>
	51,762

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

790

Change in net position of governmental activities \$ 161,800

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
June 30, 2013

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 697,788
Investments	11,000
Utilities receivable	146,176
	<hr/>
TOTAL CURRENT ASSETS	854,964
Restricted Assets	
Cash and cash equivalents	234,054
	<hr/>
TOTAL RESTRICTED ASSETS	234,054
Property, Plant and Equipment	5,729,741
Less Accumulated Depreciation	(2,170,320)
	<hr/>
TOTAL PROPERTY, PLANT AND EQUIPMENT	3,559,421
	<hr/>
TOTAL ASSETS	4,648,439
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	64,506
Accrued expenses	13,461
Meter deposits payable	79,448
Internal balances	40,248
Current maturities of long-term debt	69,348
	<hr/>
TOTAL CURRENT LIABILITIES	267,011
Long-Term Liabilities	
Bonds payable	1,683,420
Compensated absences	6,914
	<hr/>
TOTAL LONG-TERM LIABILITIES	1,690,334
	<hr/>
TOTAL LIABILITIES	1,957,345
Net Position	
Net investment in capital assets	1,806,653
Restricted	154,606
Unrestricted	729,835
	<hr/>
TOTAL NET POSITION	<u>\$ 2,691,094</u>

See accompanying notes.

CITY OF CRANE, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
 Year Ended June 30, 2013

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	
Electric	\$ 1,069,865
Water	247,908
Sewer	94,842
Refuse	<u>130,886</u>
TOTAL OPERATING REVENUES	1,543,501
OPERATING EXPENSES	
Electric	
Wages and benefits	119,781
Purchased power	740,419
Supplies	16,056
Other operating expenses	66,095
Depreciation	26,363
Water	
Wages and benefits	46,638
Supplies	10,352
Other operating expenses	40,803
Depreciation	79,496
Sewer	
Wages and benefits	78,133
Supplies	10,399
Other operating expenses	30,733
Depreciation	27,787
Refuse	
Landfill service	114,770
Supplies	508
Other operating expenses	2,280
Depreciation	<u>1,494</u>
TOTAL OPERATING EXPENSES	<u>1,412,107</u>
OPERATING INCOME	131,394
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,246
Other revenue	28,767
Intergovernmental revenue	57,592
Interest expense	(68,513)
Gain on sale of capital assets	<u>6,300</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>26,392</u>
NET INCOME	157,786
NET POSITION, July 1	<u>2,533,308</u>
NET POSITION, June 30	<u><u>\$ 2,691,094</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2013

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,555,449
Cash paid to suppliers	(1,041,152)
Cash paid to employees	(243,104)
Other cash received from nonoperating revenues	<u>28,767</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	299,960
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loans from other funds	<u>7,295</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	7,295
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(116,501)
Principal paid on bonds	(68,365)
Interest paid on debt	(68,513)
Proceeds from sale of capital assets	<u>6,300</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(247,079)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>2,246</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,246
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,422
CASH AND CASH EQUIVALENTS, Beginning of year	<u>869,420</u>
CASH AND CASH EQUIVALENTS, End of year	931,842
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>(234,054)</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 697,788</u></u>

See accompanying notes.

CITY OF CRANE, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (continued)
Year Ended June 30, 2013

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 131,394
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	135,140
(Increase) decrease in:	
Utilities receivable	10,918
Prepaid expenses	8,428
Increase (decrease) in:	
Accounts payable	(17,165)
Accrued expenses	1,458
Meter deposits payable	1,030
Compensated absences	(10)
Other cash received for nonoperating revenues	<u>28,767</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 299,960</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. The following is a summary of the more significant policies.

Financial Reporting Entity

The City is organized under the laws of the State of Missouri and 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 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 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 Position and the Statement of Activities) and fund financial statements.

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 Position, 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 not accounted for in other funds.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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.

Compensated Absences

Employees earn vacation time based on the number of years of 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 Position.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

In the government-wide and proprietary fund financial statements, net position is classified in three components as follows:

Net Investment in Capital Assets – 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 – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

Fund Balance Classification

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

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

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

Committed fund balance – This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s Board of Aldermen.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* for reporting periods beginning after December 15, 2011. This statement provides financial reporting guidance and standardization for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis*, by incorporating deferred inflows and deferred outflows into the definition of the required components of residual measure and by renaming that measure as net position, rather than net assets.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65) effective for reporting periods beginning after December 15, 2012, though early application was encouraged. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

The City adopted GASB Statements No. 63 and 65 for the year ended June 30, 2013.

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, 2013, all bank balances on deposit are entirely insured or collateralized.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2013, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	11/23/2014 to 11/14/2015	<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.

The City has no policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash and cash equivalents and net position have been restricted as follows:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
STREET FUND		
Street sales tax	<u>\$ 236,077</u>	<u>\$ 246,680</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

NOTE D – RESTRICTED ASSETS (continued)

Utility Fund

The 2012 Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Ordinance 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 position. Restricted cash and investments also include cash restricted for customer deposits. These restrictions are as follows:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
2012 Refunding Revenue Bonds		
Replacement Account	\$ 58,293	\$ 58,293
Debt Service Reserve	96,313	96,313
Customer Deposits	79,448	-
	<u>\$ 234,054</u>	<u>\$ 154,606</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>2012</u>
Assessed Valuation	
Real estate	\$ 7,430,834
Personal property	1,725,385
	<u>TOTAL \$ 9,156,219</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

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

	<u>2012</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.8304
Park Fund	<u>.1312</u>
TOTAL	<u>\$.9616</u>

The legal debt margin at June 30, 2013, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	<u>\$ 915,622</u>	<u>\$ 915,622</u>	<u>\$ 1,831,244</u>
LEGAL DEBT MARGIN	<u>\$ 915,622</u>	<u>\$ 915,622</u>	<u>\$ 1,831,244</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.

(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 – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at June 30, 2013, consists of compensated absences payable in the amount of \$5,335.

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

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

The business-type activities long-term debt as of June 30, 2013, 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, 2013, are due as follows:

Year Ended June 30,	Principal	Interest	Total
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
	\$ 295,000	\$ 25,915	\$ 320,915

2011A 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.

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

The annual debt service requirements to amortize the principal on the bonds outstanding at June 30, 2013, are listed in the following table:

Year Ended June 30,	Principal	Interest	Total
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	28,708	55,316	84,024
2019 - 2023	162,688	257,432	420,120
2024 - 2028	199,883	220,237	420,120
2029 - 2033	245,582	174,538	420,120
2034 - 2038	301,728	118,392	420,120
2039 - 2043	370,711	49,409	420,120
2044	44,760	580	45,340
	<u>\$ 1,457,768</u>	<u>\$ 1,108,292</u>	<u>\$ 2,566,060</u>

The following is a summary of the changes in business-type activities long-term debt for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
2012 Refunding Revenue Bonds	\$ 340,000	\$ -	\$ 45,000	\$ 295,000
2011A USDA Bonds	1,481,133	-	23,365	1,457,768
	1,821,133	-	68,365	1,752,768
Compensated Absences	6,924	-	10	6,914
TOTAL	<u>\$ 1,828,057</u>	<u>\$ -</u>	<u>\$ 68,375</u>	<u>\$ 1,759,682</u>

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES				
Non-depreciable capital assets				
Construction in progress	\$ 195,054	\$ 115,209	\$ -	\$ 310,263
Depreciable capital assets				
Building and improvements	302,415	\$ -	\$ -	302,415
Vehicles and equipment	561,524	25,025	5,000	581,549
Infrastructure	672,912	-	-	672,912
Total Depreciable Capital Assets	1,536,851	\$ 25,025	\$ 5,000	1,556,876
Less accumulated depreciation				
Building and improvements	127,052	\$ 6,061	\$ -	133,113
Vehicles and equipment	152,189	37,809	1,333	188,665
Infrastructure	257,854	40,935	-	298,789
Total Accumulated Depreciation	537,095	\$ 84,805	\$ 1,333	620,567
Total Depreciable Capital Assets, net	999,756			936,309
Total Governmental Activities Capital Assets, net	\$ 1,194,810			\$ 1,246,572

Depreciation expense was charged to functions as follows:

Administration	\$ 1,467
Law and safety	12,979
Fire	23,251
Park	4,440
Street	42,668
	<u>\$ 84,805</u>

CITY OF CRANE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
BUSINESS-TYPE ACTIVITIES				
Electric				
Non-depreciable capital assets				
Land	\$ 50,900	\$ -	\$ -	\$ 50,900
Depreciable capital assets				
Electric plant	1,105,554	\$ 28,910	\$ 8,000	1,126,464
	1,105,554	\$ 28,910	\$ 8,000	1,126,464
Less accumulated depreciation				
Electric plant	832,731	\$ 26,363	\$ 8,000	851,094
	832,731	\$ 26,363	\$ 8,000	851,094
Depreciable Capital Assets, net	272,823			275,370
Water and Sewer				
Depreciable capital assets				
Water and Sewer plant	4,424,641	\$ 87,591	\$ -	4,512,232
	4,424,641	\$ 87,591	\$ -	4,512,232
Less accumulated depreciation				
Water and Sewer plant	1,181,673	\$ 107,283	\$ -	1,288,956
	1,181,673	\$ 107,283	\$ -	1,288,956
Depreciable Capital Assets, net	3,242,968			3,223,276
Refuse				
Non-depreciable capital assets				
Land	6,038	\$ -	\$ -	6,038
Depreciable capital assets				
Equipment	13,662	\$ -	\$ -	13,662
Improvements	20,445	-	-	20,445
	34,107	\$ -	\$ -	34,107
Less accumulated depreciation				
Equipment	14,043	\$ 598	\$ -	14,641
Improvements	14,733	896	-	15,629
	28,776	\$ 1,494	\$ -	30,270
Depreciable Capital Assets, net	5,331			3,837
Total Capital Assets- Business-Type Activities, net	\$ 3,578,060			\$ 3,559,421

CITY OF CRANE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

NOTE I – RISK MANAGEMENT

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

NOTE J – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of June 30, 2013, 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 – INTERNAL BALANCES

Internal balances as of June 30, 2013, consisted of the following:

	General Fund	Park Fund	Street Fund	Utility Funds
Internal balances	<u>\$ 57,520</u>	<u>\$ (13,678)</u>	<u>\$ (3,594)</u>	<u>\$ (40,248)</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, 2013, 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, 2013

NOTE L – 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 \$2,886,975. Principal and interest paid for the current year and total customer net revenues were \$136,754 and \$125,692, respectively.

NOTE M – COMMITMENTS

At June 30, 2013, the City was committed to Olsson Associates in the amount of \$5,929 for engineering services, and Arc Construction, LLC in the amount of \$86,773 for construction services related to the sidewalk project.

NOTE N – SUBSEQUENT EVENT

During the September 6, 2013, board meeting, the board approved Donelson Construction Company to micro-surface City streets, in an amount not to exceed \$65,000.

NOTE O – INTERFUND TRANSFERS

Transfers between the funds of the City for the year ended June 30, 2013, included a transfer of \$1,648 from the General Fund to the Park Fund. Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes, penalties and interest	\$ 62,802	\$ 62,802	\$ 59,645	\$ (3,157)
Sales tax	125,000	125,000	144,944	19,944
Franchise taxes	40,600	40,600	30,535	(10,065)
Other taxes	19,000	19,000	21,788	2,788
	<u>247,402</u>	<u>247,402</u>	<u>256,912</u>	<u>9,510</u>
Licenses and Permits				
Business licenses	2,400	2,400	1,705	(695)
Other	450	450	235	(215)
	<u>2,850</u>	<u>2,850</u>	<u>1,940</u>	<u>(910)</u>
Charges for Services				
Fines and forfeitures	56,700	56,700	52,854	(3,846)
Verizon agreement & lease	24,600	24,600	25,907	1,307
	<u>81,300</u>	<u>81,300</u>	<u>78,761</u>	<u>(2,539)</u>
Miscellaneous				
Interest	100	100	253	153
Other	8,815	8,815	19,833	11,018
	<u>8,915</u>	<u>8,915</u>	<u>20,086</u>	<u>11,171</u>
TOTAL REVENUES	<u>340,467</u>	<u>340,467</u>	<u>357,699</u>	<u>17,232</u>
EXPENDITURES				
Current				
Administrative	159,702	159,702	77,737	81,965
Municipal court	48,584	48,584	48,874	(290)
Law and safety	144,890	144,890	137,699	7,191
Fire	21,848	21,848	4,820	17,028
Emergency management	2,000	2,000	-	2,000
City parks	8,307	8,307	-	8,307
TOTAL EXPENDITURES	<u>385,331</u>	<u>385,331</u>	<u>269,130</u>	<u>116,201</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(44,864)	(44,864)	88,569	133,433
OTHER FINANCING (USES)				
Operating transfers (out)	(5,373)	(12,373)	(1,648)	10,725
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(50,237)	(57,237)	86,921	144,158
FUND BALANCE, July 1	<u>361,009</u>	<u>361,009</u>	<u>361,009</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 310,772</u>	<u>\$ 303,772</u>	<u>\$ 447,930</u>	<u>\$ 144,158</u>

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 9,400	\$ 9,400	\$ 9,749	\$ 349
Charges for Services				
Pool receipts	9,471	9,471	14,331	4,860
Park receipts	3,400	3,400	2,065	(1,335)
	<u>12,871</u>	<u>12,871</u>	<u>16,396</u>	<u>3,525</u>
Miscellaneous				
Donations	1,000	1,000	3,737	2,737
Interest	3	3	11	8
Other	-	-	296	296
	<u>1,003</u>	<u>1,003</u>	<u>4,044</u>	<u>3,041</u>
TOTAL REVENUES	<u>23,274</u>	<u>23,274</u>	<u>30,189</u>	<u>6,915</u>
EXPENDITURES				
Park	<u>42,715</u>	<u>49,715</u>	<u>45,905</u>	<u>3,810</u>
TOTAL EXPENDITURES	<u>42,715</u>	<u>49,715</u>	<u>45,905</u>	<u>3,810</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(19,441)	(26,441)	(15,716)	10,725
OTHER FINANCING SOURCES				
Operating transfers in	<u>5,373</u>	<u>12,373</u>	<u>1,648</u>	<u>(10,725)</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(14,068)	(14,068)	(14,068)	-
FUND BALANCE, July 1	<u>14,068</u>	<u>14,068</u>	<u>14,068</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CRANE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 52,500	\$ 52,500	\$ 55,412	\$ 2,912
Motor vehicle taxes	50,800	50,800	52,641	1,841
Other taxes	6,400	6,400	6,400	-
	<u>109,700</u>	<u>109,700</u>	<u>114,453</u>	<u>4,753</u>
Intergovernmental Revenue				
Grants	-	-	123,778	123,778
Charges for Services				
Mowing receipts	650	650	-	(650)
Miscellaneous				
Interest	85	85	105	20
Other	26,500	26,500	20,933	(5,567)
	<u>26,585</u>	<u>26,585</u>	<u>21,038</u>	<u>(5,547)</u>
TOTAL REVENUES	136,935	136,935	259,269	122,334
EXPENDITURES				
Street	225,858	225,858	222,874	2,984
TOTAL EXPENDITURES	<u>225,858</u>	<u>225,858</u>	<u>222,874</u>	<u>2,984</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	(88,923)	(88,923)	36,395	125,318
FUND BALANCE, July 1	210,285	210,285	210,285	-
FUND BALANCE, June 30	<u>\$ 121,362</u>	<u>\$ 121,362</u>	<u>\$ 246,680</u>	<u>\$ 125,318</u>

CITY OF CRANE, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2013

Budgets and Budgetary Accounting

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

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

OTHER FINANCIAL INFORMATION



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

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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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Crane, Missouri's basic financial statements, and have issued our report thereon, dated December 31, 2013.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 13-1.

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*.

City of Crane, Missouri's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the City in a separate letter dated December 31, 2013.

Purpose of This Report

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

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
December 31, 2013

CITY OF CRANE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013

13-1 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.