

CITY OF CRESCENT

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006, 2005 and 2004

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**City of Crescent
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Elvis Jacobsen	Mayor	January 2004
Paul Garner	Council Member	January 2004
Steve Parker	Council Member	January 2004
Chuck Stokes	Council Member	January 2004
Bob Anderson	Council Member	January 2006
Shawn Shea	Council Member	January 2006
Mary Martin	City Clerk	Indefinite
Monica Campin	Treasurer	Indefinite

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Glenn Ferris	Mayor	Resigned November 2004
Taurino Delgado	Mayor	January 2006
Bob Anderson	Council Member	January 2006
Shawn Shea	Council Member	January 2006
Jim Campin	Council Member	January 2006
Bill Leggio	Council Member	Resigned July 21, 2005
Barbara Eckstein	Council Member	January 2008
Chuck Stokes	Council Member	January 2008
Mary Martin	City Clerk	Indefinite
Monica Campin	Treasurer	Indefinite

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(After January 2006)		
Taurino Delgado	Mayor	January 2008
Jim Campin	Council Member	January 2008
Barbara Eckstein	Council Member	January 2008
Chuck Stockes	Council Member	January 2008
Bob Anderson	Council Member	January 2010
Elvis Jacobsen	Council Member	January 2010
Mary Martin	City Clerk	Indefinite
Monica Campin	Treasurer	Indefinite

City of Crescent

October 30, 2006

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Crescent, Iowa, as of and for the years ended June 30, 2006, 2005 and 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Crescent's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 misstatement. 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 our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Crescent as of June 30, 2006, 2005, and 2004, and the respective changes in cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

Continued...

October 30, 2006
City of Crescent
Independent Auditors' Report

As described in Note 14, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2006 on our consideration of the City of Crescent's internal control over financial reporting, and 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 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 information on pages 7 through 13 and 51 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Crescent's basic financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Crescent provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006, 2005 and 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$653,000 for the year ended June 30, 2006, \$333,000 for the year ended June 30, 2005, and \$1,865,000 for the year ended June 30, 2004. Revenue note proceeds of \$185,000 are included in receipts for the year ended June 30, 2006, and \$1,136,000 are included in receipts for the year ended June 30, 2004.
- Disbursements were approximately \$696,000 for the year ended June 30, 2006, \$286,000 for the year ended June 30, 2005, and \$1,840,000 for the year ended June 30, 2004. Capital projects of \$387,000 were included in disbursements for the year ended June 30, 2006, \$78,000 for the year ended June 30, 2005, and \$364,000 for the year ended June 30, 2004. Redemption of anticipatory warrants of \$1,136,000 are also included in disbursements for the year ended June 30, 2004.
- Changes in total cash basis net assets (expressed in thousands) were approximately as follows:

	<u>06/30/06</u>	<u>06/30/05</u>	<u>06/30/04</u>
Government activities	\$ (43)	47	25
Business type activities	<u>3</u>	<u>(226)</u>	<u>305</u>
Total change in net assets from prior year	\$ <u>(40)</u>	<u>(179)</u>	<u>330</u>

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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 Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development and general government. Property tax and state grants finance most of these activities.
- Business Type Activities include the waterworks, electric system and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			
	Year Ended June 30,		
	2006	2005	2004
Receipts and transfers:			
Program receipts:			
Charges for service	\$ 21	35	50
Operating grants, contributions and restricted interest	137	137	209
Capital grants, contributions and restricted interest	202	77	385
General receipts:			
Property tax	44	30	30
Local option sales tax	58	47	48
Grants and contributions not restricted to specific purpose	2	4	4
Revenue note proceeds	185	0	1,136
Unrestricted investment earnings	4	3	3
Total receipts	<u>653</u>	<u>333</u>	<u>1,865</u>
Disbursements:			
Public safety	80	73	184
Public works	120	60	25
Culture and recreation	20	11	13
Community and economic development	7	6	5
General government	70	39	53
Capital projects	387	78	364
Anticipatory warrants redeemed	0	0	1,136
Transfers	12	19	57
Total disbursements and transfers	<u>696</u>	<u>286</u>	<u>1,840</u>
Change in cash basis net assets	(43)	47	25
Cash basis net assets beginning of year	<u>360</u>	<u>313</u>	<u>288</u>
Cash basis net assets end of year	<u>\$ 317</u>	<u>360</u>	<u>313</u>

The City purchased some much needed equipment for the Public Works in 2006. Taxes also had been raised and now we are seeing the benefits of that in 2006. A sewer capital project was paid for in 2004 and a water capital project was paid for in 2006.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)			
	Year Ended June 30,		
	2006	2005	2004
Receipts and transfers:			
Program receipts:			
Charges for service:			
Water	157	127	133
Sewer	95	91	80
General receipts:			
Unrestricted interest on investments	2	1	1
Other receipts	2	2	8
Revenue notes issued	0	0	232
Transfers	12	19	57
Total receipts and transfers	<u>268</u>	<u>240</u>	<u>511</u>
Disbursements and transfers:			
Water	166	157	126
Sewer	99	92	80
Revenue notes refunded	0	217	0
Total disbursements	<u>265</u>	<u>466</u>	<u>206</u>
Change in cash basis net assets	3	(226)	305
Cash basis net assets beginning of year	<u>170</u>	<u>396</u>	<u>91</u>
Cash basis net assets end of year	<u>173</u>	<u>170</u>	<u>396</u>

Charges increased due to new development with residents moving in. Proceeds from water notes issued in 2004 were used to refund old water notes in 2005.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

Changes in governmental fund cash balances are as follows:

	June 30, 2006	June 30, 2005	June 30, 2004
Beginning of year	\$ 359,704	312,617	287,744
Change in cash	<u>(41,853)</u>	<u>47,087</u>	<u>24,873</u>
End of year	<u>\$ 317,851</u>	<u>359,704</u>	<u>312,617</u>

The following reflects the changes in fund balances of the major funds for each year:

General Fund	June 30, 2006	June 30, 2005	June 30, 2004
Beginning of year	\$ 193,114	144,122	127,850
Change in cash	<u>18,358</u>	<u>48,992</u>	<u>16,272</u>
End of year	<u>\$ 211,472</u>	<u>193,114</u>	<u>144,122</u>

Additional costs were paid in 2006 for wages, equipment and legal fees.

Road Use Tax Fund	June 30, 2006	June 30, 2005	June 30, 2004
Beginning of year	\$ 164,041	164,836	152,495
Change in cash	<u>(59,436)</u>	<u>(795)</u>	<u>12,341</u>
End of year	<u>\$ 104,605</u>	<u>164,041</u>	<u>164,836</u>

Purchases were made in 2006 for a tractor and mower.

Capital Projects Fund	June 30, 2006	June 30, 2005	June 30, 2004
Beginning of year	\$ 2,549	3,659	7,399
Change in cash	<u>(775)</u>	<u>(1,110)</u>	<u>(3,740)</u>
End of year	<u>\$ 1,774</u>	<u>2,549</u>	<u>3,659</u>

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

Changes in business type fund cash balances are as follows:

	June 30, 2006	June 30, 2005	June 30, 2004
Beginning of year	\$ 169,895	396,322	305,548
Change in cash	<u>3,550</u>	<u>(226,427)</u>	<u>90,774</u>
End of year	<u>\$ 173,445</u>	<u>169,895</u>	<u>396,322</u>

The following reflects the changes in fund balances of the major funds for each year:

Water Fund	June 30, 2006	June 30, 2005	June 30, 2004
Beginning of year	\$ 81,388	325,377	85,279
Change in cash	<u>(6,723)</u>	<u>(243,989)</u>	<u>240,098</u>
End of year	<u>\$ 74,665</u>	<u>81,388</u>	<u>325,377</u>

Water revenue notes issued in 2004, were used in 2005, to pay off old water revenue notes.

Sewer Fund	June 30, 2006	June 30, 2005	June 30, 2004
Beginning of year	\$ 88,507	70,945	5,495
Change in cash	<u>10,273</u>	<u>17,562</u>	<u>65,450</u>
End of year	<u>\$ 98,780</u>	<u>88,507</u>	<u>70,945</u>

Due to a new housing development we have more users and more fees.

BUDGETARY HIGHLIGHTS

The City amended its budget one time in 2004. The amendment resulted in an increase of \$331,194 for a sewer capital project.

The City did not amend its budget in 2005.

The City amended its budget one time in 2006. The amendment resulted in an increase of \$831,644 for a water capital project.

DEBT ADMINISTRATION

The City had long term debt outstanding (expressed in thousands) at the following year ends:

	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003
General obligation debt	\$ 26	0	0	0
Revenue debt	<u>1,526</u>	<u>1,354</u>	<u>1,584</u>	<u>237</u>
	<u>\$ 1,552</u>	<u>1,354</u>	<u>1,584</u>	<u>237</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Crescent's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities. Officials will be re-evaluating contracts with various parties.

Taxes had been raised and we are just now getting to reap those benefits. Major capital projects are complete and the City feels for the upcoming year they should keep status-quo for 2007, and regroup for the 2008 year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Martin, City Clerk, Crescent, Iowa.

**Basic Financial Statements
Year Ended June 30, 2006**

City of Crescent
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2006

	Disbursements	Program Charges for Service
Functions/Programs:		
Governmental activities:		
Public safety	\$ 79,749	12,123
Public works	119,581	-
Culture and recreation	19,749	5,338
Community and economic development	7,240	-
General government	69,516	3,954
Capital projects	387,060	-
Total governmental activities	682,895	21,415
Business type activities:		
Water	166,107	156,754
Sewer	99,017	95,391
Total business type activities	265,124	252,145
 Total	\$ 948,019	273,560

General Receipts:

Property tax levied for:
 General purposes
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Revenue note proceeds
Miscellaneous
Transfers
 Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash Basis Net Assets

Restricted:
 Streets
 Capital projects
 Debt service
Unrestricted

 Total cash basis net assets

See notes to financial statements

Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
<u>Operating Grants Contributions and Restricted Interest</u>	<u>Capital Grants Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
75,385	-	7,759	-	7,759
60,145	-	(59,436)	-	(59,436)
-	-	(14,411)	-	(14,411)
-	-	(7,240)	-	(7,240)
1,814	-	(63,748)	-	(63,748)
-	201,752	(185,308)	-	(185,308)
<u>137,344</u>	<u>201,752</u>	<u>(322,384)</u>	<u>-</u>	<u>(322,384)</u>
-	-	-	(9,353)	(9,353)
-	-	-	(3,626)	(3,626)
-	-	-	(12,979)	(12,979)
<u>137,344</u>	<u>201,752</u>	<u>(322,384)</u>	<u>(12,979)</u>	<u>(335,363)</u>
		\$ 44,027	-	44,027
		58,385	-	58,385
		2,535	-	2,535
		3,583	1,886	5,469
		184,533	-	184,533
		-	2,111	2,111
		(12,532)	12,532	-
		<u>280,531</u>	<u>16,529</u>	<u>297,060</u>
		(41,853)	3,550	(38,303)
		<u>359,704</u>	<u>169,895</u>	<u>529,599</u>
		\$ <u>317,851</u>	<u>173,445</u>	<u>491,296</u>
		\$ 104,605	-	104,605
		1,774	-	1,774
		-	88,509	88,509
		<u>211,472</u>	<u>84,936</u>	<u>296,408</u>
		\$ <u>317,851</u>	<u>173,445</u>	<u>491,296</u>

City of Crescent
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2006

		Special Revenue	
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 42,059	-	-
Other city tax	1,968	-	58,385
Licenses and permits	3,579	-	-
Use of money and property	6,648	-	-
Intergovernmental	65,584	58,548	-
Charges for service	17,836	-	-
Miscellaneous	11,085	1,597	-
Total receipts	148,759	60,145	58,385
Disbursements:			
Operating:			
Public safety	79,749	-	-
Public works	-	119,581	-
Culture and recreation	19,749	-	-
Community and economic development	7,240	-	-
General government	69,516	-	-
Capital projects	-	-	-
Total disbursements	176,254	119,581	-
Excess (deficiency) of receipts over (under) disbursements	(27,495)	(59,436)	58,385
Other financing sources:			
Water revenue note proceeds	-	-	-
Operating transfers in	58,385	-	-
Operating transfers out	(12,532)	-	(58,385)
Total other financing sources (uses)	45,853	-	(58,385)
Net change in cash balances	18,358	(59,436)	-
Cash balances, beginning of year	193,114	164,041	-
Cash balances, end of year	\$ 211,472	104,605	-
 Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 211,472	-	-
Special revenue funds	-	104,605	-
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 211,472	104,605	-

See notes to financial statements

Capital Projects Fund	Total
-	42,059
-	60,353
-	3,579
-	6,648
201,752	325,884
-	17,836
-	12,682
<u>201,752</u>	<u>469,041</u>
-	79,749
-	119,581
-	19,749
-	7,240
-	69,516
387,060	387,060
<u>387,060</u>	<u>682,895</u>
(185,308)	(213,854)
184,533	184,533
-	58,385
-	(70,917)
<u>184,533</u>	<u>172,001</u>
(775)	(41,853)
<u>2,549</u>	<u>359,704</u>
<u>1,774</u>	<u>317,851</u>
-	211,472
-	104,605
<u>1,774</u>	<u>1,774</u>
<u>1,774</u>	<u>317,851</u>

City of Crescent
 Reconciliation of the Statement of Cash Receipts,
 Disbursements and Changes in Cash Balances to the
 Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2006

Total governmental funds cash balances	\$	317,851
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
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Cash basis net assets of governmental activities	\$	317,851
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Net change in cash balances	\$	(41,853)
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
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Change in cash balance of governmental activities	\$	(41,853)
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City of Crescent
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2006

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 156,754	95,391	252,145
Operating disbursements:			
Business type activities	141,107	50,737	191,844
Excess of operating receipts over operating disbursements	15,647	44,654	60,301
Non-operating receipts (disbursements):			
Interest on investments	857	1,029	1,886
Miscellaneous	1,773	338	2,111
Debt service	(25,000)	(48,280)	(73,280)
Total non-operating receipts (disbursements)	(22,370)	(46,913)	(69,283)
Deficiency of receipts under disbursements	(6,723)	(2,259)	(8,982)
Other financing sources:			
Operating transfers in	-	12,532	12,532
Net change in cash balances	(6,723)	10,273	3,550
Cash balances, beginning of year	81,388	88,507	169,895
Cash balances, end of year	\$ 74,665	98,780	173,445
 Cash Basis Fund Balances			
Reserved for debt service	\$ -	88,509	88,509
Unreserved	74,665	10,271	84,936
	\$ 74,665	98,780	173,445

See notes to financial statements

City of Crescent
 Reconciliation of the Statement of Cash Receipts,
 Disbursements and Changes in Cash Balances to the
 Statement of Activities and Net Assets -
 Proprietary Funds
 As of and for the year ended June 30, 2006

Total enterprise funds cash balances	\$	173,445
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
Cash basis net assets of business type activities	\$	173,445
Net change in cash balances	\$	3,550
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
Change in cash balance of business type activities	\$	3,550

**Basic Financial Statements
Year Ended June 30, 2005**

City of Crescent
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2005

	Disbursements	Program Charges for Service
Functions/Programs:		
Governmental activities:		
Public safety	\$ 72,917	28,868
Public works	60,530	-
Culture and recreation	11,064	4,739
Community and economic development	6,296	-
General government	39,048	1,268
Capital projects	77,833	-
Total governmental activities	267,688	34,875
Business type activities:		
Water	157,558	127,161
Sewer	92,254	90,818
Total business type activities	249,812	217,979
 Total	\$ 517,500	252,854

General Receipts:

Property tax levied for:
 General purposes
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Revenue note refunding
Miscellaneous
Transfers
 Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash Basis Net Assets

Restricted:
 Streets
 Capital projects
 Debt service
Unrestricted

 Total cash basis net assets

See notes to financial statements

Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
<u>Operating Grants Contributions and Restricted Interest</u>	<u>Capital Grants Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
70,645	-	26,596	-	26,596
59,327	-	(1,203)	-	(1,203)
-	-	(6,325)	-	(6,325)
-	-	(6,296)	-	(6,296)
7,181	-	(30,599)	-	(30,599)
-	76,723	(1,110)	-	(1,110)
<u>137,153</u>	<u>76,723</u>	<u>(18,937)</u>	<u>-</u>	<u>(18,937)</u>
-	-	-	(30,397)	(30,397)
-	-	-	(1,436)	(1,436)
-	-	-	(31,833)	(69,707)
<u>137,153</u>	<u>76,723</u>	<u>(18,937)</u>	<u>(31,833)</u>	<u>(50,770)</u>
		\$		
		30,549	-	30,549
		47,328	-	47,328
		4,004	-	4,004
		2,765	1,017	3,782
		-	(216,710)	(216,710)
		-	2,477	2,477
		(18,622)	18,622	-
		<u>66,024</u>	<u>(194,594)</u>	<u>(128,570)</u>
		47,087	(226,427)	(179,340)
		<u>312,617</u>	<u>396,322</u>	<u>708,939</u>
		\$ <u>359,704</u>	<u>169,895</u>	<u>529,599</u>
		\$		
		164,041	-	164,041
		2,549	-	2,549
		-	18,190	18,190
		<u>193,114</u>	<u>151,705</u>	<u>344,819</u>
		\$ <u>359,704</u>	<u>169,895</u>	<u>529,599</u>

City of Crescent
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2005

	General	Road Use Tax	Special Revenue Local Option Sales Tax
Receipts:			
Property tax	\$ 28,995	-	-
Other city tax	1,554	-	47,328
Licenses and permits	1,218	-	-
Use of money and property	4,530	-	-
Intergovernmental	62,741	59,276	-
Charges for service	33,657	-	-
Miscellaneous	17,324	51	-
Total receipts	150,019	59,327	47,328
Disbursements:			
Operating:			
Public safety	72,917	-	-
Public works	408	60,122	-
Culture and recreation	11,064	-	-
Community and economic development	6,296	-	-
General government	39,048	-	-
Capital projects	-	-	-
Total disbursements	129,733	60,122	-
Excess (deficiency) of receipts over (under) disbursements	20,286	(795)	47,328
Other financing sources:			
Operating transfers in	47,328	-	-
Operating transfers out	(18,622)	-	(47,328)
Total other financing sources (uses)	28,706	-	(47,328)
Net change in cash balances	48,992	(795)	-
Cash balances, beginning of year	144,122	164,836	-
Cash balances, end of year	\$ 193,114	164,041	-
 Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 193,114	-	-
Special revenue funds	-	164,041	-
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 193,114	164,041	-

See notes to financial statements

Capital Projects Fund	Total
-	28,995
-	48,882
-	1,218
-	4,530
76,723	198,740
-	33,657
-	17,375
<u>76,723</u>	<u>333,397</u>
-	72,917
-	60,530
-	11,064
-	6,296
-	39,048
77,833	77,833
<u>77,833</u>	<u>267,688</u>
(1,110)	65,709
-	47,328
-	(65,950)
<u>-</u>	<u>(18,622)</u>
(1,110)	47,087
<u>3,659</u>	<u>312,617</u>
<u>2,549</u>	<u>359,704</u>
-	193,114
-	164,041
<u>2,549</u>	<u>2,549</u>
<u>2,549</u>	<u>359,704</u>

City of Crescent
 Reconciliation of the Statement of Cash Receipts,
 Disbursements and Changes in Cash Balances to the
 Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2005

Total governmental funds cash balances	\$	359,704
---	----	---------

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
------	--	---

Cash basis net assets of governmental activities	\$	359,704
---	----	---------

Net change in cash balances	\$	47,084
------------------------------------	----	--------

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
------	--	---

Change in cash balance of governmental activities	\$	47,084
--	----	--------

City of Crescent
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Proprietary Funds
 As of and for the year ended June 30, 2005

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 127,161	90,818	217,979
Operating disbursements:			
Business type activities	120,139	55,879	176,018
Excess of operating receipts over operating disbursements	7,022	34,939	41,961
Non-operating receipts (disbursements):			
Interest on investments	766	251	1,017
Miscellaneous	2,352	125	2,477
Debt service	(37,419)	(36,375)	(73,794)
Total non-operating receipts (disbursements)	(34,301)	(35,999)	(70,300)
Deficiency of receipts under disbursements	(27,279)	(1,060)	(28,339)
Other financing sources (uses):			
Water revenue note refunding	(216,710)	-	(216,710)
Operating transfers in	-	18,622	18,622
	(216,710)	18,622	(198,088)
Net change in cash balances	(243,989)	17,562	(226,427)
Cash balances, beginning of year	325,377	70,945	396,322
Cash balances, end of year	\$ 81,388	88,507	169,895
 Cash Basis Fund Balances			
Reserved for debt service	\$ -	18,190	18,190
Unreserved	81,388	70,317	151,705
	\$ 81,388	88,507	169,895

See notes to financial statements

City of Crescent
 Reconciliation of the Statement of Cash Receipts,
 Disbursements and Changes in Cash Balances to the
 Statement of Activities and Net Assets -
 Proprietary Funds
 As of and for the year ended June 30, 2005

Total enterprise funds cash balances	\$	169,895
---	----	---------

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

None		-
------	--	---

Cash basis net assets of business type activities	\$	169,895
--	----	---------

Net change in cash balances	\$	(226,427)
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

None		-
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Change in cash balance of business type activities	\$	(226,427)
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**Basic Financial Statements
Year Ended June 30, 2004**

City of Crescent
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

	Disbursements	Program Charges for Service
Functions/Programs:		
Governmental activities:		
Public safety	\$ 187,373	46,183
Public works	24,756	-
Culture and recreation	13,211	3,342
Community and economic development	4,755	-
General government	53,548	550
Capital projects	363,722	-
Total governmental activities	647,365	50,075
Business type activities:		
Water	126,342	133,407
Sewer	79,724	80,350
Total business type activities	206,066	213,757
 Total	\$ 853,431	263,832

General Receipts:

Property tax levied for:
 General purposes
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Revenue note proceeds
Anticipatory warrants redeemed
Miscellaneous
Transfers
 Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash Basis Net Assets

Restricted:
 Streets
 Capital projects
 Debt service
Unrestricted

 Total cash basis net assets

See notes to financial statements

Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
146,310	-	5,120	-	5,120
56,291	-	31,535	-	31,535
2	-	(9,867)	-	(9,867)
-	-	(4,755)	-	(4,755)
5,904	-	(47,094)	-	(47,094)
-	384,743	21,021	-	21,021
<u>208,507</u>	<u>384,743</u>	<u>(4,040)</u>	<u>-</u>	<u>(4,040)</u>
-	-	-	7,065	7,065
-	-	-	626	626
-	-	-	<u>7,691</u>	<u>7,691</u>
<u>208,507</u>	<u>384,743</u>	<u>(4,040)</u>	<u>7,691</u>	<u>3,651</u>
		\$ 30,745	-	30,745
		47,701	-	47,701
		4,243	-	4,243
		3,002	636	3,638
		1,136,000	231,500	1,367,500
		(1,136,000)	-	(1,136,000)
		640	8,303	8,943
		<u>(57,418)</u>	<u>57,418</u>	<u>-</u>
		<u>28,913</u>	<u>297,857</u>	<u>326,770</u>
		24,873	305,548	330,421
		<u>287,744</u>	<u>90,774</u>	<u>378,518</u>
		<u>\$ 312,617</u>	<u>396,322</u>	<u>708,939</u>
		\$ 164,836	-	164,836
		3,659	-	3,659
		-	231,500	231,500
		<u>144,122</u>	<u>164,822</u>	<u>308,944</u>
		<u>\$ 312,617</u>	<u>396,322</u>	<u>708,939</u>

City of Crescent
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

	General	Road Use Tax	Special Revenue Local Option Sales Tax
Receipts:			
Property tax	\$ 29,091	-	-
Other city tax	1,654	-	47,701
Licenses and permits	475	-	-
Use of money and property	4,638	-	-
Intergovernmental	132,459	55,934	-
Charges for service	49,600	-	-
Miscellaneous	23,004	357	-
Total receipts	240,921	56,291	47,701
Disbursements:			
Operating:			
Public safety	187,373	-	-
Public works	806	23,950	-
Culture and recreation	13,211	-	-
Community and economic development	4,755	-	-
General government	53,548	-	-
Capital projects	-	-	-
Total disbursements	259,693	23,950	-
Excess (deficiency) of receipts over (under) disbursements	(18,772)	32,341	47,701
Other financing sources:			
Sewer revenue note proceeds	-	-	-
Anticipatory warrants redeemed	-	-	-
Operating transfers in	67,701	-	-
Operating transfers out	(32,657)	(20,000)	(47,701)
Total other financing sources (uses)	35,044	(20,000)	(47,701)
Net change in cash balances	16,272	12,341	-
Cash balances, beginning of year	127,850	152,495	-
Cash balances, end of year	\$ 144,122	164,836	-
 Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 144,122	-	-
Special revenue funds	-	164,836	-
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 144,122	164,836	-

See notes to financial statements

Capital Projects Fund	Total
-	29,091
-	49,355
-	475
-	4,638
384,743	573,136
-	49,600
-	23,361
<u>384,743</u>	<u>729,656</u>
-	187,373
-	24,756
-	13,211
-	4,755
-	53,548
363,722	363,722
<u>363,722</u>	<u>647,365</u>
21,021	82,291
1,136,000	1,136,000
(1,136,000)	(1,136,000)
-	67,701
<u>(24,761)</u>	<u>(125,119)</u>
<u>(24,761)</u>	<u>(57,418)</u>
(3,740)	24,873
<u>7,399</u>	<u>287,744</u>
<u>3,659</u>	<u>312,617</u>
-	144,122
-	164,836
<u>3,659</u>	<u>3,659</u>
<u>3,659</u>	<u>312,617</u>

City of Crescent
 Reconciliation of the Statement of Cash Receipts,
 Disbursements and Changes in Cash Balances to the
 Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2004

Total governmental funds cash balances	\$	312,617
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
------	--	---

Cash basis net assets of governmental activities	\$	312,617
---	----	---------

Net change in cash balances	\$	24,873
------------------------------------	----	--------

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
------	--	---

Change in cash balance of governmental activities	\$	24,873
--	----	--------

City of Crescent
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2004

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 133,407	80,350	213,757
Operating disbursements:			
Business type activities	89,908	79,724	169,632
Excess of operating receipts over operating disbursements	43,499	626	44,125
Non-operating receipts (disbursements):			
Interest on investments	538	98	636
Miscellaneous	995	7,308	8,303
Debt service	(36,434)	-	(36,434)
Total non-operating receipts (disbursements)	(34,901)	7,406	(27,495)
Excess of receipts over disbursements	8,598	8,032	16,630
Other financing sources (uses):			
Water revenue note proceeds	231,500	-	231,500
Operating transfers in	-	57,418	57,418
	231,500	57,418	288,918
Net change in cash balances	240,098	65,450	305,548
Cash balances, beginning of year	85,279	5,495	90,774
Cash balances, end of year	\$ 325,377	70,945	396,322
 Cash Basis Fund Balances			
Reserved for debt service	\$ 231,500	-	231,500
Unreserved	93,877	70,945	164,822
	\$ 325,377	70,945	396,322

See notes to financial statements

City of Crescent
Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash Balances to the
Statement of Activities and Net Assets -
Proprietary Funds
As of and for the year ended June 30, 2004

Total enterprise funds cash balances \$ 396,322

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

None -

Cash basis net assets of business type activities \$ 396,322

Net change in cash balances \$ 305,548

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

None -

Change in cash balance of business type activities \$ 305,548

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (1) Summary of Significant Accounting Policies

The City of Crescent is a political subdivision of the State of Iowa located in Pottawattamie County and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Crescent has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission and Iowa Waste System Association.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for receipts from tax authorized by referendum and used for property tax relief, infrastructure, community protection and community betterment.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting

The City of Crescent maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions. During the years ended June 30, 2005 and 2004, disbursements exceeded the amounts budgeted in the culture and recreation, capital projects, and business type activities functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2002, 2003 and 2004, to compute the amounts which became liens on property on July 1, 2003, 2004 and 2005, respectively. These taxes were due and payable in two installments on September 30, 2003 and March 31, 2004, on September 30, 2004 and March 31, 2005, and on September 30, 2005 and March 31, 2006, respectively, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006, 2005 and 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$491,296 at June 30, 2006, \$529,599 at June 30, 2005 and \$708,939 at June 30, 2004.

NOTE (3) Bonds and Notes Payable

Changes in long-term liabilities for the years ended June 30, 2004, 2005 and 2006 are summarized below:

	General Obligation Notes	Revenue Notes	Total
Balance, June 30, 2003	-	237,040	237,040
Additions	-	1,367,500	1,367,500
Redemptions	-	(20,330)	(20,330)
Balance, June 30, 2004	-	1,584,210	1,584,210
Additions	-	-	-
Redemptions	-	(229,967)	(229,967)
Balance, June 30, 2005	-	1,354,243	1,354,243
Additions	25,705	184,532	210,237
Redemptions	-	(12,911)	(12,911)
Balance, June 30, 2006	<u>25,705</u>	<u>1,525,864</u>	<u>1,551,569</u>

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (3) Bonds and Notes Payable- Continued

Annual debt service requirements to maturity for general obligation notes and revenue notes at June 30, 2006 are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 4,561	1,540	45,712	68,764	50,273	70,304
2008	4,834	1,267	47,372	68,589	52,206	69,856
2009	5,124	977	48,750	65,929	53,874	66,906
2010	5,431	670	50,197	63,199	55,628	63,869
2011	5,755	346	52,715	60,399	58,470	60,745
2012-2016	-	-	277,629	256,020	277,629	256,020
2017-2021	-	-	122,639	201,157	122,639	201,157
2022-2026	-	-	127,117	176,823	127,117	176,823
2027-2031	-	-	156,525	147,415	156,525	147,415
2032-2036	-	-	192,736	111,204	192,736	111,204
2037-2041	-	-	237,325	66,615	237,325	66,615
2042-2044	-	-	167,147	15,217	167,147	15,217
	\$ 25,705	4,800	1,525,864	1,301,331	1,551,569	1,306,131

The City has a legal debt limit of approximately \$1,300,000 which was not exceeded during the years ended June 30, 2006, 2005, and 2004.

The City complied with the provisions of the water revenue notes issued in May 1991. The notes were refunded July 2, 2004 with debt issued on June 30, 2004.

The resolutions providing for the issuance of the sewer revenue notes issued in September 2003 include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sinking account for the purpose of making the principal and interest payments when due.
- (c) At the time of delivery of the notes, \$6,500 shall be deposited into a principal and interest reserve account, and \$6,079 each July 1, until a full annual payment of \$60,788 is accumulated. These funds shall be used for the payment of principal and interest on the notes if, for any reason, funds on deposit in the sinking account are insufficient to pay such when due.
- (d) At the time of delivery of the notes, \$11,000 shall be set aside annually to fund depreciation. These funds shall be used to pay for capital improvements to the sewer system.

The Sewer Enterprise Fund had insufficient funds to fund depreciation for the year ended June 30, 2006.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (3) Bonds and Notes Payable- Continued

Advance Debt Refunding

On June 30, 2004, the City issued \$231,500 of water revenue notes at 5.25% to advance refund the City's 1991 water revenue notes totaling \$216,710 with interest at 6.25%. The original notes matured between June 2005 and June 2031. The notes were redeemed July 2, 2004. As a result of the advance refunding, the City reduced its total debt service requirements by approximately \$180,483, which resulted in a net present value cost of \$367.

NOTE (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$2,197, \$1,058, and \$1,733, respectively, equal to the required contributions for each year.

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2006, 2005 and 2004 primarily relating to the General Fund were \$798, \$753 and \$753, respectively. This liability has been computed based on rates of pay in effect at those dates.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 58,385
Enterprise: Sewer	General	<u>12,532</u>
		<u>\$ 70,917</u>

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 47,328
Enterprise: Sewer	General	<u>18,622</u>
		<u>\$ 65,950</u>

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Road Use Tax	\$ 47,701
	Local Option Sales Tax	<u>20,000</u>
		67,701
Enterprise: Sewer	General	32,657
	Capital Projects	<u>24,761</u>
		<u>57,418</u>
		<u>\$ 125,119</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006, 2005 and 2004 were \$11,943, \$10,814, and \$10,039, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (7) Risk Management- Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, 2005 and 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (8) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

During the year ended June 30, 2004, the City redeemed \$1,136,000 in anticipatory warrants issued in 2003 for sewer construction, leaving no unpaid balance at June 30, 2004.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (9) Construction Commitments

The City had the following construction commitments at June 30, 2006:

<u>Project</u>	<u>Estimated Total Contract Price</u>	<u>Paid to June 30, 2006</u>	<u>Remaining Commitment</u>	<u>Retainages Payable</u>
Sewer Construction	\$ 1,322,981	\$ 1,276,832	\$ 46,149	\$ 46,149
Water Construction	837,433	325,881	<u>511,552</u>	<u>17,152</u>
			<u>\$ 515,701</u>	<u>\$ 63,301</u>

The construction company for the sewer project has filed a claim for payment of the retainage. The City is holding the retainage as a counterclaim for breach of contract for not constructing a sewer system in a good or workman like manner.

NOTE (10) Commitments

Law Enforcement Services Contract

The City has contracted for law enforcement services through June 30, 2007 for an annual cost of \$9,398.

Library Services Contract

The City has contracted for library services through June 30, 2007 for an annual cost of \$1,201.

Sewer Operations and Maintenance

The City has entered into an agreement with PeopleService for the management, operation and maintenance of the City's water and wastewater utility systems at a monthly fee of \$955, and meter reading and billing services at a monthly fee of \$1,050 through January 31, 2007.

City of Crescent
Notes to Financial Statements
June 30, 2006, 2005 and 2004

NOTE (11) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities. The accounting change had no effect on beginning net assets.

NOTE (12) Subsequent Events

In August 2006, the City awarded a construction contract for \$350,900 for a storm water project.

In September 2006, the City authorized issuance of \$150,000 in general obligation debt for a fire truck and gear.

Required Supplementary Information

City of Crescent
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2006

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Property tax	\$ 42,059	-
Other city tax	60,353	-
Licenses and permits	3,579	-
Use of money and property	6,648	1,886
Intergovernmental	325,884	-
Charges for service	17,836	252,145
Miscellaneous	12,682	2,111
Total receipts	<u>469,041</u>	<u>256,142</u>
Disbursements:		
Public safety	79,749	-
Public works	119,581	-
Culture and recreation	19,749	-
Community and economic development	7,240	-
General government	69,516	-
Debt service	-	-
Capital projects	387,060	-
Business type activities	-	265,124
Total disbursements	<u>682,895</u>	<u>265,124</u>
Excess (deficiency) of receipts over (under) disbursements	(213,854)	(8,982)
Other financing sources, net	<u>172,001</u>	<u>12,532</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(41,853)	3,550
Balances, beginning of year	<u>359,704</u>	<u>169,895</u>
Balances, end of year	<u>\$ 317,851</u>	<u>173,445</u>

See accompanying independent auditors' report

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
42,059	42,795	42,795	(736)
60,353	50,847	53,000	7,353
3,579	1,785	1,785	1,794
8,534	6,500	5,000	3,534
325,884	639,564	665,000	(339,116)
269,981	20,000	240,000	29,981
14,793	-	-	14,793
<u>725,183</u>	<u>761,491</u>	<u>1,007,580</u>	<u>(282,397)</u>
79,749	113,536	130,000	50,251
119,581	200,000	100,000	(19,581)
19,749	9,600	16,600	(3,149)
7,240	10,000	12,400	5,160
69,516	90,289	90,289	20,773
-	-	30,000	30,000
387,060	-	622,500	235,440
265,124	605,000	840,280	575,156
<u>948,019</u>	<u>1,028,425</u>	<u>1,842,069</u>	<u>894,050</u>
(222,836)	(266,934)	(834,489)	611,653
<u>184,533</u>	<u>-</u>	<u>50,000</u>	<u>134,533</u>
(38,303)	(266,934)	(784,489)	746,186
<u>529,599</u>	<u>666,408</u>	<u>548,327</u>	<u>(18,728)</u>
<u>491,296</u>	<u>399,474</u>	<u>(236,162)</u>	<u>727,458</u>

City of Crescent
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
	<u> </u>	<u> </u>
Receipts:		
Property tax	\$ 28,995	-
Other city tax	48,882	-
Licenses and permits	1,218	-
Use of money and property	4,530	1,017
Intergovernmental	198,740	-
Charges for service	33,657	217,979
Miscellaneous	17,375	2,477
Total receipts	<u>333,397</u>	<u>221,473</u>
Disbursements:		
Public safety	72,917	-
Public works	60,530	-
Culture and recreation	11,064	-
Community and economic development	6,296	-
General government	39,048	-
Capital projects	77,833	-
Business type activities	-	249,812
Total disbursements	<u>267,688</u>	<u>249,812</u>
Excess (deficiency) of receipts over (under) disbursements	65,709	(28,339)
Other financing sources, net	<u>(18,622)</u>	<u>(198,088)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	47,087	(226,427)
Balances, beginning of year	<u>312,617</u>	<u>396,322</u>
Balances, end of year	<u>\$ 359,704</u>	<u>169,895</u>

See accompanying independent auditors' report

<u>Total</u>	<u>Budgeted Amounts Original</u>	<u>Final to Net Variance</u>
28,995	29,118	(123)
48,882	53,809	(4,927)
1,218	1,700	(482)
5,547	2,400	3,147
198,740	129,190	69,550
251,636	260,966	(9,330)
19,852	6,000	13,852
<u>554,870</u>	<u>483,183</u>	<u>71,687</u>
72,917	122,699	49,782
60,530	93,080	32,550
11,064	6,510	(1,554)
6,296	16,200	9,904
39,048	46,500	7,452
77,833	-	(77,833)
249,812	175,500	(74,312)
<u>517,500</u>	<u>463,489</u>	<u>(54,011)</u>
37,370	19,694	17,676
<u>(216,710)</u>	<u>-</u>	<u>(216,720)</u>
(179,340)	19,694	(199,034)
<u>708,939</u>	<u>821,627</u>	<u>(112,688)</u>
<u>529,599</u>	<u>841,321</u>	<u>(311,722)</u>

City of Crescent
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
	<u> </u>	<u> </u>
Receipts:		
Property tax	\$ 29,091	-
Other city tax	49,355	-
Licenses and permits	475	-
Use of money and property	4,638	636
Intergovernmental	573,136	-
Charges for service	49,600	213,757
Miscellaneous	23,361	8,303
Total receipts	<u>729,656</u>	<u>222,696</u>
Disbursements:		
Public safety	187,373	-
Public works	24,756	-
Culture and recreation	13,211	-
Community and economic development	4,755	-
General government	53,548	-
Capital projects	363,722	-
Business type activities	-	206,066
Total disbursements	<u>647,365</u>	<u>206,066</u>
Excess of receipts over disbursements	82,291	16,630
Other financing sources, net	<u>(57,418)</u>	<u>288,918</u>
Excess of receipts and other financing sources over disbursements and other financing uses	24,873	305,548
Balances, beginning of year	<u>287,744</u>	<u>90,774</u>
Balances, end of year	<u>\$ 312,617</u>	<u>396,322</u>

See accompanying independent auditors' report

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
29,091	28,892	29,612	(521)
49,355	48,421	50,589	(1,234)
475	1,800	1,800	(1,325)
5,274	5,000	2,089	3,185
573,136	227,644	516,165	56,971
263,357	223,200	247,197	16,160
31,664	37,000	19,523	12,141
<u>952,352</u>	<u>571,957</u>	<u>866,975</u>	<u>85,377</u>
187,373	116,972	191,049	3,676
24,756	69,374	24,892	136
13,211	9,610	6,752	(6,459)
4,755	110,000	339,870	335,115
53,548	58,300	86,506	32,958
363,722	-	-	(363,722)
206,066	132,779	179,160	(26,906)
<u>853,431</u>	<u>497,035</u>	<u>828,229</u>	<u>(25,202)</u>
98,921	74,922	38,746	60,175
<u>231,500</u>	<u>-</u>	<u>-</u>	<u>231,500</u>
330,421	74,922	38,746	291,675
<u>378,518</u>	<u>427,928</u>	<u>346,481</u>	<u>32,037</u>
<u>708,939</u>	<u>502,850</u>	<u>385,227</u>	<u>323,712</u>

City of Crescent
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006, 2005 and 2004

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2006, one budget amendment increased budgeted disbursements by \$813,644. During the year ended June 30, 2004, one budget amendment increased budgeted disbursements by \$331,194. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, capital projects and business type activities functions.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, capital projects and business type activities functions.

Other Supplementary Information

City of Crescent
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Combining General Fund
 As of and for the year ended June 30, 2006

	General	Fire	Rescue	Paper	Eliminate Interfund Transfers	Total
Receipts						
Property tax	\$ 42,059	-	-	-	-	42,059
Other city tax	1,968	-	-	-	-	1,968
Licenses and permits	3,579	-	-	-	-	3,579
Use of money and property	4,558	733	1,357	-	-	6,648
Intergovernmental	1,560	42,683	21,341	-	-	65,584
Charges for service	375	-	12,123	5,338	-	17,836
Miscellaneous	1,814	7,368	1,903	-	-	11,085
Total receipts	<u>55,913</u>	<u>50,784</u>	<u>36,724</u>	<u>5,338</u>	<u>-</u>	<u>148,759</u>
Disbursements						
Operating:						
Public safety	11,807	51,382	16,560	-	-	79,749
Culture and recreation	13,983	-	-	5,766	-	19,749
Community and economic development	7,240	-	-	-	-	7,240
General government	69,516	-	-	-	-	69,516
Total disbursements	<u>102,546</u>	<u>51,382</u>	<u>16,560</u>	<u>5,766</u>	<u>-</u>	<u>176,254</u>
Excess (deficiency) of receipts over (under) disbursements	(46,633)	(598)	20,164	(428)	-	(27,495)
Other financing sources (uses):						
Operating transfers in	58,385	5,576	2,788	-	(8,364)	58,385
Operating transfers out	(20,896)	-	-	-	8,364	(12,532)
Total other financing sources (uses)	<u>37,489</u>	<u>5,576</u>	<u>2,788</u>	<u>-</u>	<u>-</u>	<u>45,853</u>
Net change in cash balances	(9,144)	4,978	22,952	(428)	-	18,358
Cash balances, beginning of year	<u>68,251</u>	<u>47,804</u>	<u>75,183</u>	<u>1,876</u>	<u>-</u>	<u>193,114</u>
Cash balances, end of year	<u>\$ 59,107</u>	<u>52,782</u>	<u>98,135</u>	<u>1,448</u>	<u>-</u>	<u>211,472</u>
Cash Basis Fund Balances						
Unreserved:						
General fund	<u>\$ 59,107</u>	<u>52,782</u>	<u>98,135</u>	<u>1,448</u>	<u>-</u>	<u>211,472</u>

See accompanying independent auditors' report

City of Crescent
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Combining General Fund
As of and for the year ended June 30, 2005

	General	Fire	Rescue	Paper	Eliminate Interfund Transfers	Total
Receipts						
Property tax	\$ 28,995	-	-	-	-	28,995
Other city tax	1,554	-	-	-	-	1,554
Licenses and permits	1,218	-	-	-	-	1,218
Use of money and property	3,790	272	468	-	-	4,530
Intergovernmental	2,979	39,841	19,921	-	-	62,741
Charges for service	50	1,132	27,736	4,739	-	33,657
Miscellaneous	7,181	7,175	2,968	-	-	17,324
Total receipts	<u>45,767</u>	<u>48,420</u>	<u>51,093</u>	<u>4,739</u>	<u>-</u>	<u>150,019</u>
Disbursements						
Operating:						
Public safety	10,616	43,702	18,599	-	-	72,917
Public works	408	-	-	-	-	408
Culture and recreation	7,416	-	-	3,648	-	11,064
Community and economic development	62,96	-	-	-	-	6,296
General government	39,048	-	-	-	-	39,048
Total disbursements	<u>63,784</u>	<u>43,702</u>	<u>18,599</u>	<u>3,648</u>	<u>-</u>	<u>129,733</u>
Excess (deficiency) of receipts over (under) disbursements	(18,017)	4,718	32,494	1,091	-	20,286
Other financing sources (uses):						
Operating transfers in	47,328	5,614	2,807	-	(8,421)	47,328
Operating transfers out	(27,043)	-	-	-	8,421	(18,622)
Total other financing sources (uses)	<u>20,285</u>	<u>5,614</u>	<u>2,807</u>	<u>-</u>	<u>-</u>	<u>28,706</u>
Net change in cash balances	2,268	10,332	35,301	1,091	-	48,992
Cash balances, beginning of year	<u>65,983</u>	<u>37,472</u>	<u>39,882</u>	<u>785</u>	<u>-</u>	<u>144,122</u>
Cash balances, end of year	<u>\$ 68,251</u>	<u>47,804</u>	<u>75,183</u>	<u>1,876</u>	<u>-</u>	<u>193,114</u>
Cash Basis Fund Balances						
Unreserved:						
General fund	<u>\$ 68,251</u>	<u>47,804</u>	<u>75,183</u>	<u>1,876</u>	<u>-</u>	<u>193,114</u>

See accompanying independent auditors' report

City of Crescent
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Combining General Fund
 As of and for the year ended June 30, 2004

	<u>General</u>	<u>Fire</u>	<u>Rescue</u>	<u>Paper</u>	<u>Eliminate Interfund Transfers</u>	<u>Total</u>
Receipts						
Property tax	\$ 29,091	-	-	-	-	29,091
Other city tax	1,654	-	-	-	-	1,654
Licenses and permits	475	-	-	-	-	475
Use of money and property	4,202	225	209	2	-	4,638
Intergovernmental	4,543	105,121	22,795	-	-	132,459
Charges for service	75	12,361	33,822	3,342	-	49,600
Miscellaneous	6,544	13,588	2,872	-	-	23,004
Total receipts	<u>46,584</u>	<u>131,295</u>	<u>59,698</u>	<u>3,344</u>	<u>-</u>	<u>240,921</u>
Disbursements						
Operating:						
Public safety	10,509	125,508	51,356	-	-	187,373
Public works	806	-	-	-	-	806
Culture and recreation	10,103	-	-	3,108	-	13,211
Community and economic development	4,755	-	-	-	-	4,755
General government	53,548	-	-	-	-	53,548
Total disbursements	<u>79,721</u>	<u>125,508</u>	<u>51,356</u>	<u>3,108</u>	<u>-</u>	<u>259,693</u>
Excess (deficiency) of receipts over (under) disbursements	(33,137)	5,787	8,342	236	-	(18,772)
Other financing sources (uses):						
Operating transfers in	67,701	5,594	8,938	-	(14,532)	67,701
Operating transfers out	(41,048)	(6,141)	-	-	14,532	(32,657)
Total other financing sources (uses)	<u>26,653</u>	<u>(547)</u>	<u>8,938</u>	<u>-</u>	<u>-</u>	<u>35,044</u>
Net change in cash balances	(6,484)	5,240	17,280	236	-	16,272
Cash balances, beginning of year	<u>72,467</u>	<u>32,232</u>	<u>22,602</u>	<u>549</u>	<u>-</u>	<u>127,850</u>
Cash balances, end of year	<u>\$ 65,983</u>	<u>37,472</u>	<u>39,882</u>	<u>785</u>	<u>-</u>	<u>144,122</u>
Cash Basis Fund Balances						
Unreserved:						
General fund	<u>\$ 65,983</u>	<u>37,472</u>	<u>39,882</u>	<u>785</u>	<u>-</u>	<u>144,122</u>

See accompanying independent auditors' report

City of Crescent
Schedule of Indebtedness
June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Note: Rescue equipment	Mar 2, 2006	5.99 %	\$ 25,705
Revenue Notes:			
Sewer	Sept 29, 2003	4.25 %	\$ 911,000
Sewer	Sept 29, 2003	4.25 %	225,000
Water refunding	Jun 30, 2004	5.25 %	231,500
Water	Jun 6, 2006	3.00 %	400,000

See accompanying independent auditors' report

Schedule 2-06

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>-</u>	<u>25,705</u>	<u>-</u>	<u>25,705</u>	<u>-</u>	<u>-</u>
911,000	-	292	910,708	38,425	-
225,000	-	43	224,957	9,510	-
218,243	-	12,576	205,667	12,424	-
<u>-</u>	<u>184,532</u>	<u>-</u>	<u>184,532</u>	<u>-</u>	<u>-</u>
<u>1,354,243</u>	<u>184,532</u>	<u>12,911</u>	<u>1,525,864</u>	<u>60,359</u>	<u>-</u>

City of Crescent
Schedule of Indebtedness
June 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue Notes:			
Water	May 6, 1991	6.75 %	\$ 240,000
Water refunding	Jun 30, 2004	5.25 %	231,500
Sewer	Sept 29, 2003	4.25 %	911,000
Sewer	Sept 29, 2003	4.25 %	225,000

See accompanying independent auditors' report

Schedule 2-05

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
216,710	-	216,710	-	14,423	-
231,500	-	13,257	218,243	11,743	-
911,000	-	-	911,000	29,170	-
225,000	-	-	225,000	7,205	-
<u>1,584,210</u>	<u>-</u>	<u>229,967</u>	<u>1,354,243</u>	<u>62,541</u>	<u>-</u>

City of Crescent
Schedule of Indebtedness
June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue Notes:			
Water	Jan 1, 1974	5.00 %	\$ 120,000
Water	May 6, 1991	6.75 %	240,000
Water refunding	Jun 30, 2004	5.25 %	231,500
Sewer	Sept 29, 2003	4.25 %	911,000
Sewer	Sept 29, 2003	4.25 %	225,000
Anticipatory Warrants:			
Sewer	Aug 1, 2002	2.90 %	\$ 911,000
Sewer	Dec 21, 2003	2.90 %	225,000

See accompanying independent auditors' report

Schedule 2-04

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
17,624	-	17,624	-	1,126	-
219,416	-	2,706	216,710	14,978	-
-	231,500	-	231,500	-	-
-	911,000	-	911,000	-	-
-	225,000	-	225,000	-	-
<u>237,040</u>	<u>1,367,500</u>	<u>20,330</u>	<u>1,584,210</u>	<u>16,104</u>	<u>-</u>
911,000	-	911,000	-	30,690	-
225,000	-	225,000	-	4,549	-
<u>1,136,000</u>	<u>-</u>	<u>1,136,000</u>	<u>-</u>	<u>35,239</u>	<u>-</u>

City of Crescent
Bond and Note Maturities
June 30, 2006

Year Ending June 30,	General Obligation Note		Sewer		Revenue	
	Rescue Equipment		Sewer		Sewer	
	Issued Mar 2, 2006		Issued Sept 29, 2003		Issued Sept 29, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5.99 %	\$ 4,561	4.25 %	\$ 9,733	4.25 %	\$ 2,430
2008	5.99 %	4,834	4.25 %	10,457	4.25 %	2,583
2009	5.99 %	5,124	4.25 %	10,901	4.25 %	2,693
2010	5.99 %	5,431	4.25 %	11,365	4.25 %	2,807
2011	5.99 %	5,755	4.25 %	11,848	4.25 %	2,926
2012	-	-	4.25 %	12,351	4.25 %	3,051
2013	-	-	4.25 %	12,876	4.25 %	3,180
2014	-	-	4.25 %	13,424	4.25 %	3,315
2015	-	-	4.25 %	13,994	4.25 %	3,456
2016	-	-	4.25 %	14,588	4.25 %	3,603
2017	-	-	4.25 %	15,209	4.25 %	3,756
2018	-	-	4.25 %	15,855	4.25 %	3,916
2019	-	-	4.25 %	16,529	4.25 %	4,082
2020	-	-	4.25 %	17,231	4.25 %	4,256
2021	-	-	4.25 %	17,963	4.25 %	4,437
2022	-	-	4.25 %	18,727	4.25 %	4,625
2023	-	-	4.25 %	19,523	4.25 %	4,822
2024	-	-	4.25 %	20,352	4.25 %	5,027
2025	-	-	4.25 %	21,217	4.25 %	5,241
2026	-	-	4.25 %	22,119	4.25 %	5,464
2027	-	-	4.25 %	23,060	4.25 %	5,695
2028	-	-	4.25 %	24,039	4.25 %	5,938
2029	-	-	4.25 %	25,061	4.25 %	6,190
2030	-	-	4.25 %	26,126	4.25 %	6,453
2031	-	-	4.25 %	27,235	4.25 %	6,728
2032	-	-	4.25 %	28,394	4.25 %	7,013
2033	-	-	4.25 %	29,601	4.25 %	7,311
2034	-	-	4.25 %	30,858	4.25 %	7,622
2035	-	-	4.25 %	32,170	4.25 %	7,946
2036	-	-	4.25 %	33,537	4.25 %	8,284
2037	-	-	4.25 %	34,962	4.25 %	8,636
2038	-	-	4.25 %	36,449	4.25 %	9,002
2039	-	-	4.25 %	37,998	4.25 %	9,385
2040	-	-	4.25 %	39,613	4.25 %	9,785
2041	-	-	4.25 %	41,295	4.25 %	10,200
2042	-	-	4.25 %	43,051	4.25 %	10,633
2043	-	-	4.25 %	44,881	4.25 %	11,085
2044	-	-	4.25 %	46,116	4.25 %	11,381
		<u>\$ 25,705</u>		<u>\$ 910,708</u>		<u>224,957</u>

See accompanying independent auditors' report

Notes

Water		Water		Total
Issued Jun 30, 2004		Issued Jun 6, 2006		
Interest Rates	Amount	Interest Rates	Amount	
5.25 %	\$ 14,549	3.00 %	\$ 19,000	\$ 45,712
5.25 %	15,332	3.00 %	19,000	47,372
5.25 %	16,165	3.00 %	19,000	48,750
5.25 %	17,025	3.00 %	19,000	50,197
5.25 %	17,941	3.00 %	20,000	52,715
5.25 %	18,906	3.00 %	20,000	54,308
5.25 %	19,923	3.00 %	20,000	55,979
5.25 %	20,994	3.00 %	21,000	58,733
5.25 %	22,123	3.00 %	21,000	60,573
5.25 %	23,313	3.00 %	6,532	48,036
5.25 %	19,405	-	-	38,370
-	-	-	-	19,771
-	-	-	-	20,611
-	-	-	-	21,487
-	-	-	-	22,400
-	-	-	-	23,352
-	-	-	-	24,345
-	-	-	-	25,379
-	-	-	-	26,458
-	-	-	-	27,583
-	-	-	-	28,755
-	-	-	-	29,977
-	-	-	-	31,251
-	-	-	-	32,579
-	-	-	-	33,963
-	-	-	-	35,407
-	-	-	-	36,912
-	-	-	-	38,480
-	-	-	-	40,116
-	-	-	-	41,821
-	-	-	-	43,598
-	-	-	-	45,451
-	-	-	-	47,383
-	-	-	-	49,398
-	-	-	-	51,495
-	-	-	-	53,684
-	-	-	-	55,966
-	-	-	-	57,497
	<u>\$ 205,676</u>		<u>\$ 184,532</u>	<u>\$ 1,525,864</u>

City of Crescent
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Four Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts				
Property tax	\$ 42,059	28,995	29,091	28,373
Other city tax	60,353	48,882	49,355	46,965
Licenses and permits	3,579	1,215	475	350
Use of money and property	6,648	4,530	4,638	8,568
Intergovernmental	325,884	198,740	573,136	810,875
Charges for service	17,836	33,657	49,600	36,476
Miscellaneous	<u>12,682</u>	<u>17,375</u>	<u>23,361</u>	<u>19,920</u>
Total	<u>\$ 469,041</u>	<u>333,394</u>	<u>729,656</u>	<u>951,527</u>
Disbursements				
Operating:				
Public safety	\$ 79,749	72,917	187,373	110,408
Public works	119,581	60,530	24,756	15,490
Culture and recreation	19,749	11,064	13,211	13,629
Community and economic development	7,240	6,296	4,755	513
General government	69,516	39,048	53,548	30,469
Debt service	-	-	-	69,758
Capital projects	<u>387,060</u>	<u>77,833</u>	<u>363,722</u>	<u>1,775,754</u>
Total	<u>\$ 682,895</u>	<u>267,688</u>	<u>647,365</u>	<u>2,016,021</u>

See accompanying independent auditors' report

City of Crescent

October 30, 2006

Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Crescent, Iowa, as of and for the years ended June 30, 2006, 2005, and 2004, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 30, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Crescent's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Crescent's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings for each year.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions I-A-05 and I-A-04 are also material weaknesses.

Continued...

City of Crescent
Report on Internal Control

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crescent's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings for each year.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, 2005, and 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Crescent and other parties to whom the City of Crescent may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Crescent during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

City of Crescent
Schedule of Findings
Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-06 Personnel Manual

Comment – The City currently provides each employee a job description. However, the City has not documented its policy regarding payment of benefits.

Recommendation – The City should document its personnel policies and distribute a copy to all employees. An office copy should be accessible for reference.

Response – We are in the process of developing a personnel manual

Conclusion – Response accepted.

City of Crescent
Schedule of Findings
Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget

Comment – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works and culture and recreation functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-06 Entertainment Expense

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense

No disbursements of Enterprise Fund money for travel expenses of spouses of Enterprise Fund officials or employees were noted.

II-D-06 Business Transactions

No business transactions were noted between the Enterprise Fund or City officials or employees.

II-E-06 Bond Coverage

Surety bond coverage of Enterprise Fund officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Part II: Other Findings Related to Statutory Reporting - Continued:

II-F-06 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Board minutes but were not. Copies of minutes were available, but not all official minutes were printed and bound for signatures. Although minutes were published, they did not include a summary of receipts by fund.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should update the minute record book. All minutes should be signed in accordance with Chapter 380.7 of the Code of Iowa. Salaries paid and receipts by fund should be published as required.

Response - We will publish gross salaries and receipts by fund as required, and we will update the minute record book when time permits.

Conclusion - Response accepted.

II-G-06 Enterprise Debt

Comment - The City has an insufficient cash balance to set aside monies to fund depreciation as required by the provisions of the Sewer Bond Resolution.

Recommendation - The City should review alternatives to meet this requirement. The City should first review its allocation of costs to the Sewer Enterprise and then, if necessary, consider a rate increase.

Response - We will investigate this matter further in order to comply with the provisions as required.

Conclusion - Response accepted.

II-H-06 Deposits and Investments

Comment - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa. However, the City has not adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, one depository used by the City was not included in the depository resolution approved by the City.

Recommendation - The City should adopt a written investment policy that complies with the Code of Iowa, and should amend its depository resolution to include all depositories used by the City.

Response - We will adopt an investment policy and amend our depository resolution accordingly.

Conclusion - Response accepted.

City of Crescent
Schedule of Findings
Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting - Continued:

II-I-06 Publications

Comment – The City entered into a lease purchase agreement for equipment but did not properly publish notice.

Recommendation – In accordance with Chapter 364.4 of the Code of Iowa, before entering into such an agreement, the City must publish a notice, including a statement of the amount and purpose of the agreement, at least once in the newspaper, at least ten days before the agreement is to be approved.

Response – We will follow the proper procedures in the future. The lease agreement has been paid with the issuance of general obligation debt entered into under proper proceedings.

Conclusion – Response acknowledged.

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

I-A-05 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person is responsible for check writing, check signing, receipting, posting and reconciling. Certain accounts only require one signature for payment of claims.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. Two signatures should be required on all claims paid.

Response – We will review alternative procedures. The City Treasurer currently reviews bank reconciliations, and the City Council reviews all claims for payment and the monthly financial reports.

Conclusion – Response acknowledged.

I-B-05 Personnel Manual

Comment – The City currently provides each employee a job description. However, the City has not documented its policy regarding payment of benefits upon termination.

Recommendation – The City should document its personnel policies and distribute a copy to all employees. An office copy should be accessible for reference.

Response – We are in the process of developing a personnel manual.

Conclusion – Response accepted.

City of Crescent
Schedule of Findings
Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories

Comment – A resolution naming official depositories has been approved by the City. However, one depository used by the City was not included in the depository resolution.

Recommendation – The City should amend its depository resolution to include all depositories used by the City.

Response – We will amend the depository resolution.

Conclusion – Response accepted.

II-B-05 Certified Budget

Comment – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the culture and recreation, capital projects and business type activities. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-05 Entertainment Expense

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense

No disbursements of Enterprise Fund money for travel expenses of spouses of Enterprise Fund officials or employees were noted.

II-E-05 Business Transactions

No business transactions were noted between the Enterprise Fund or City officials or employees.

Part II: Other Findings Related to Statutory Reporting - Continued:

II-F-05 Bond Coverage

Surety bond coverage of Enterprise Fund officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Board minutes but were not. Copies of minutes were available, but not all official minutes were printed and bound for signatures. Although minutes were published, they did not include a summary of receipts by fund.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should update the minute record book. All minutes should be signed in accordance with Chapter 380.7 of the Code of Iowa. Salaries paid and receipts by fund should be published as required.

Response - We will publish salaries and receipts by fund as required, and we will update the minute record book when time permits.

Conclusion - Response accepted.

II-H-05 Deposits and Investments

Comment - The City has not adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. And as noted before, the City had investments that did not comply with the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the Code of Iowa and should comply with the provisions adopted.

Response - We will adopt and comply with an investment policy accordingly.

Conclusion - Response accepted.

II-I-05 Enterprise Debt

The City is in compliance with the provisions of the revenue note resolutions.

City of Crescent
Schedule of Findings
Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting - Continued:

II-J-05 Excess Balances

Comment – The balance in the Special Revenue Fund – Road Use Account at June 30, 2005 was in excess of the fund disbursements during the year.

Recommendation - The City should consider the necessity of maintaining the substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response - We will review this further.

Conclusion - Response accepted.

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

I-A-04 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person is responsible for check writing, check signing, receipting, posting and reconciling. Certain accounts only require one signature for payment of claims.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. Two signatures should be required on all claims paid.

Response – We will review alternative procedures. The City Treasurer currently reviews bank reconciliations, and the City Council reviews all claims for payment and the monthly financial reports.

Conclusion – Response acknowledged.

I-B-04 Personnel Manual

Comment – The City currently provides each employee a job description. However, the City has not documented its policy regarding payment of benefits upon termination.

Recommendation – The City should document its personnel policies and distribute a copy to all employees. An office copy should be accessible for reference.

Response – We are in the process of developing a personnel manual.

Conclusion – Response accepted.

City of Crescent
Schedule of Findings
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories

Comment – A resolution naming official depositories has been approved by the City. However, one depository used by the City was not included in the depository resolution.

Recommendation – The City should amend its depository resolution to include all depositories used by the City.

Response – We will amend the depository resolution.

Conclusion – Response accepted.

II-B-04 Certified Budget

Comment – Disbursements during the years ended June 30, 2005 and 2004 exceeded the amounts budgeted in the culture and recreation, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-04 Entertainment Expense

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense

No disbursements of Enterprise Fund money for travel expenses of spouses of Enterprise Fund officials or employees were noted.

II-E-04 Business Transactions

No business transactions were noted between the Enterprise Fund or City officials or employees.

City of Crescent
Schedule of Findings
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting - Continued:

II-F-04 Bond Coverage

Surety bond coverage of Enterprise Fund officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Board minutes but were not. Copies of minutes were available, but not all official minutes were printed and bound for signatures. Although minutes were published, they did not include a summary of receipts by fund.

The Council went into closed session. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should update the minute record book. All minutes should be signed in accordance with Chapter 380.7 of the Code of Iowa. Salaries paid and receipts by fund should be published as required.

Response - We will publish salaries and receipts by fund as required, and we will update the minute record book when time permits.

Conclusion - Response accepted.

II-H-04 Deposits and Investments

Comment - The City has not adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. And as noted before, the City had investments that did not comply with the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the Code of Iowa and should comply with the provisions adopted.

Response - We will adopt and comply with an investment policy accordingly.

Conclusion - Response accepted.

II-I-04 Enterprise Debt

The City is in compliance with the provisions of the revenue note resolutions.

City of Crescent
Schedule of Findings
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting - Continued:

II-J-04 Excess Balances

Comment – The balance in the Special Revenue Fund – Road Use Account at June 30, 2004 was in excess of the fund disbursements during the year.

Recommendation - The City should consider the necessity of maintaining the substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response - We will review this further.

Conclusion - Response accepted.

NEWS RELEASE

SCHROER & ASSOCIATES, P.C. today released an audit report on the City of Crescent, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$909,716 for the year ended June 30, 2006. The receipts included \$44,027 in property tax, \$273,560 from charges for service, \$137,344 from operating grants, contributions and restricted interest, \$201,752 from capital grants, contributions and restricted interest, \$58,385 from local option sales tax, \$5,469 from unrestricted investment earnings, \$184,533 from water revenue note proceeds and \$4,646 from other receipts.

Disbursements for the year totaled \$948,019, and included \$387,060 for capital projects, \$119,581 for public works, and \$79,749 for public safety. Also, disbursements for business type activities totaled \$265,124.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

January 26, 2007

David Vautt
Office of State Auditor
State Capitol Building
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Crescent, Iowa for the year ended June 30, 2006.

- 2 copies of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain
Shareholder

DM/sh
Enc.

City of Crescent & Sewer

Hours Worked: 101.50

January 26, 2007

Taurino Delgado
City of Crescent
P.O. Box 16
Crescent, IA 51526

Dear Mr. Delgado:

We have filed the required copies of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget, according to the following schedule:

<u>Budgeted Expenditures (in millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$100.00
At least 1, but less than 3	\$175.00
At least 3, but less than 5	\$250.00
At least 5, but less than 10	\$425.00
At least 10, but less than 25	\$625.00
25 and over	\$850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, Capitol Building, Des Moines, IA 50319-0004.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain
Shareholder

DM/sh

January 9, 2007

Mary Martin
City of Crescent
PO Box 16
Crescent, IA 51526

Dear Mary:

Enclosed you will find a "draft" copy of City of Crescent's audit report for the years ended June 30, 2006, 2005, and 2004. Please review it and let me know if you have any changes.

I will need information from you for the Management Discussion and Analysis part of the audit before we can issue this report.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain
Shareholder

DM/sh
Enc.