

**CITY OF CRESCENT**

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

**JUNE 30, 2007**

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**City of Crescent  
Officials**

| <u>Name</u>      | <u>Title</u>   | <u>Term Expires</u> |
|------------------|----------------|---------------------|
| 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          |
| Vicki Overly     | Treasurer      | Indefinite          |

**City of Crescent**

November 2, 2007

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 year ended June 30, 2007, 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, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

November 2, 2007  
City of Crescent  
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007 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 12 and 32 through 34 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.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2007. 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 \$1,396,000 for the year ended June 30, 2007, compared to \$653,000 for the year ended June 30, 2006. Bond and note proceeds of \$461,000 are included in the receipts for the year ended June 30, 2007, and \$185,000 are included in receipts for the year ended June 30, 2006. Capital grants of approximately \$566,000 are included in receipts for the year ended June 30, 2007, and \$202,000 are included in receipts for the year ended June 30, 2006.
- Disbursements were approximately \$1,475,000 for the year ended June 30, 2007 compared to \$696,000 for the year ended June 30, 2006. Capital projects of \$989,000 were included in disbursements for the year ended June 30, 2007, compared to \$387,000 for the year ended June 30, 2006.
- Changes in total cash basis net assets (expressed in thousands) were approximately as follows:

|  | <u>06/30/07</u>        | <u>06/30/06</u>    |
|--|------------------------|--------------------|
| Government activities                      | \$ (80)                | (43)               |
| Business type activities                   | <u>(25)</u>            | <u>3</u>           |
| Total change in net assets from prior year | \$ <u><u>(105)</u></u> | <u><u>(40)</u></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, 3) Debt Service Fund and 4) 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<br>(Expressed in Thousands) |                     |            |
|---|---------------------|------------|
|   | Year Ended June 30, |            |
|   | 2007                | 2006       |
| Receipts and transfers:   |                     |            |
| Program receipts:   |                     |            |
| Charges for service   | \$ 37               | 21         |
| Operating grants, contributions and restricted interest                                 | 134                 | 137        |
| Capital grants, contributions and restricted interest                                   | 566                 | 202        |
| General receipts:   |                     |            |
| Property tax  | 78                  | 44         |
| Local option sales tax  | 54                  | 58         |
| Grants and contributions not restricted to specific purpose                             | 3                   | 2          |
| Revenue note proceeds   | 461                 | 185        |
| Unrestricted investment earnings  | 5                   | 4          |
| Transfers   | 58                  | 0          |
| Total receipts  | <u>1,396</u>        | <u>653</u> |
| Disbursements:  |                     |            |
| Public safety   | 283                 | 80         |
| Public works  | 27                  | 120        |
| Culture and recreation  | 13                  | 20         |
| Community and economic development  | 4                   | 7          |
| General government  | 85                  | 70         |
| Debt service  | 74                  | 0          |
| Capital projects  | 989                 | 387        |
| Transfers   | 0                   | 12         |
| Total disbursements and transfers   | <u>1,475</u>        | <u>696</u> |
| Change in cash basis net assets   | (79)                | (43)       |
| Cash basis net assets beginning of year   | <u>317</u>          | <u>360</u> |
| Cash basis net assets end of year   | <u>\$ 238</u>       | <u>317</u> |

The City nearly completed two water projects by June 30, 2007. Contractors were all paid.

| Changes in Cash Basis Net Assets of Business Type Activities<br>(Expressed in Thousands) |                     |            |
|--|---------------------|------------|
|  | Year Ended June 30, |            |
|  | 2007                | 2006       |
| Receipts and transfers:  |                     |            |
| Program receipts:  |                     |            |
| Charges for service:   |                     |            |
| Water  | 150                 | 157        |
| Sewer  | 98                  | 95         |
| General receipts:  |                     |            |
| Unrestricted interest on investments   | 2                   | 2          |
| Other receipts   | 18                  | 2          |
| Transfers  | 0                   | 12         |
| Total receipts and transfers   | <u>268</u>          | <u>268</u> |
| Disbursements and transfers:   |                     |            |
| Water  | 146                 | 166        |
| Sewer  | 88                  | 99         |
| Revenue notes refunded   | 58                  | 0          |
| Total disbursements  | <u>292</u>          | <u>265</u> |
| Change in cash basis net assets  | (24)                | 3          |
| Cash basis net assets beginning of year  | <u>173</u>          | <u>170</u> |
| Cash basis net assets end of year  | <u>149</u>          | <u>173</u> |

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

Changes in governmental fund cash balances are as follows:

|                   | June 30,<br>2007  | June 30,<br>2006 |
|-------------------|-------------------|------------------|
| Beginning of year | \$ 317,851        | 359,704          |
| Change in cash    | <u>(79,614)</u>   | <u>(41,853)</u>  |
| End of year       | <u>\$ 238,237</u> | <u>317,851</u>   |

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

| <b>General Fund</b> | June 30,<br>2007  | June 30,<br>2006 |
|---------------------|-------------------|------------------|
| Beginning of year   | \$ 211,472        | 193,114          |
| Change in cash      | <u>(66,158)</u>   | <u>18,358</u>    |
| End of year         | <u>\$ 145,314</u> | <u>211,472</u>   |

Approximately \$66,000 in rescue certificates of deposit were cashed in for down payment of a fire truck.

| <b>Road Use Tax Fund</b> | June 30,<br>2007  | June 30,<br>2006 |
|--------------------------|-------------------|------------------|
| Beginning of year        | \$ 104,605        | 164,041          |
| Change in cash           | <u>11,890</u>     | <u>(59,436)</u>  |
| End of year              | <u>\$ 116,495</u> | <u>104,605</u>   |

Expenses were kept to minimum since all major equipment purchases were made in 2006.

| <b>Capital Projects Fund</b> | June 30,<br>2007   | June 30,<br>2006 |
|------------------------------|--------------------|------------------|
| Beginning of year            | \$ 1,774           | 2,549            |
| Change in cash               | <u>(25,346)</u>    | <u>(775)</u>     |
| End of year                  | <u>\$ (23,572)</u> | <u>1,774</u>     |

The water system improvement projects ran somewhat over budget. With water loss cut down to 15-17% versus 50-75%, the enterprise fund should recoup some of this loss.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

Changes in business type fund cash balances are as follows:

|                   | June 30,<br>2007  | June 30,<br>2006 |
|-------------------|-------------------|------------------|
| Beginning of year | \$ 173,445        | 169,895          |
| Change in cash    | <u>(24,854)</u>   | <u>3,550</u>     |
| End of year       | <u>\$ 148,591</u> | <u>173,445</u>   |

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

| <b>Water Fund</b> | June 30,<br>2007 | June 30,<br>2006 |
|-------------------|------------------|------------------|
| Beginning of year | \$ 74,665        | 81,388           |
| Change in cash    | <u>(38,395)</u>  | <u>(6,723)</u>   |
| End of year       | <u>\$ 36,270</u> | <u>74,665</u>    |

Some of water funds were a match to the C.I.T.I.E.S. grant money for water projects.

| <b>Sewer Fund</b> | June 30,<br>2007  | June 30,<br>2006 |
|-------------------|-------------------|------------------|
| Beginning of year | \$ 98,780         | 88,507           |
| Change in cash    | <u>13,541</u>     | <u>10,273</u>    |
| End of year       | <u>\$ 112,321</u> | <u>98,780</u>    |

Expenses were revamped, sewer reserve and depreciation are up.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time in 2007. The amendment resulted in an increase of \$618,294 for capital projects that were in progress.

## DEBT ADMINISTRATION

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

|                         | June 30,<br>2007 | June 30,<br>2006 |
|-------------------------|------------------|------------------|
| General obligation debt | \$ 613           | 26               |
| Revenue debt            | <u>1,313</u>     | <u>1,526</u>     |
|                         | <u>\$ 1,926</u>  | <u>1,552</u>     |

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Crescent's appointed officials and Citizens considered many factors when setting the fiscal year budget, tax rates and fees charged for various City activities. The City plans on keeping expenses to a minimum. No new capital projects are being planned until at least 2009.

## **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**

City of Crescent  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2007

|                                    | Disbursements | <b>Program</b><br>Charges for Service |
|------------------------------------|---------------|---------------------------------------|
| <b>Functions/Programs:</b>         |               |                                       |
| Governmental activities:           |               |                                       |
| Public safety                      | \$ 282,694    | 28,604                                |
| Public works                       | 26,931        | -                                     |
| Culture and recreation             | 12,915        | 5,254                                 |
| Community and economic development | 4,131         | -                                     |
| General government                 | 84,654        | 2,964                                 |
| Debt service                       | 74,549        | -                                     |
| Capital projects                   | 989,087       | -                                     |
| Total governmental activities      | 1,474,961     | 36,822                                |
| Business type activities:          |               |                                       |
| Water                              | 146,910       | 149,599                               |
| Sewer                              | 88,365        | 98,485                                |
| Total business type activities     | 235,275       | 248,084                               |
| <br>Total                          | \$ 1,710,236  | 284,906                               |

**General Receipts:**

Property tax levied for:  
    General purposes  
Local option sales tax  
Grants and contributions not restricted to specific purpose  
Unrestricted interest on investments  
Loan and 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

| <b>Receipts</b>   |   | <b>Net (Disbursement) Receipts and Changes in Cash Basis Net Assets</b> |                                 |                  |
|---|---|---|---------------------------------|------------------|
| <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>     |
| 74,593  | -   | (179,497)   | -                               | (179,497)        |
| 58,774  | -   | 31,843  | -                               | 31,843           |
| -   | -   | (7,661)   | -                               | (7,661)          |
| -   | -   | (4,131)   | -                               | (4,131)          |
| 529   | -   | (81,161)  | -                               | (81,161)         |
| -   | -   | (74,549)  | -                               | (74,549)         |
| -   | 565,775   | (423,312)   | -                               | (423,312)        |
| <u>133,896</u>  | <u>565,775</u>  | <u>(738,468)</u>  | <u>-</u>                        | <u>(738,468)</u> |
| -   | -   | -   | 2,689                           | 2,689            |
| -   | -   | -   | 10,120                          | 10,120           |
| -   | -   | -   | 12,809                          | 12,809           |
| <u>133,896</u>  | <u>565,775</u>  | <u>(738,468)</u>  | <u>12,809</u>                   | <u>(725,659)</u> |
|   |   | \$ 77,913   | -                               | 77,913           |
|   |   | 54,279  | -                               | 54,279           |
|   |   | 2,910   | -                               | 2,910            |
|   |   | 4,672   | 2,676                           | 7,348            |
|   |   | 460,467   | -                               | 460,467          |
|   |   | 258   | 18,016                          | 18,274           |
|   |   | 58,355  | (58,355)                        | -                |
|   |   | <u>658,854</u>  | <u>(37,663)</u>                 | <u>621,191</u>   |
|   |   | (79,614)  | (24,854)                        | (104,468)        |
|   |   | <u>317,851</u>  | <u>173,445</u>                  | <u>491,296</u>   |
|   |   | <u>\$ 238,237</u>   | <u>148,591</u>                  | <u>386,828</u>   |
|   |   | \$ 116,495  | -                               | 116,495          |
|   |   | (23,572)  | -                               | (23,572)         |
|   |   | -   | 114,443                         | 114,443          |
|   |   | <u>145,314</u>  | <u>34,148</u>                   | <u>179,462</u>   |
|   |   | <u>\$ 238,237</u>   | <u>148,591</u>                  | <u>386,828</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, 2007

|  | General    | Road Use<br>Tax | Special Revenue<br>Local<br>Option<br>Sales Tax |
|--|------------|-----------------|---|
| Receipts:  |            |                 |   |
| Property tax   | \$ 75,092  | -               | -   |
| Other city tax   | 2,821      | -               | 54,279  |
| Licenses and permits                                       | 2,964      | -               | -   |
| Use of money and property                                  | 7,477      | -               | -   |
| Intergovernmental  | 61,944     | 58,411          | -   |
| Charges for service  | 33,858     | -               | -   |
| Miscellaneous  | 13,541     | 363             | -   |
| Total receipts   | 197,697    | 58,774          | 54,279  |
| Disbursements:   |            |                 |   |
| Operating:   |            |                 |   |
| Public safety  | 282,694    | -               | -   |
| Public works   | 546        | 26,385          | -   |
| Culture and recreation                                     | 12,915     | -               | -   |
| Community and economic development                         | 4,131      | -               | -   |
| General government   | 84,654     | -               | -   |
| Debt service   | 41,814     | -               | -   |
| Capital projects   | -          | -               | -   |
| Total disbursements  | 426,754    | 26,385          | -   |
| Excess (deficiency) of receipts over (under) disbursements | (229,057)  | 32,389          | 54,279  |
| Other financing sources:                                   |            |                 |   |
| General obligation note proceeds                           | -          | -               | -   |
| Loan proceeds  | 150,000    | -               | -   |
| Operating transfers in                                     | 54,279     | -               | -   |
| Operating transfers out                                    | (41,380)   | (20,499)        | (54,279)  |
| Total other financing sources (uses)                       | 162,899    | (20,499)        | (54,279)  |
| Net change in cash balances                                | (66,158)   | 11,890          | -   |
| Cash balances, beginning of year                           | 211,472    | 104,605         | -   |
| Cash balances, end of year                                 | \$ 145,314 | 116,495         | -   |
| <b>Cash Basis Fund Balances</b>                            |            |                 |   |
| Unreserved:  |            |                 |   |
| General fund   | \$ 145,314 | -               | -   |
| Special revenue funds                                      | -          | 116,495         | -   |
| Debt service fund  | -          | -               | -   |
| Capital projects fund                                      | -          | -               | -   |
| Total cash basis fund balances                             | \$ 145,314 | 116,495         | -   |

See notes to financial statements

| Debt<br>Service | Capital<br>Projects<br>Fund | Total            |
|-----------------|-----------------------------|------------------|
| -               | -                           | 75,092           |
| -               | -                           | 57,100           |
| -               | -                           | 2,964            |
| -               | 164                         | 7,641            |
| -               | 565,611                     | 685,966          |
| -               | -                           | 33,858           |
| -               | -                           | 13,904           |
| -               | <u>565,775</u>              | <u>876,525</u>   |
| -               | -                           | 282,694          |
| -               | -                           | 26,931           |
| -               | -                           | 12,915           |
| -               | -                           | 4,131            |
| -               | -                           | 84,654           |
| 32,735          | -                           | 74,549           |
| -               | 989,087                     | 989,087          |
| <u>32,735</u>   | <u>989,087</u>              | <u>1,474,961</u> |
| (32,735)        | (423,312)                   | (598,436)        |
| -               | 310,467                     | 310,467          |
| -               | -                           | 150,000          |
| 32,735          | 87,499                      | 174,513          |
| -               | -                           | (116,158)        |
| <u>32,735</u>   | <u>397,966</u>              | <u>518,822</u>   |
| -               | (25,346)                    | (79,614)         |
| -               | 1,774                       | 317,851          |
| -               | <u>(23,572)</u>             | <u>238,237</u>   |
| -               | -                           | 145,314          |
| -               | -                           | 116,495          |
| -               | -                           | -                |
| -               | <u>(23,572)</u>             | <u>(23,572)</u>  |
| -               | <u>(23,572)</u>             | <u>238,237</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, 2007

|   |    |         |
|---|----|---------|
| <b>Total governmental funds cash balances</b> | \$ | 238,237 |
|---|----|---------|

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

|      |  |   |
|------|--|---|
| None |  | - |
|------|--|---|

|   |    |         |
|---|----|---------|
| <b>Cash basis net assets of governmental activities</b> | \$ | 238,237 |
|---|----|---------|

|                                    |    |          |
|------------------------------------|----|----------|
| <b>Net change in cash balances</b> | \$ | (79,614) |
|------------------------------------|----|----------|

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

|      |  |   |
|------|--|---|
| None |  | - |
|------|--|---|

|  |    |          |
|--|----|----------|
| <b>Change in cash balance of governmental activities</b> | \$ | (79,614) |
|--|----|----------|

City of Crescent  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2007

|  | <b>Enterprise Funds</b> |                 |                 |
|--|-------------------------|-----------------|-----------------|
|  | <u>Water</u>            | <u>Sewer</u>    | <u>Total</u>    |
| Operating receipts:  |                         |                 |                 |
| Charges for service  | \$ 149,599              | 98,485          | 248,084         |
| Operating disbursements:                                     |                         |                 |                 |
| Business type activities                                     | <u>119,827</u>          | <u>27,577</u>   | <u>147,404</u>  |
| Excess of operating receipts over<br>operating disbursements | 29,772                  | 70,908          | 100,680         |
| Non-operating receipts (disbursements):                      |                         |                 |                 |
| Interest on investments                                      | 1,053                   | 1,623           | 2,676           |
| Miscellaneous  | 16,218                  | 1,798           | 18,016          |
| Debt service   | <u>(27,083)</u>         | <u>(60,788)</u> | <u>(87,871)</u> |
| Total non-operating receipts (disbursements)                 | <u>(9,812)</u>          | <u>(57,367)</u> | <u>(67,179)</u> |
| Excess of receipts over disbursements                        | 19,960                  | 13,541          | 33,501          |
| Other financing sources:                                     |                         |                 |                 |
| Operating transfers out                                      | <u>(58,355)</u>         | <u>-</u>        | <u>(58,355)</u> |
| Net change in cash balances                                  | (38,395)                | 13,541          | (24,854)        |
| Cash balances, beginning of year                             | <u>74,665</u>           | <u>98,780</u>   | <u>173,445</u>  |
| Cash balances, end of year                                   | <u>\$ 36,270</u>        | <u>112,321</u>  | <u>148,591</u>  |
| <br><b>Cash Basis Fund Balances</b>                          |                         |                 |                 |
| Reserved for debt service                                    | \$ -                    | 114,443         | 114,443         |
| Unreserved   | <u>36,270</u>           | <u>(2,122)</u>  | <u>34,148</u>   |
|  | <u>\$ 36,270</u>        | <u>112,321</u>  | <u>148,591</u>  |

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, 2007

|   |    |         |
|---|----|---------|
| <b>Total enterprise funds cash balances</b> | \$ | 148,591 |
|---|----|---------|

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

|      |  |   |
|------|--|---|
| None |  | - |
|------|--|---|

|  |    |         |
|--|----|---------|
| <b>Cash basis net assets of business type activities</b> | \$ | 148,591 |
|--|----|---------|

|                                    |    |          |
|------------------------------------|----|----------|
| <b>Net change in cash balances</b> | \$ | (24,854) |
|------------------------------------|----|----------|

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

|      |  |   |
|------|--|---|
| None |  | - |
|------|--|---|

|   |    |          |
|---|----|----------|
| <b>Change in cash balance of business type activities</b> | \$ | (24,854) |
|---|----|----------|

City of Crescent  
Notes to Financial Statements  
June 30, 2007

**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, 2007

**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, 2007

**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 Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

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, 2007

**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, 2007, disbursements exceeded the amounts budgeted in the public safety, 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, 2005, to compute the amounts which became liens on property on July 1, 2006. These taxes were due and payable in two installments on September 30, 2006 and March 31, 2007, 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, 2007

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 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 \$386,828 at June 30, 2007.

**NOTE (3) Bonds and Notes Payable**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized below:

|                        | <u>General Obligation<br/>Bonds and Notes</u> | <u>Revenue<br/>Notes</u> | <u>Total</u>     |
|------------------------|---|--------------------------|------------------|
| Balance, June 30, 2006 | \$ 210,238                                    | 1,341,321                | 1,551,559        |
| Additions              | 460,467                                       | -                        | 460,467          |
| Redemptions            | <u>(57,666)</u>                               | <u>(27,842)</u>          | <u>(85,508)</u>  |
| Balance, June 30, 2007 | <u>\$ 613,039</u>                             | <u>1,313,479</u>         | <u>1,926,518</u> |

City of Crescent  
Notes to Financial Statements  
June 30, 2007

**NOTE (3) Bonds and Notes Payable- Continued**

Annual debt service requirements to maturity for general obligation notes and revenue notes at June 30, 2007 are as follows:

| Year<br>Ending<br>June 30, | General Obligation<br>Bonds and Notes |                | Revenue Notes    |                  | Total            |                  |
|----------------------------|---------------------------------------|----------------|------------------|------------------|------------------|------------------|
|                            | Principal                             | Interest       | Principal        | Interest         | Principal        | Interest         |
| 2008                       | \$ 43,853                             | 20,656         | 27,065           | 56,640           | 70,918           | 77,296           |
| 2009                       | 44,862                                | 18,956         | 29,742           | 61,102           | 74,604           | 80,058           |
| 2010                       | 45,919                                | 17,209         | 31,189           | 60,303           | 77,108           | 77,512           |
| 2011                       | 48,028                                | 15,410         | 32,707           | 59,465           | 80,735           | 74,875           |
| 2012                       | 50,190                                | 13,528         | 34,299           | 58,587           | 84,489           | 72,115           |
| 2013-2017                  | 155,187                               | 46,360         | 193,109          | 278,139          | 348,296          | 324,499          |
| 2018-2022                  | 142,000                               | 25,320         | 107,562          | 196,378          | 249,562          | 221,698          |
| 2023-2027                  | 83,000                                | 4,800          | 132,445          | 171,495          | 215,445          | 176,295          |
| 2028-2032                  | -                                     | -              | 163,088          | 140,852          | 163,088          | 140,852          |
| 2033-2037                  | -                                     | -              | 200,816          | 103,124          | 200,816          | 103,124          |
| 2038-2042                  | -                                     | -              | 247,275          | 56,665           | 247,275          | 56,665           |
| 2043-2044                  | -                                     | -              | 114,182          | 7,324            | 114,182          | 7,324            |
|                            | \$ <u>613,039</u>                     | <u>162,239</u> | <u>1,313,479</u> | <u>1,250,074</u> | <u>1,926,518</u> | <u>1,412,313</u> |

The City has a legal debt limit of approximately \$1,500,000 which was not exceeded during the years ended June 30, 2007.

The City complied with the provisions of the water revenue notes 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, 2007.

City of Crescent  
Notes to Financial Statements  
June 30, 2007

**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, 2007, 2006, and 2005 were \$2,368, \$2,197, and \$1,058, 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, 2007 primarily relating to the General Fund is \$1,197. This liability has been computed based on rates of pay in effect at June 30, 2007.

**NOTE (6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

| Transfer to      | Transfer from                              | Amount            |
|------------------|--|-------------------|
| General          | Special Revenue:<br>Local Option Sales Tax | \$ 54,279         |
| Debt Service     | General                                    | 32,735            |
| Capital Projects | General                                    | 8,645             |
|                  | Special Revenue:<br>Road Use               | 20,499            |
|                  | Enterprise:<br>Water                       | 58,355            |
|                  |  | <u>87,499</u>     |
|                  |  | \$ <u>174,513</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, 2007

**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 556 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 contribution to the Pool for the year ended June 30, 2007 was \$15,324.

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 \$3,000,000 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, 2007

**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, 2007, 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) Construction Commitments**

The City had the following construction commitments at June 30, 2007:

| <u>Project</u>        | <u>Estimated Total<br/>Contract Price</u> | <u>Paid to<br/>June 30, 2007</u> | <u>Remaining<br/>Commitment</u> | <u>Retainages<br/>Payable</u> |
|-----------------------|---|----------------------------------|---------------------------------|-------------------------------|
| Sewer<br>Construction | \$ 1,322,981                              | \$ 1,276,832                     | \$ 46,149                       | \$ 46,149                     |
| Water<br>Construction | 375,109                                   | 355,349                          | <u>19,761</u>                   | <u>19,761</u>                 |
|                       |   |                                  | \$ <u>65,910</u>                | \$ <u>65,910</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.

City of Crescent  
Notes to Financial Statements  
June 30, 2007

**NOTE (9) Commitments**

Law Enforcement Services Contract

The City has contracted for law enforcement services through June 30, 2008 for an annual cost of \$9,398.

Library Services Contract

The City has contracted for library services through June 30, 2008 for an annual cost of \$1,206.

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 \$1,300, and meter reading and billing services at a monthly fee of \$1,050 through January 31, 2008. The contract commitments increase to \$1,360 and \$1,100, respectively, for the year ended June 30, 2009, and to \$1,420 and \$1,150, respectively, for the year ended June 30, 2010.

**NOTE (10) Deficit Balances**

The Capital Projects Fund had a deficit balance of \$23,542 at June 30, 2007. The City plans to eliminate the deficit upon transfer of water enterprise funds.

**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, 2007

|  | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual |
|--|---------------------------------|--------------------------------|
|  | <u>                    </u>     | <u>                    </u>    |
| Receipts:  |                                 |                                |
| Property tax   | \$ 75,092                       | -                              |
| TIF revenues   | -                               | -                              |
| Other city tax   | 57,100                          | -                              |
| Licenses and permits   | 2,964                           | -                              |
| Use of money and property  | 7,641                           | 2,676                          |
| Intergovernmental  | 685,966                         | -                              |
| Charges for service  | 33,858                          | 248,084                        |
| Miscellaneous  | 13,904                          | 18,016                         |
| Total receipts   | <u>876,525</u>                  | <u>268,776</u>                 |
| Disbursements:   |                                 |                                |
| Public safety  | 282,694                         | -                              |
| Public works   | 26,931                          | -                              |
| Culture and recreation   | 12,915                          | -                              |
| Community and economic development   | 4,131                           | -                              |
| General government   | 84,654                          | -                              |
| Debt service   | 74,549                          | -                              |
| Capital projects   | 989,087                         | -                              |
| Business type activities   | -                               | 235,275                        |
| Total disbursements  | <u>1,474,961</u>                | <u>235,275</u>                 |
| Excess (deficiency) of receipts over (under) disbursements   | (598,436)                       | 33,501                         |
| Other financing sources, net   | <u>518,822</u>                  | <u>(58,355)</u>                |
| Excess (deficiency) of receipts and other financing sources<br>over (under) disbursements and other financing uses | (79,614)                        | (24,854)                       |
| Balances, beginning of year  | <u>317,851</u>                  | <u>173,445</u>                 |
| Balances, end of year  | <u>\$ 238,237</u>               | <u>148,591</u>                 |

See accompanying independent auditors' report

| <u>Total</u>     | <u>Budgeted Amounts</u> |                  | <u>Final to Net<br/>Variance</u> |
|------------------|-------------------------|------------------|----------------------------------|
|                  | <u>Original</u>         | <u>Final</u>     |                                  |
| 75,092           | 75,996                  | 75,996           | (904)                            |
| -                | -                       | 6,950            | -                                |
| 57,100           | 57,464                  | 57,464           | (364)                            |
| 2,964            | 7,635                   | 7,635            | (4,671)                          |
| 10,317           | 3,000                   | 248,000          | (237,683)                        |
| 685,966          | 869,000                 | 1,022,000        | (336,034)                        |
| 281,942          | 262,200                 | 262,200          | 19,742                           |
| 31,920           | 8,000                   | 80,000           | (48,080)                         |
| <u>1,145,301</u> | <u>1,283,295</u>        | <u>1,760,245</u> | <u>(614,944)</u>                 |
| 282,694          | 96,755                  | 135,049          | (147,645)                        |
| 26,931           | 14,000                  | 54,000           | 27,069                           |
| 12,915           | 12,215                  | 12,215           | (700)                            |
| 4,131            | 7,400                   | 7,400            | 3,269                            |
| 84,654           | 85,700                  | 85,700           | 1,046                            |
| 74,549           | 30,000                  | 280,000          | 205,451                          |
| 989,087          | 690,000                 | 970,000          | (19,087)                         |
| 235,275          | 196,473                 | 206,473          | (28,802)                         |
| <u>1,710,236</u> | <u>1,132,543</u>        | <u>1,750,837</u> | <u>40,601</u>                    |
| (564,935)        | 150,752                 | 9,408            | (574,343)                        |
| <u>460,467</u>   | <u>-</u>                | <u>294,738</u>   | <u>165,729</u>                   |
| (104,468)        | 150,752                 | 304,146          | (408,614)                        |
| <u>491,296</u>   | <u>458,592</u>          | <u>458,592</u>   | <u>32,704</u>                    |
| <u>386,828</u>   | <u>609,344</u>          | <u>762,738</u>   | <u>(375,910)</u>                 |

City of Crescent  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2007

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, 2007, one budget amendment increased budgeted disbursements by \$618,294. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, 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, 2007

|   | General          | Fire           | Rescue          | Paper        | Interfund<br>Transfers | Total          |
|---|------------------|----------------|-----------------|--------------|------------------------|----------------|
| <b>Receipts</b>   |                  |                |                 |              |                        |                |
| Property tax  | \$ 75,092        | -              | -               | -            | -                      | 75,092         |
| Other city tax  | 2,821            | -              | -               | -            | -                      | 2,821          |
| Licenses and permits  | 2,964            | -              | -               | -            | -                      | 2,964          |
| Use of money and property                                     | 5,947            | 721            | 809             | -            | -                      | 7,477          |
| Intergovernmental   | 1,635            | 40,206         | 20,103          | -            | -                      | 61,944         |
| Charges for service   | -                | 5,435          | 23,169          | 5,254        | -                      | 33,858         |
| Miscellaneous   | 787              | 10,417         | 2,337           | -            | -                      | 13,541         |
| Total receipts  | <u>89,246</u>    | <u>56,779</u>  | <u>46,418</u>   | <u>5,254</u> | <u>-</u>               | <u>197,697</u> |
| <b>Disbursements</b>  |                  |                |                 |              |                        |                |
| Operating:  |                  |                |                 |              |                        |                |
| Public safety   | 10,494           | 247,755        | 24,445          | -            | -                      | 282,694        |
| Culture and recreation  | 546              | -              | -               | -            | -                      | 546            |
| Community and economic<br>development                         | 8,840            | -              | -               | 4,075        | -                      | 12,915         |
| General government  | 4,131            | -              | -               | -            | -                      | 4,131          |
| Debt service  | 84,654           | -              | -               | -            | -                      | 84,654         |
| Total disbursements   | <u>108,665</u>   | <u>289,569</u> | <u>24,445</u>   | <u>4,075</u> | <u>-</u>               | <u>426,754</u> |
| Excess (deficiency) of receipts<br>over (under) disbursements | (19,419)         | (232,790)      | 21,973          | 1,179        | -                      | (229,057)      |
| <b>Other financing sources (uses):</b>                        |                  |                |                 |              |                        |                |
| Loan proceeds   | -                | 150,000        | -               | -            | -                      | 150,000        |
| Operating transfers in  | 54,279           | 73,033         | 3,069           | -            | (76,102)               | 54,279         |
| Operating transfers out                                       | (50,586)         | -              | (66,896)        | -            | 76,102                 | (41,380)       |
| Total other financing sources (uses)                          | <u>3,693</u>     | <u>223,033</u> | <u>(63,827)</u> | <u>-</u>     | <u>-</u>               | <u>162,899</u> |
| Net change in cash balances                                   | (15,726)         | (9,757)        | (41,854)        | 1,179        | -                      | (66,158)       |
| Cash balances, beginning 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 balances, end of year                                    | <u>\$ 43,381</u> | <u>43,025</u>  | <u>56,281</u>   | <u>2,627</u> | <u>-</u>               | <u>145,314</u> |
| <b>Cash Basis Fund Balances</b>                               |                  |                |                 |              |                        |                |
| Unreserved:   |                  |                |                 |              |                        |                |
| General fund  | <u>\$ 43,381</u> | <u>43,025</u>  | <u>56,281</u>   | <u>2,627</u> | <u>-</u>               | <u>145,314</u> |

See accompanying independent auditors' report

City of Crescent  
Schedule of Indebtedness  
June 30, 2007

| <u>Obligation</u>                   | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|-------------------------------------|----------------------|-----------------------|---------------------------------|
| General Obligation Loans and Notes: |                      |                       |                                 |
| Rescue equipment                    | Mar 2, 2006          | 5.99 %                | \$ 25,705                       |
| Water improvement                   | June 8, 2006         | 3.00 %                | 400,000                         |
| Fire truck                          | Sept 26, 2006        | 4.78 %                | 150,000                         |
| Water improvement                   | Mar 15, 2007         | 3.00 %                | 95,000                          |
| Revenue Notes:                      |                      |                       |                                 |
| Sewer                               | Sept 29, 2003        | 4.25 %                | \$ 911,000                      |
| Water refunding                     | Jun 30, 2004         | 5.25 %                | 231,500                         |

See accompanying independent auditors' report

**Schedule 2**

|    | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Issued<br/>During<br/>Year</u> | <u>Redeemed<br/>During<br/>Year</u> | <u>Balance<br/>End<br/>of Year</u> | <u>Interest<br/>Paid</u> | <u>Interest<br/>Due and<br/>Unpaid</u> |
|----|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$ | 25,705                                   | -                                 | 25,705                              | -                                  | 2,129                    | -                                      |
|    | 184,533                                  | 215,467                           | 19,000                              | 381,000                            | 8,194                    | -                                      |
|    | -  | 150,000                           | 8,961                               | 141,039                            | 5,019                    | -                                      |
|    | <u>-</u>                                 | <u>95,000</u>                     | <u>4,000</u>                        | <u>91,000</u>                      | <u>508</u>               | <u>-</u>                               |
| \$ | <u>210,238</u>                           | <u>460,467</u>                    | <u>57,666</u>                       | <u>613,039</u>                     | <u>15,850</u>            | <u>-</u>                               |
| \$ | 1,135,655                                | -                                 | 11,994                              | 1,123,661                          | 48,794                   | -                                      |
|    | <u>205,666</u>                           | <u>-</u>                          | <u>15,848</u>                       | <u>189,818</u>                     | <u>11,235</u>            | <u>-</u>                               |
| \$ | <u>1,341,321</u>                         | <u>-</u>                          | <u>27,842</u>                       | <u>1,313,479</u>                   | <u>60,029</u>            | <u>-</u>                               |

City of Crescent  
Bond and Note Maturities  
June 30, 2007

**General Obligation Bonds and Notes**

| Year<br>Ending<br>June 30, | Water Improvements<br>Issued Jun 6, 2006 |                   | Fire Truck<br>Issued Sept 26, 2006 |                   | Water Improvements<br>Issued Mar 15, 2007 |                  | Total             |
|----------------------------|--|-------------------|------------------------------------|-------------------|---|------------------|-------------------|
|                            | Interest<br>Rate                         | Amount            | Interest<br>Rate                   | Amount            | Interest<br>Rate                          | Amount           |                   |
|                            | 2008                                     | 3.00 %            | \$ 19,000                          | 4.78 %            | \$ 20,853                                 | 3.00 %           |                   |
| 2009                       | 3.00 %                                   | 19,000            | 4.78 %                             | 21,862            | 3.00 %                                    | 4,000            | 44,862            |
| 2010                       | 3.00 %                                   | 19,000            | 4.78 %                             | 22,919            | 3.00 %                                    | 4,000            | 45,919            |
| 2011                       | 3.00 %                                   | 20,000            | 4.78 %                             | 24,028            | 3.00 %                                    | 4,000            | 48,028            |
| 2012                       | 3.00 %                                   | 20,000            | 4.78 %                             | 25,190            | 3.00 %                                    | 5,000            | 50,190            |
| 2013                       | 3.00 %                                   | 20,000            | 4.78 %                             | 26,187            | 3.00 %                                    | 5,000            | 51,187            |
| 2014                       | 3.00 %                                   | 21,000            | -                                  | -                 | 3.00 %                                    | 5,000            | 26,000            |
| 2015                       | 3.00 %                                   | 21,000            | -                                  | -                 | 3.00 %                                    | 5,000            | 26,000            |
| 2016                       | 3.00 %                                   | 21,000            | -                                  | -                 | 3.00 %                                    | 5,000            | 26,000            |
| 2017                       | 3.00 %                                   | 21,000            | -                                  | -                 | 3.00 %                                    | 5,000            | 26,000            |
| 2018                       | 3.00 %                                   | 22,000            | -                                  | -                 | 3.00 %                                    | 6,000            | 28,000            |
| 2019                       | 3.00 %                                   | 22,000            | -                                  | -                 | 3.00 %                                    | 6,000            | 28,000            |
| 2020                       | 3.00 %                                   | 22,000            | -                                  | -                 | 3.00 %                                    | 6,000            | 28,000            |
| 2021                       | 3.00 %                                   | 23,000            | -                                  | -                 | 3.00 %                                    | 6,000            | 29,000            |
| 2022                       | 3.00 %                                   | 23,000            | -                                  | -                 | 3.00 %                                    | 6,000            | 29,000            |
| 2023                       | 3.00 %                                   | 23,000            | -                                  | -                 | 3.00 %                                    | 6,000            | 29,000            |
| 2024                       | 3.00 %                                   | 24,000            | -                                  | -                 | 3.00 %                                    | 7,000            | 31,000            |
| 2025                       | 3.00 %                                   | 21,000            | -                                  | -                 | 3.00 %                                    | 2,000            | 23,000            |
| 2026                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2027                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2028                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2029                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2030                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2031                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2032                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2033                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2034                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2035                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2036                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2037                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2038                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2039                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2040                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2041                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2042                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2043                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
| 2044                       | -  | -                 | -                                  | -                 | -   | -                | -                 |
|                            |  | <u>\$ 381,000</u> |                                    | <u>\$ 141,039</u> |   | <u>\$ 91,000</u> | <u>\$ 613,039</u> |

See accompanying independent auditors' report

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**Revenue Notes**


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| Sewer                |    |                  | Water               |    |                | Total               |
|----------------------|----|------------------|---------------------|----|----------------|---------------------|
| Issued Sept 29, 2003 |    |                  | Issued Jun 30, 2004 |    |                |                     |
| Interest Rate        |    | Amount           | Interest Rate       |    | Amount         |                     |
| 4.25 %               | \$ | 13,032           | 5.25 %              | \$ | 14,033         | \$ 27,065           |
| 4.25 %               |    | 13,586           | 5.25 %              |    | 16,156         | 29,742              |
| 4.25 %               |    | 14,164           | 5.25 %              |    | 17,025         | 31,189              |
| 4.25 %               |    | 14,766           | 5.25 %              |    | 17,941         | 32,707              |
| 4.25 %               |    | 15,393           | 5.25 %              |    | 18,906         | 34,299              |
| 4.25 %               |    | 16,047           | 5.25 %              |    | 19,923         | 35,970              |
| 4.25 %               |    | 16,729           | 5.25 %              |    | 20,994         | 37,723              |
| 4.25 %               |    | 17,440           | 5.25 %              |    | 22,123         | 39,563              |
| 4.25 %               |    | 18,182           | 5.25 %              |    | 23,313         | 41,495              |
| 4.25 %               |    | 18,954           | 5.25 %              |    | 19,404         | 38,358              |
| 4.25 %               |    | 19,760           | -                   |    | -              | 19,760              |
| 4.25 %               |    | 20,600           | -                   |    | -              | 20,600              |
| 4.25 %               |    | 21,475           | -                   |    | -              | 21,475              |
| 4.25 %               |    | 22,388           | -                   |    | -              | 22,388              |
| 4.25 %               |    | 23,339           | -                   |    | -              | 23,339              |
| 4.25 %               |    | 24,331           | -                   |    | -              | 24,331              |
| 4.25 %               |    | 25,365           | -                   |    | -              | 25,365              |
| 4.25 %               |    | 26,443           | -                   |    | -              | 26,443              |
| 4.25 %               |    | 27,567           | -                   |    | -              | 27,567              |
| 4.25 %               |    | 28,739           | -                   |    | -              | 28,739              |
| 4.25 %               |    | 29,960           | -                   |    | -              | 29,960              |
| 4.25 %               |    | 31,234           | -                   |    | -              | 31,234              |
| 4.25 %               |    | 32,561           | -                   |    | -              | 32,561              |
| 4.25 %               |    | 33,945           | -                   |    | -              | 33,945              |
| 4.25 %               |    | 35,388           | -                   |    | -              | 35,388              |
| 4.25 %               |    | 36,891           | -                   |    | -              | 36,891              |
| 4.25 %               |    | 38,459           | -                   |    | -              | 38,459              |
| 4.25 %               |    | 40,094           | -                   |    | -              | 40,094              |
| 4.25 %               |    | 41,798           | -                   |    | -              | 41,798              |
| 4.25 %               |    | 43,574           | -                   |    | -              | 43,574              |
| 4.25 %               |    | 45,426           | -                   |    | -              | 45,426              |
| 4.25 %               |    | 47,357           | -                   |    | -              | 47,357              |
| 4.25 %               |    | 49,369           | -                   |    | -              | 49,369              |
| 4.25 %               |    | 51,468           | -                   |    | -              | 51,468              |
| 4.25 %               |    | 53,655           | -                   |    | -              | 53,655              |
| 4.25 %               |    | 55,935           | -                   |    | -              | 55,935              |
| 4.25 %               |    | 58,247           | -                   |    | -              | 58,247              |
|                      | \$ | <u>1,123,661</u> |                     | \$ | <u>189,818</u> | \$ <u>1,313,479</u> |

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

|                                    | <u>2007</u>      | <u>2006</u>    | <u>2005</u>    | <u>2004</u>    |
|------------------------------------|------------------|----------------|----------------|----------------|
| Receipts                           |                  |                |                |                |
| Property tax                       | \$ 75,092        | 42,059         | 28,995         | 29,091         |
| Other city tax                     | 57,100           | 60,353         | 48,882         | 49,355         |
| Licenses and permits               | 2,964            | 3,579          | 1,215          | 475            |
| Use of money and property          | 7,641            | 6,648          | 4,530          | 4,638          |
| Intergovernmental                  | 685,966          | 325,884        | 198,740        | 573,136        |
| Charges for service                | 33,858           | 17,836         | 33,657         | 49,600         |
| Miscellaneous                      | 13,904           | 12,682         | 17,375         | 23,361         |
|                                    | <u>876,525</u>   | <u>469,041</u> | <u>333,394</u> | <u>729,656</u> |
| Total                              | \$               |                |                |                |
| Disbursements                      |                  |                |                |                |
| Operating:                         |                  |                |                |                |
| Public safety                      | \$ 282,694       | 79,749         | 72,917         | 187,373        |
| Public works                       | 26,931           | 119,581        | 60,530         | 24,756         |
| Culture and recreation             | 12,915           | 19,749         | 11,064         | 13,211         |
| Community and economic development | 4,131            | 7,240          | 6,296          | 4,755          |
| General government                 | 84,654           | 69,516         | 39,048         | 53,548         |
| Debt service                       | 74,549           | -              | -              | -              |
| Capital projects                   | 989,087          | 387,060        | 77,833         | 363,722        |
|                                    | <u>1,474,961</u> | <u>682,895</u> | <u>267,688</u> | <u>647,365</u> |
| Total                              | \$               |                |                |                |

See accompanying independent auditors' report

**City of Crescent**

November 2, 2007

*Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards*

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 year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 2, 2007. Our report expressed unqualified opinions 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Crescent's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Crescent's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

Continued...

City of Crescent  
Report on Internal Control

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City Crescent's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Crescent's financial statements that is more than inconsequential will not be prevented or detected by the City of Crescent's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07, I-B-07 and I-C-07 are material weaknesses.

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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

City of Crescent's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Crescent's responses and, accordingly, we express no opinion on them.

Continued...

City of Crescent  
Report on Internal Control

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.

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

**I-A-07 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. The cash receipts listing, posting of the cash receipts to the cash receipts journal, reconciling and financial reporting are all done by the same person.

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 the maximum internal control possible under the circumstances.

Response – The City Treasurer makes the deposits and reviews the monthly bank statements.

Conclusion – Response acknowledged. In addition, City employees could submit a bank reconciliation and a computer generated check register for each account to the Treasurer for review.

**I-B-07 Service Organization Policies**

Comment – Per discussion with PeopleService, there is also a lack of segregation of duties among their employees. The same person is responsible for billing, receipting, posting and reconciling of utility billings.

Recommendation – The City should exercise oversight of this service organization and request that policies be established to obtain the maximum internal control possible.

Response – We will review this further.

Conclusion – Response acknowledged.

**I-C-07 Financial Reporting**

Comment – During the audit, we identified transfers posted to miscellaneous revenue and expense accounts and the redemption of certificates of deposits posted to revenue accounts. We also noted that corrections of postings were not always adjusted to the same account where the posting error occurred. Adjustments were subsequently made by the City to properly report the transactions in the City's financial statements.

Recommendation – The City should implement procedures to ensure transfers, investment transactions and account posting corrections are properly recorded.

Response – We will record these transactions properly in the future.

Conclusion – Response accepted.

City of Crescent  
Schedule of Findings  
Year ended June 30, 2007

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES - Continued:**

**I-D-07 Investment Transactions**

Comment – The City did not document the interest rates and renewal dates and maturities of all certificates of deposit that were renewed.

Recommendation – The City should update investment records at the time the certificates are renewed. In addition, the City should determine that the financial institution is paying the proper rate required by the State Rate Setting Committee for public funds.

Response – We will review procedures with the financial institution to get the information needed to keep our records current.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

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

**Part II: Other Findings Related to Statutory Reporting:**

**II-A-07 Certified Budget**

Comment – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, culture and recreation, capital projects and business type 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-07 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-07 Travel Expense**

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

**II-D-07 Business Transactions**

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

**II-E-07 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.

City of Crescent  
Schedule of Findings  
Year ended June 30, 2007

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

**II-F-07 Council Minutes**

Comment - No transactions were found that we believe should have been approved in the Council 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 and disbursements 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.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa. The City should update the minute record book and all minutes should be signed in accordance with Chapter 380.7 of the Code of Iowa. Receipts and disbursements by fund should be published as required.

Response – We will publish receipts and disbursements by fund as required. We will update the minute record book when time permits and will document in the future the specific information required by Chapter 21 for closed meetings.

Conclusion – Response accepted.

**II-G-07 Enterprise Debt**

Comment – The Sewer operating account balance had a deficit at June 30, 2007, and the sewer depreciation fund balance was insufficient to meet the requirements of the Sewer Bond Resolution.

Recommendation – The Sewer Bond Resolution requires that rates be sufficiently set to fund the operations of the Sewer Enterprise Fund and fund the loan reserve requirements. 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 reallocated costs late in the fiscal year in order to improve the financial condition of the Sewer Enterprise Fund and meet the loan requirements.

Conclusion – Response accepted.

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

**II-H-07 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, the interest rates on several certificates of deposits did not meet the statutory rates established by the State Rate Setting Committee.

Recommendation - The City should adopt a written investment policy that complies with the Code of Iowa. The City should contact the financial institution to correct the rates and request that they pay the interest as required.

Response - We have done this.

Conclusion - Response accepted.

**II-I-07 Excess Balances**

Comment - The cash balance in the Special Revenue Fund, Road Use Tax Account at June 30, 2007, was in excess of the disbursements made from the fund during the year.

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

Response - We will review this further.

Conclusion - Response accepted.

**II-J-07 Financial Condition**

Comment - As previously noted, the Capital Projects Fund had a deficit balance at June 30, 2007.

Recommendation - The City should monitor the activity in this account in order to eliminate the deficit.

Response - We plan on transferring the funds needed from the Water Enterprise Fund.

Conclusion - Response accepted.

## **NEWS RELEASE**

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

The City's receipts totaled \$1,605,768 for the year ended June 30, 2007. The receipts included \$77,913 in property tax, \$284,906 from charges for service, \$133,896 from operating grants, contributions and restricted interest, \$565,775 from capital grants, contributions and restricted interest, \$54,279 from local option sales tax, \$7,348 from unrestricted investment earnings, \$460,467 from note and loan proceeds and \$21,184 from other receipts.

Disbursements for the year totaled \$1,710,236, and included \$989,087 for capital projects, \$282,694 for public safety, and \$84,654 for general government. Also, disbursements for business type activities totaled \$235,275.

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

November 2, 2007

David Vaudt  
Office of State Auditor  
P.O. Box 333  
Des Moines, IA 50302-0333

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, 2007.

- 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: 61.75

November 2, 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, P.O. Box 333, Des Moines, IA 50302-0333.

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

November 9, 2007

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

Dear Mary:

Enclosed you will find "draft" copies of City of Crescent and Crescent Sewer Enterprise audit reports for the year ended June 30, 2007. Please review it and let me know if you have any changes and how many copies you will need.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh  
Enc.