

**CITY OF CRESCO, IOWA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

# Table of Contents

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<b>Officials</b> .....	1
<b>Independent Auditor's Report</b> .....	2-3
<b>Management's Discussion and Analysis (MD&amp;A)</b> .....	4-10
<b>Basic Financial Statements</b>	
Government-Wide Financial Statement	
Statement of Activities and Net Assets - Cash Basis.....	11
Governmental Fund Financial Statements	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - All Fund Types .....	12
Proprietary Fund Financial Statement	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances.....	13
Notes to the Financial Statements.....	14-21
<b>Required Supplementary Information</b>	
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds.....	22
<b>Other Supplementary Information</b>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds.....	23-24
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds.....	25
Schedule of Indebtedness .....	26
Schedule of Bond and Note Maturities .....	27
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds .....	28
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</b> .....	29-30
<b>Schedule of Findings</b> .....	31-33

# Officials

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Elected Officials</b>		
Ronda Hughes	Mayor	January, 2010
James Daly	Mayor Pro Tem	January, 2010
Josh Moore	Council Member	January, 2012
Dennis Blake	Council Member	January, 2012
John Loveless	Council Member	January, 2012
Duane Omar	Council Member	January, 2010
<b>Appointed Officials</b>		
John Lloyd	Administrator/Clerk	Indefinite
Michelle Girolamo	Deputy Clerk	Indefinite
Joseph P. Braun	Attorney	Indefinite
Dennis Cauwels	Public Works Director	Indefinite

## Independent Auditor's Report

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To the Honorable Mayor and  
Members of the City Council  
City of Cresco, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cresco, Iowa, as of and for the year ended June 30, 2009 which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 that 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 accounting principles generally accepted in the United States of America.

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, discretely presented component unit, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cresco as of June 30, 2009, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2009 on our consideration of the City of Cresco's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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.

To the Honorable Mayor and  
Members of the City Council  
Page 2

Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 10 and Page 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. We previously audited the financial statements and supplemental data for the seven years ended June 30, 2008 (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and expressed unqualified opinions on those financial statements and supplemental data. Other supplemental information included on Pages 23 through 28, 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.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
October 8, 2009

**City of Cresco, Iowa**  
**Management's Discussion and Analysis**  
**June 30, 2009**

The City of Cresco 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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2009 FINANCIAL HIGHLIGHTS**

Revenue of the City's governmental activities decreased approximately \$630,000 from fiscal year 2008 to fiscal year 2009. This decrease is primarily due to a decrease in operating grants in the current fiscal year.

Disbursements for governmental activities decreased approximately \$280,000 in fiscal year 2009 from fiscal year 2008. This is mainly due to a decrease in expenditures for the Early Child Development Center and sewer project in the current fiscal year offset by increases in project costs for the airport project, City Hall remodel, Kessel Lodge and the street shop.

The City's total cash basis net assets decreased \$781,529 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$607,566 and the assets of the business-type activities decreased by \$173,963.

**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 - cash basis. 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 are 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 the 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 that 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; health and social services; culture and recreation; community and economic development; general government; debt service; and capital projects. Property tax; state and federal grants; and charges for service finance most of these activities.
- Business-type activities include the waterworks, the sanitary sewer system and various other funds. 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 service. 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 the (a) General Fund; (b) the Special Revenue Funds such as Road Use Tax, Employee Benefits, Urban Renewal T.I.F. Area, Expendable Trust, State Grants, Local Option Sales Tax, Cresco Telecommunication, CIDC Revolving Loan and Emergency; (c) the Debt Service Fund and the Capital Projects Funds such as Sewer Project, Street Shop Project 2007, Community Center 2007, Train Project 2007, Bike Trail Project 2007, Project Design, Airport Project, City Hall remodeling and Cresco Senior Citizens Center. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provided. 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 nine enterprise funds to provide separate information for water and sewer. These are all self-sufficient funds. They include all debt service associated with these funds. These funds are: Water Utility; Municipal Sanitary Sewer Utility Revenue; Municipal Sanitary Sewer Utility Operation and Maintenance; Municipal Sanitary Sewer Utility Replacement; Municipal Sanitary Sewer Utility Revenue Bond and Interest Sinking; Municipal Sanitary Sewer Utility Revenue Debt Service Reserve; Water Utility Repair and Replacement; Water Meter Deposits; and Municipal Sanitary Sewer Utility and Water Utility Capital Improvements. Another enterprise fund is Yard Waste and Recycling.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$3,437,348 a year ago to \$2,829,782. The analysis that follows focuses on the changes in cash balances for governmental activities.

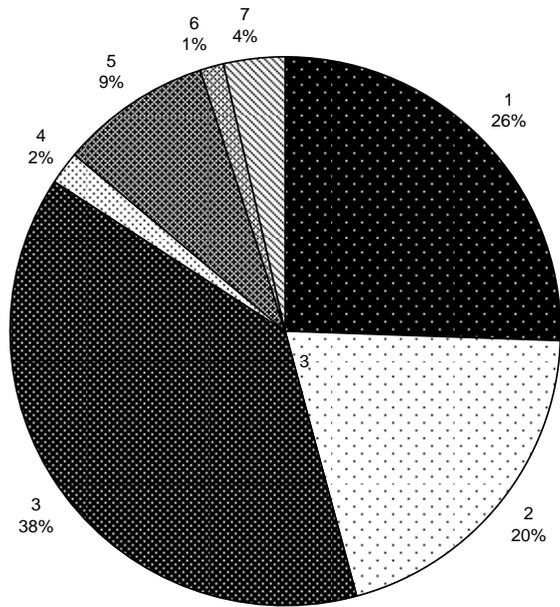
### Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Receipts and Transfers		
Program Receipts		
Charges for service	\$ 1,000,761	\$ 992,487
Operating grants, contributions and restricted interest	789,847	1,420,774
General Receipts		
Property tax	1,501,891	1,625,948
Other city tax	78,312	78,224
Local option sales tax	347,446	295,318
Unrestricted interest on investments	53,868	98,264
Loan proceeds	56,538	2,024
Proceeds of capital asset sold	5,000	—
Other general receipts	43,627	—
Transfers, net	35,470	28,120
Total Receipts and Transfers	<u>3,912,760</u>	<u>4,541,159</u>
Disbursements and Transfers		
Public safety	670,862	637,709
Public works	1,048,598	997,573
Health and social services	3,929	3,929
Culture and recreation	931,256	958,363
Community and economic development	405,374	608,006
General government	251,369	232,533
Debt service	271,216	357,027
Capital projects	937,722	883,829
Interfund loan activity	—	123,780
Total Disbursements and Transfers	<u>4,520,326</u>	<u>4,802,749</u>
Increase (Decrease) in Cash Basis Net Assets	(607,566)	(261,590)
Cash basis net assets - beginning of year	<u>3,437,348</u>	<u>3,698,938</u>
<b>Cash Basis Net Assets - End of Year</b>	<b><u>\$ 2,829,782</u></b>	<b><u>\$ 3,437,348</u></b>

### Receipts 2009

1. Charges for service	\$ 1,000,761
2. Operating grants	789,847
3. Property tax	1,501,891
4. Other city tax	78,312
5. Local option sales tax	347,446
6. Loan proceeds	56,538
7. Other	<u>137,965</u>

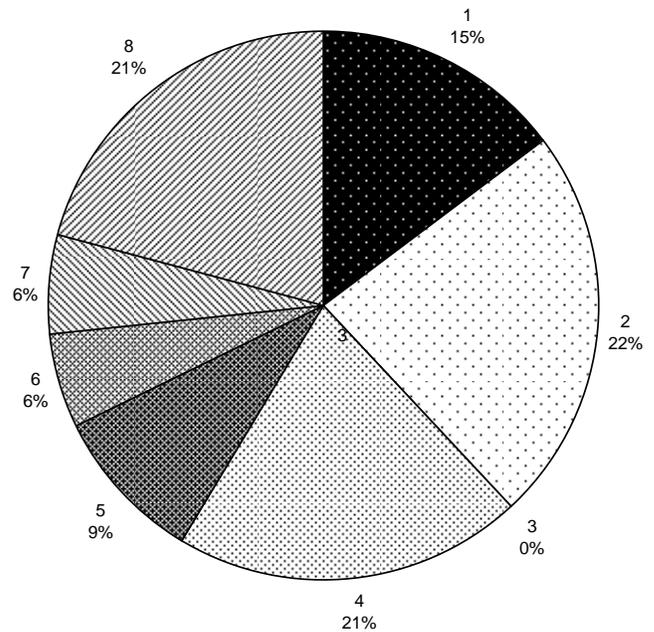
**Total** **\$ 3,912,760**



### Disbursements 2009

1. Public safety	\$ 670,862
2. Public works	1,048,598
3. Social services	3,929
4. Culture and recreation	931,256
5. Economic development	405,374
6. Government	251,369
7. Debt	271,216
8. Capital projects	<u>937,722</u>

**Total** **\$ 4,520,326**



The City's total receipts for governmental activities decreased by 13%, or \$600,279. The significant decrease was due to a decrease in operating grants in the current fiscal year.

The total cost of all programs and services decreased by \$282,423, or 6%. The majority of this decrease was in the community and economic development function.

## Changes in Cash Basis Net Assets of Business-Type Activities

	<b>Year Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
Receipts and Transfers		
Program Receipts		
Charges for Service		
Water	\$ 320,051	\$ 302,875
Sewer revenue	562,598	558,692
Other proprietary	86,216	68,801
General Receipts		
Loan payments	—	123,780
Unrestricted interest on investments	20,704	46,402
Other general receipts	—	42,621
Loan proceeds	16,006	—
Net transfers	(35,470)	(28,120)
Total Receipts and Transfers	970,105	1,115,051
Disbursements		
Water	332,638	371,638
Water utility repair and replacement	133,326	195,492
Sewer operation and maintenance	525,830	443,329
Sewer replacement	21,039	92,597
Other proprietary	131,235	85,854
Total Disbursements	1,144,068	1,188,910
Increase (Decrease) in Cash Basis Net Assets	(173,963)	(73,859)
Cash basis net assets - beginning of year	1,444,916	1,518,775
<b>Cash Basis Net Assets - End of Year</b>	<b>\$ 1,270,953</b>	<b>\$ 1,444,916</b>

Total business-type activities receipts for the fiscal year were \$970,105 compared to \$1,115,051 last year. The decrease was interfund loan activity in the prior year. The cash balance decreased by approximately \$173,963, or 12%, over the prior year. Total disbursements for the fiscal year decreased by 4%, or \$44,842. This decrease was primarily due to sewer system replacement activity.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Cresco's governmental funds reported a combined fund balance of \$2,829,782, a decrease of \$607,566 from last year's total of \$3,437,348.

The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund cash balance increased \$14,601 from the prior year to \$654,761. This increase was largely due to transfers in from other funds.

The Road Use Tax Fund cash balance decreased by \$13,584 to \$341,005 during the fiscal year. This decrease is due to using accumulated balances to make necessary street improvements.

The Employee Benefits Fund cash balance increased \$42,959 to \$289,009 during the fiscal year. This year the City received \$414,946 in property taxes with additional revenue coming from interest on a certificate of deposit and utility tax replacement. Total revenue was \$430,047. This fund pays FICA, Medicare, IPERS, unemployment claims, health and life insurance for employees, except those employees paid from the water and sewer utilities. Expenses decreased \$23,458.

The Expendable Trust Fund is used to account for monies and properties received and held by the City that must be spent for specified purposes. At the end of the fiscal year, the cash balance was \$505,579, an increase of \$45,315 from the previous year.

The Local Option Sales Tax Fund cash balance increased by \$18,516 to \$403,715 during the fiscal year. This increase is due to an increase in tax collections.

### **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

The Water Utility Fund cash balance decreased by \$19,357 to \$132,839, due to reduced revenue and high operating expenses.

The Water Utility Repair and Replacement Fund cash balance decreased by \$121,730 to \$238,867 due to meter replacement and painting water towers.

The Municipal Sanitary Sewer Utility Revenue Fund cash balance increased by \$60,225 to \$78,474, due to a decrease in transfers to other sanitary sewer funds.

The Municipal Sanitary Sewer Utility Operation and Maintenance Fund cash balance decreased \$85,739 to \$2,783, due to a decrease in transfers from other sanitary sewer funds.

The Municipal Sanitary Sewer Utility Replacement Fund cash balance decreased \$33,544 to \$287,871, due to a decrease in transfers into the fund and transferring excess funds to the Street Shop Project Fund.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The amendments were approved on September 22, 2008, January 5, 2009 and May 18, 2009. The amendments resulted in increases in revenue from grant monies received and donations. There were also increases in expenditures due to projects and grant monies expended and equipment purchases; capital projects started; unexpected repairs; higher electricity, audit, insurance and legal fees; and the early retirement of TIF debt, as well as additional transfers.

## DEBT ADMINISTRATION

At June 30, 2009, the City had \$1,938,000 in general obligation debt, \$429,544 in revenue bond note debt and \$64,024 in capital lease debt.

### Outstanding Debt at Year End

General obligation notes	\$ 1,878,000
General obligation bonds	60,000
Revenue notes	429,544
Capital leases	<u>64,024</u>
<b>Totals</b>	<b><u>\$ 2,431,568</u></b>

The City continues to carry a general obligation bond rating of A3. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,938,000 is below its constitutional debt limit of \$7,934,631.

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

We have already performed one budget amendment due to projects running behind schedule. An increase in costs, combined with a lack of increased funding either through property or road use taxes will continue to place pressure on the City's budget.

## FINANCIAL CONTACT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact John Lloyd, City Clerk, at 130 North Park Place, Cresco, Iowa.

## **Basic Financial Statements**

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**Statement of Activities and Net Assets - Cash Basis**

Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities</b>							
Public safety .....	\$ 670,862	\$ 17,013	\$ 31,859	\$ (621,990)	\$ —	\$ (621,990)	\$ —
Public works .....	1,048,598	503,878	338,489	(206,231)	—	(206,231)	—
Health and social services.....	3,929	—	—	(3,929)	—	(3,929)	—
Culture and recreation.....	931,256	429,024	48,589	(453,643)	—	(453,643)	—
Community and economic development .....	405,374	175	92,307	(312,892)	—	(312,892)	—
General government.....	251,369	50,671	2,000	(198,698)	—	(198,698)	—
Debt service.....	271,216	—	—	(271,216)	—	(271,216)	—
Capital projects.....	937,722	—	276,603	(661,119)	—	(661,119)	—
<b>Total Governmental Activities .....</b>	<b>4,520,326</b>	<b>1,000,761</b>	<b>789,847</b>	<b>(2,729,718)</b>	<b>—</b>	<b>(2,729,718)</b>	<b>—</b>
<b>Business-Type Activities</b>							
Water .....	332,638	312,871	—	—	(19,767)	(19,767)	—
Water utility repair and replacement.....	133,326	7,180	—	—	(126,146)	(126,146)	—
Sewer revenue .....	—	562,598	—	—	562,598	562,598	—
Sewer operation and maintenance.....	525,830	—	—	—	(525,830)	(525,830)	—
Sewer replacement.....	21,039	—	—	—	(21,039)	(21,039)	—
Other proprietary .....	131,235	86,216	—	—	(45,019)	(45,019)	—
<b>Total Business-Type Activities.....</b>	<b>1,144,068</b>	<b>968,865</b>	<b>—</b>	<b>—</b>	<b>(175,203)</b>	<b>(175,203)</b>	<b>—</b>
<b>Total .....</b>	<b>\$ 5,664,394</b>	<b>\$ 1,969,626</b>	<b>\$ 789,847</b>	<b>(2,729,718)</b>	<b>(175,203)</b>	<b>(2,904,921)</b>	<b>—</b>
<b>Component Unit</b>							
<b>Cresco Public Library Foundation.....</b>	<b>\$ 10,678</b>		<b>\$ 13,416</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,738</b>
<b>General Receipts</b>							
Property Tax Levied for							
General purposes.....				829,041	—	829,041	—
Tax increment financing.....				1,276	—	1,276	—
Debt service .....				256,628	—	256,628	—
Employee benefits.....				414,946	—	414,946	—
Other City tax.....				78,312	—	78,312	—
Local option sales tax.....				347,446	—	347,446	—
Unrestricted interest on investments .....				53,868	20,704	74,572	7,488
Miscellaneous.....				43,627	—	43,627	—
Anticipation project note proceeds .....				8,520	—	8,520	—
Capital lease loan proceeds .....				48,018	16,006	64,024	—
Proceeds of capital asset sold.....				5,000	—	5,000	—
<b>Transfers .....</b>				<b>35,470</b>	<b>(35,470)</b>	<b>—</b>	<b>—</b>
<b>Total General Receipts and Transfers .....</b>				<b>2,122,152</b>	<b>1,240</b>	<b>2,123,392</b>	<b>7,488</b>
<b>Change in Cash Basis Net Assets .....</b>				<b>(607,566)</b>	<b>(173,963)</b>	<b>(781,529)</b>	<b>10,226</b>
Cash Basis Net Assets - Beginning of Year .....				3,437,348	1,444,916	4,882,264	202,700
<b>Cash Basis Net Assets - End of Year .....</b>				<b>\$ 2,829,782</b>	<b>\$ 1,270,953</b>	<b>\$ 4,100,735</b>	<b>\$ 212,926</b>
<b>Cash Basis Net Assets</b>							
Restricted							
Streets.....				\$ 341,005	\$ —	\$ 341,005	\$ —
Urban renewal purposes.....				58,254	—	58,254	—
Debt service .....				180,570	241,619	422,189	—
Capital projects .....				240,108	—	240,108	—
Other purposes .....				1,355,084	—	1,355,084	—
Unrestricted .....				654,761	1,029,334	1,684,095	212,926
<b>Total Cash Basis Net Assets .....</b>				<b>\$ 2,829,782</b>	<b>\$ 1,270,953</b>	<b>\$ 4,100,735</b>	<b>\$ 212,926</b>

See accompanying notes to the financial statements.

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds - All Fund Types**

Year Ended June 30, 2009

	<u>Special Revenue</u>					Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Employee Benefits	Expendable Trust	Local Option Sales Tax		
<b>Receipts</b>							
Property tax .....	\$ 805,778	\$ —	\$ 414,946	\$ —	\$ —	\$ 279,891	\$ 1,500,615
T.I.F. collections .....	—	—	—	—	—	1,276	1,276
Other city tax .....	58,973	—	11,567	—	347,446	7,772	425,758
Licenses and permits.....	12,475	—	—	—	—	—	12,475
Use of money and property .....	51,460	—	3,534	8,234	5,825	22,371	91,424
Intergovernmental.....	50,835	323,997	—	21,881	—	285,146	681,859
Charges for service .....	862,295	—	—	—	—	21,800	884,095
Special assessments.....	—	—	—	1,442	—	—	1,442
Miscellaneous.....	73,051	—	—	52,453	1,250	90,054	216,808
<b>Total Receipts</b> .....	<b>1,914,867</b>	<b>323,997</b>	<b>430,047</b>	<b>84,010</b>	<b>354,521</b>	<b>708,310</b>	<b>3,815,752</b>
<b>Disbursements</b>							
Operating							
Public safety .....	494,058	—	145,847	4,440	10,353	16,164	670,862
Public works .....	489,526	337,581	99,385	56,052	66,054	—	1,048,598
Health and social services .....	3,929	—	—	—	—	—	3,929
Culture and recreation.....	701,762	—	113,273	42,893	61,811	11,517	931,256
Community and economic development.....	19,854	—	—	4,925	15,000	365,595	405,374
General government .....	217,915	—	28,583	—	4,871	—	251,369
Debt service.....	—	—	—	—	—	271,216	271,216
Capital projects.....	—	—	—	8,500	—	929,222	937,722
<b>Total Disbursements</b> .....	<b>1,927,044</b>	<b>337,581</b>	<b>387,088</b>	<b>116,810</b>	<b>158,089</b>	<b>1,593,714</b>	<b>4,520,326</b>
<b>Receipts Over (Under) Disbursements</b> .....	<b>(12,177)</b>	<b>(13,584)</b>	<b>42,959</b>	<b>(32,800)</b>	<b>196,432</b>	<b>(885,404)</b>	<b>(704,574)</b>
<b>Other Financing Sources (Uses)</b>							
Anticipation project note proceeds .....	—	—	—	—	—	8,520	8,520
Capital lease loan proceeds .....	—	—	—	48,018	—	—	48,018
Proceeds of capital asset sold.....	5,000	—	—	—	—	—	5,000
Transfers in.....	23,778	—	—	31,460	—	452,156	507,394
Transfers out .....	(2,000)	—	—	(1,363)	(177,916)	(290,645)	(471,924)
<b>Total Other Financing Sources (Uses)</b> .....	<b>26,778</b>	<b>—</b>	<b>—</b>	<b>78,115</b>	<b>(177,916)</b>	<b>170,031</b>	<b>97,008</b>
<b>Increase (Decrease) in Cash Balances</b> .....	<b>14,601</b>	<b>(13,584)</b>	<b>42,959</b>	<b>45,315</b>	<b>18,516</b>	<b>(715,373)</b>	<b>(607,566)</b>
Cash Balances - Beginning of Year, as reclassified (Note 9).....	640,160	354,589	246,050	460,264	385,199	1,351,086	3,437,348
<b>Cash Balances - End of Year</b> .....	<b>\$ 654,761</b>	<b>\$ 341,005</b>	<b>\$ 289,009</b>	<b>\$ 505,579</b>	<b>\$ 403,715</b>	<b>\$ 635,713</b>	<b>\$ 2,829,782</b>
<b>Cash Basis Fund Balances</b>							
Reserved							
Debt service .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 180,570	\$ 180,570
Unreserved							
General fund .....	654,761	—	—	—	—	—	654,761
Special revenue fund .....	—	341,005	289,009	505,579	403,715	215,035	1,754,343
Capital projects fund .....	—	—	—	—	—	240,108	240,108
<b>Total Cash Basis Fund Balances</b> .....	<b>\$ 654,761</b>	<b>\$ 341,005</b>	<b>\$ 289,009</b>	<b>\$ 505,579</b>	<b>\$ 403,715</b>	<b>\$ 635,713</b>	<b>\$ 2,829,782</b>

See accompanying notes to the financial statements.

**Statement of Cash Receipts, Disbursements and Changes in Cash  
Balances - Proprietary Funds**

Year Ended June 30, 2009

	Water Utility	Water Utility Repair and Replacement	Municipal Sanitary Sewer Utility Revenue	Municipal Sanitary Sewer Utility Operation and Maintenance	Municipal Sanitary Sewer Utility Replacement	Other Nonmajor Proprietary Funds	Total
<b>Operating Receipts</b>							
Charges for service .....	\$ 294,066	\$ —	\$ 547,979	\$ —	\$ —	\$ 77,096	\$ 919,141
Miscellaneous .....	18,805	7,180	14,619	—	—	9,120	49,724
<b>Total Operating Receipts</b> .....	<b>312,871</b>	<b>7,180</b>	<b>562,598</b>	<b>—</b>	<b>—</b>	<b>86,216</b>	<b>968,865</b>
<b>Operating Disbursements</b>							
Business-type activities .....	332,638	133,326	—	525,830	21,039	85,878	1,098,711
<b>Operating Receipts Over (Under) Operating Disbursements</b> .....	<b>(19,767)</b>	<b>(126,146)</b>	<b>562,598</b>	<b>(525,830)</b>	<b>(21,039)</b>	<b>338</b>	<b>(129,846)</b>
<b>Nonoperating Receipts (Disbursements)</b>							
Interest on investments .....	2,410	4,416	864	91	4,965	7,958	20,704
Debt service .....	—	—	—	—	—	(45,357)	(45,357)
<b>Net Nonoperating Receipts (Disbursements)</b> .....	<b>2,410</b>	<b>4,416</b>	<b>864</b>	<b>91</b>	<b>4,965</b>	<b>(37,399)</b>	<b>(24,653)</b>
<b>Receipts Over (Under) Disbursements</b> .....	<b>(17,357)</b>	<b>(121,730)</b>	<b>563,462</b>	<b>(525,739)</b>	<b>(16,074)</b>	<b>(37,061)</b>	<b>(154,499)</b>
<b>Other Financing Sources (Uses)</b>							
Capital lease loan proceeds .....	—	—	—	—	—	16,006	16,006
Transfers in .....	—	—	—	440,000	10,000	51,237	501,237
Transfers out .....	(2,000)	—	(503,237)	—	(27,470)	(4,000)	(536,707)
<b>Total Other Financing Sources (Uses)</b> .....	<b>(2,000)</b>	<b>—</b>	<b>(503,237)</b>	<b>440,000</b>	<b>(17,470)</b>	<b>63,243</b>	<b>(19,464)</b>
<b>Increase (Decrease) in Cash Balances</b> .....	<b>(19,357)</b>	<b>(121,730)</b>	<b>60,225</b>	<b>(85,739)</b>	<b>(33,544)</b>	<b>26,182</b>	<b>(173,963)</b>
Cash Balances - Beginning of Year .....	152,196	360,597	18,249	88,522	321,415	503,937	1,444,916
<b>Cash Balances - End of Year</b> .....	<b>\$ 132,839</b>	<b>\$ 238,867</b>	<b>\$ 78,474</b>	<b>\$ 2,783</b>	<b>\$ 287,871</b>	<b>\$ 530,119</b>	<b>\$ 1,270,953</b>
<b>Cash Basis Fund Balances</b>							
Reserved .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 241,619	\$ 241,619
Unreserved .....	132,839	238,867	78,474	2,783	287,871	288,500	1,029,334
<b>Total Cash Basis Fund Balances</b> .....	<b>\$ 132,839</b>	<b>\$ 238,867</b>	<b>\$ 78,474</b>	<b>\$ 2,783</b>	<b>\$ 287,871</b>	<b>\$ 530,119</b>	<b>\$ 1,270,953</b>

See accompanying notes to the financial statements.

# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies**

The City of Cresco, Iowa, is a political subdivision of the State of Iowa located in Howard County. It was first incorporated in 1866 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general administrative services. The City also provides water and sewer utilities for its citizens.

### **Reporting Entity**

For financial reporting purposes, the City of Cresco 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.

These financial statements present the City of Cresco (the primary government) and its discretely presented component unit, the Cresco Public Library Foundation (Foundation). The Foundation does not issue separately audited financial statements.

### **Discrete Component Unit**

The Cresco Public Library Foundation (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Foundation is governed by a Board of Trustees, which is the same Board as the Library Board. Economic resources received by the Foundation are used for the direct benefit of the Cresco Public Library and, therefore, the City's constituents.

### **Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods and 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: Cresco Industrial Development Corporation, Airport Commission and Zoning Board.

### **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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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 other nonmajor governmental funds, and all remaining enterprise funds are aggregated and reported as other nonmajor proprietary funds.

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 *Employee Benefit Fund* is used to account for employee payroll taxes and health and life insurance expense.

The *Expendable Trust Funds* are used to account for monies and properties received and held by the City that must be spent for specified purposes.

The *Local Option Sales Tax Fund* is used to account for local option sales tax collections, the project expenses they are used for and transfers.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

The City reports the following major proprietary funds:

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

The *Water Utility Repair and Replacement Fund* accounts for the resources spent on the repairs and replacement of the water system.

The *Municipal Sanitary Sewer Utility Revenue Fund* accounts for the receipts from the operation of the City's waste water treatment and sanitary sewer system.

The *Municipal Sanitary Sewer Utility Operation and Maintenance Fund* accounts for the operation and maintenance expense of the City's waste water treatment and sanitary sewer system.

The *Municipal Sanitary Sewer Utility Replacement Fund* accounts for the resources received to replace the City's waste water treatment and sanitary sewer system.

### **Basis of Accounting**

The City of Cresco 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 fund types in accordance with accounting principles generally accepted in the United States of America.

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, they 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 nonoperating 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 nonoperating receipts and disbursements.

### **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements for the year ended June 30, 2009 did not exceed the amounts budgeted.

## (2) Deposits and Investments

The City's deposits at June 30, 2009 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.

## Notes to the Financial Statements

### (2) Deposits and Investments

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 City.

City investments are categorized to give an indication of the level of risk assumed by the City at year end. The City had no investments other than certificates of deposit at June 30, 2009.

#### Component Unit

The Cresco Public Library Foundation deposits at June 30, 2009 are shown below.

Certificates of deposit.....	\$ 193,660
Checking/savings .....	19,266
	<u><u>\$ 212,926</u></u>

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, revenue notes and capital lease are as follows.

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Sewer Revenue Notes		Capital Lease - Wheel Loader		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010 .....	\$ 60,000	\$ 2,340	\$ 131,000	\$ 74,829	\$ 27,000	\$ 18,017	\$ 14,799	\$ 3,361	\$ 232,799	\$ 98,547
2011 .....	—	—	137,000	69,976	39,544	16,856	15,576	2,584	192,120	89,416
2012 .....	—	—	137,000	64,898	30,000	16,856	16,394	1,767	183,394	83,521
2013 .....	—	—	138,000	59,757	31,000	14,319	17,255	905	186,255	74,981
2014 .....	—	—	143,000	54,510	32,000	12,986	—	—	175,000	67,496
2015-2019	—	—	627,000	187,124	184,000	42,871	—	—	811,000	229,995
2020-2024	—	—	400,000	86,609	86,000	5,590	—	—	486,000	92,199
2025-2026	—	—	165,000	11,000	—	—	—	—	165,000	11,000
	<u>\$ 60,000</u>	<u>\$ 2,340</u>	<u>\$ 1,878,000</u>	<u>\$ 608,703</u>	<u>\$ 429,544</u>	<u>\$ 127,495</u>	<u>\$ 64,024</u>	<u>\$ 8,617</u>	<u>\$ 2,431,568</u>	<u>\$ 747,155</u>

The resolution providing for the issuance of sewer revenue notes includes the following provisions:

1. The bonds are to be redeemed from future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the fund.
2. Sufficient cash transfers shall be made to the municipal sanitary sewer utility revenue bond and interest sinking account for the purpose of making the bond principal and interest payments when due.
3. Additional cash transfers shall be made to the municipal sanitary sewer utility revenue debt service reserve account until a specific minimum balance has been reached to provide a reserve to meet future bond principal and interest payments.

## Notes to the Financial Statements

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

The City was in compliance with these provisions at June 30, 2009.

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund. However, during the year \$301,298 was paid from the Urban Renewal T.I.F. Area Fund.

#### **Anticipation Project Note**

An anticipation project note was issued pursuant to Sections 76.13 and 384.24A of the Code of Iowa for the purpose of defraying the costs of sewer project design costs.

The City issued a \$26,900 anticipation project note at 0% interest per annum, for sewer project design costs. As of June 30, 2009, \$10,544 had been drawn down on the note.

#### **Capital Lease**

In August, 2008, the City entered into a capital lease agreement with CNH Capital for a wheel loader. The City received the wheel loader in August, 2008 and is making annual payment of \$18,160 to CNH Capital at 5.25% interest, beginning August, 2009. The last payment is due August, 2012.

### **(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.

Most regular plan members are required to contribute 4.1% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$90,810, \$86,347 and \$77,034, respectively, equal to the required contributions for each year.

### **(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused compensatory time off, vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Compensatory time off and vacation benefits are payable in full when used or upon termination, retirement or death. Sick leave hours are payable in full when used, while the amount payable upon retirement or death is 20% of accumulated hours at the current hourly rate.

## Notes to the Financial Statements

### (5) Compensated Absences

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensatory time off, vacation and sick leave payments (including related fringe benefits) payable to employees at June 30, 2009, primarily relating to the General Fund was as follows:

Type of Benefit	Amount
Compensatory time off .....	\$ 37,948
Vacation.....	120,089
Sick leave (100%).....	<u>536,709</u>
<b>Total</b> .....	<b><u>\$ 694,746</u></b>

This liability has been computed based on rates of pay as of June 30, 2009.

### (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Expendable Trust	\$ 1,363
	Local Option Sales Tax	14,657
	Emergency	<u>7,758</u>
		<u>23,778</u>
Special Revenue	General Fund	2,000
Expendable Trust	Special Revenue	
	Local Option Sales Tax	21,460
	Proprietary	
	Municipal Sanitary Sewer and	
	Water Utility Capital Improvements	2,000
	Water Utility	2,000
	Municipal Sanitary Sewer Utility Revenue	2,000
	Yard Waste and Recycling	<u>2,000</u>
		<u>31,460</u>
Debt Service	Special Revenue	
	Local Option Sales Tax	<u>34,745</u>

## Notes to the Financial Statements

### (6) Interfund Transfers

Transfer To	Transfer From	Amount
Capital Project Street Shop Project 2007	Capital Project Sewer Project Community Center 2007 Train 2007 Proprietary Municipal Sanitary Sewer Utility Replacement	\$ 79,620 93,179 10,088  <u>27,470</u> <u>210,357</u>
Capital Project Airport Project	Special Revenue Local Option Sales Tax	 <u>107,054</u>
Capital Project City Hall Remodeling	Capital Project Community Center 2007	 <u>100,000</u>
Proprietary Municipal Sanitary Sewer Utility Operation and Maintenance	Proprietary Municipal Sanitary Sewer Utility Revenue	 <u>440,000</u>
Proprietary Municipal Sanitary Sewer Utility Replacement	Proprietary Municipal Sanitary Sewer Utility Revenue	 <u>10,000</u>
Proprietary Municipal Sanitary Sewer Utility Revenue Bond and Interest Sinking	Proprietary Municipal Sanitary Sewer Utility Revenue	 <u>41,237</u>
Proprietary Municipal Sanitary Sewer Utility Revenue Debt Service Reserve	Proprietary Municipal Sanitary Sewer Utility Revenue	 <u>10,000</u>
<b>Total</b>		<b><u>\$ 1,008,631</u></b>

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

## Notes to the Financial Statements

### (7) Risk Management

The City of Cresco is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### (8) Commitments

At June 30, 2009, the City had entered into contracts for improvements in the amounts below:

Project	Total Contract	Paid Through June 30, 2009	Approximate Remaining Commitment
2006 sanitary sewer improvements.....	\$ 127,000	\$ 126,383	\$ 617
Community Center.....	99,500	92,150	7,350
Street shop .....	496,900	306,836	190,064

### (9) Reclassification of Beginning Governmental Fund Balances

The Cresco Telecommunications Fund was reclassified from General to Nonmajor Special Revenue fund type. This reclassification was made so that it would more accurately reflect the activity and the purpose of the fund.

	Governmental Funds		
	General	Nonmajor Special Revenue Fund Cresco Tele-communication	Total
Fund Balance - Beginning of Year, as previously reported .....	\$ 730,553	\$ —	\$ 730,553
Reclassify funds as noted above.....	<u>(90,393)</u>	<u>90,393</u>	<u>—</u>
<b>Fund Balance - End of Year, as Reclassified.....</b>	<b><u>\$ 640,160</u></b>	<b><u>\$ 90,393</u></b>	<b><u>\$ 730,553</u></b>

### (10) Subsequent Events

In July, 2009, the City borrowed the remaining \$16,356 available on the sewer revenue anticipation project note.

In September, 2009, the City awarded a contract in the amount of \$63,100 to perform services related to the construction of water controls.

**Required Supplementary Information**

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**Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**

Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Funds - Actual	Net Actual	Budgeted Amounts		Final to Net Actual Variance
				Original	Final	
<b>Receipts</b>						
Property tax .....	\$ 1,500,615	\$ —	\$ 1,500,615	\$ 1,543,487	\$ 1,543,487	\$ (42,872)
T.I.F. collections .....	1,276	—	1,276	18,000	18,000	(16,724)
Other city tax .....	425,758	—	425,758	364,117	434,117	(8,359)
Licenses and permits.....	12,475	—	12,475	14,715	14,715	(2,240)
Use of money and property .....	91,424	20,704	112,128	155,725	155,725	(43,597)
Intergovernmental.....	681,859	—	681,859	536,860	659,860	21,999
Charges for service .....	884,095	919,141	1,803,236	1,819,920	1,819,920	(16,684)
Special assessments.....	1,442	—	1,442	—	—	1,442
Miscellaneous.....	216,808	49,724	266,532	176,945	226,945	39,587
<b>Total Receipts.....</b>	<b>3,815,752</b>	<b>989,569</b>	<b>4,805,321</b>	<b>4,629,769</b>	<b>4,872,769</b>	<b>(67,448)</b>
<b>Disbursements</b>						
Public safety .....	670,862	—	670,862	715,705	716,705	45,843
Public works .....	1,048,598	—	1,048,598	1,115,150	1,118,650	70,052
Health and social services.....	3,929	—	3,929	4,000	4,000	71
Culture and recreation.....	931,256	—	931,256	939,890	972,890	41,634
Community and economic development .....	405,374	—	405,374	174,200	470,200	64,826
General government.....	251,369	—	251,369	226,900	257,200	5,831
Debt service.....	271,216	—	271,216	271,452	271,452	236
Capital projects.....	937,722	—	937,722	770,000	1,209,800	272,078
Business-type activities .....	—	1,144,068	1,144,068	1,184,484	1,270,984	126,916
<b>Total Disbursements.....</b>	<b>4,520,326</b>	<b>1,144,068</b>	<b>5,664,394</b>	<b>5,401,781</b>	<b>6,291,881</b>	<b>627,487</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(704,574)</b>	<b>(154,499)</b>	<b>(859,073)</b>	<b>(772,012)</b>	<b>(1,419,112)</b>	<b>560,039</b>
<b>Other Financing Sources, Net .....</b>	<b>97,008</b>	<b>(19,464)</b>	<b>77,544</b>	<b>25,000</b>	<b>76,000</b>	<b>1,544</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses.....</b>	<b>(607,566)</b>	<b>(173,963)</b>	<b>(781,529)</b>	<b>(747,012)</b>	<b>(1,343,112)</b>	<b>561,583</b>
Balances - Beginning of Year .....	3,437,348	1,444,916	4,882,264	4,337,569	4,337,569	544,695
<b>Balances - End of Year.....</b>	<b>\$ 2,829,782</b>	<b>\$ 1,270,953</b>	<b>\$ 4,100,735</b>	<b>\$ 3,590,557</b>	<b>\$ 2,994,457</b>	<b>\$ 1,106,278</b>

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board 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 ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and 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, three budget amendments increased budgeted disbursements by \$890,100. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information** 

**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds**

Year Ended June 30, 2009

	Special Revenue					Capital Projects		
	Emergency	CIDC Revolving Loan	Urban Renewal T.I.F. Area	Cresco Tele-communication	State Grants	Community Center 2007	Bike Trail 2007	Street Shop Project 2007
<b>Receipts</b>								
Property tax .....	\$ 23,263	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
T.I.F. collections .....	—	—	1,276	—	—	—	—	—
Other city tax .....	649	—	—	—	—	—	—	—
Use of money and property .....	10	4,763	4,811	1,590	—	1,805	53	3,881
Intergovernmental.....	—	—	—	—	43,340	—	16,205	—
Charges for service .....	—	—	—	21,800	—	—	—	—
Miscellaneous.....	—	22,952	—	—	—	—	—	—
<b>Total Receipts.....</b>	<b><u>23,922</u></b>	<b><u>27,715</u></b>	<b><u>6,087</u></b>	<b><u>23,390</u></b>	<b><u>43,340</u></b>	<b><u>1,805</u></b>	<b><u>16,258</u></b>	<b><u>3,881</u></b>
<b>Disbursements</b>								
Operating								
Public safety.....	16,164	—	—	—	—	—	—	—
Culture and recreation.....	—	—	—	11,517	—	—	—	—
Community and economic development.....	—	20,607	301,648	—	43,340	—	—	—
Debt service.....	—	—	—	—	—	—	—	—
Capital projects.....	—	—	—	—	—	66,508	25,243	316,268
<b>Total Disbursements.....</b>	<b><u>16,164</u></b>	<b><u>20,607</u></b>	<b><u>301,648</u></b>	<b><u>11,517</u></b>	<b><u>43,340</u></b>	<b><u>66,508</u></b>	<b><u>25,243</u></b>	<b><u>316,268</u></b>
<b>Receipts Over (Under) Disbursements.....</b>	<b><u>7,758</u></b>	<b><u>7,108</u></b>	<b><u>(295,561)</u></b>	<b><u>11,873</u></b>	<b><u>—</u></b>	<b><u>(64,703)</u></b>	<b><u>(8,985)</u></b>	<b><u>(312,387)</u></b>
<b>Other Financing Sources (Uses)</b>								
Anticipation project note proceeds .....	—	—	—	—	—	—	—	—
Transfers in.....	—	—	—	—	—	—	—	210,357
Transfers out .....	(7,758)	—	—	—	—	(193,179)	—	—
<b>Total Other Financing Sources (Uses).....</b>	<b><u>(7,758)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(193,179)</u></b>	<b><u>—</u></b>	<b><u>210,357</u></b>
<b>Increase (Decrease) in Cash Balances.....</b>	<b><u>—</u></b>	<b><u>7,108</u></b>	<b><u>(295,561)</u></b>	<b><u>11,873</u></b>	<b><u>—</u></b>	<b><u>(257,882)</u></b>	<b><u>(8,985)</u></b>	<b><u>(102,030)</u></b>
Cash Balances - Beginning of Year, as Reclassified (Note 9) .....	—	47,150	353,815	90,393	257	257,882	12,877	290,158
<b>Cash Balances - End of Year .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 54,258</u></b>	<b><u>\$ 58,254</u></b>	<b><u>\$ 102,266</u></b>	<b><u>\$ 257</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 3,892</u></b>	<b><u>\$ 188,128</u></b>
<b>Cash Basis Fund Balances</b>								
Reserved								
Debt service .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved								
Special revenue funds.....	—	54,258	58,254	102,266	257	—	—	—
Capital projects funds.....	—	—	—	—	—	—	3,892	188,128
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 54,258</u></b>	<b><u>\$ 58,254</u></b>	<b><u>\$ 102,266</u></b>	<b><u>\$ 257</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 3,892</u></b>	<b><u>\$ 188,128</u></b>

**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds**

Year Ended June 30, 2009

	<b>Capital Projects</b>						<b>Debt Service</b>	<b>Total</b>
	<b>Airport Project</b>	<b>Train 2007</b>	<b>Project Design</b>	<b>Sewer Project</b>	<b>City Hall Remodeling</b>	<b>Cresco Senior Citizen Center</b>		
<b>Receipts</b>								
Property tax .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 256,628	\$ 279,891
T.I.F. collections .....	—	—	—	—	—	—	—	1,276
Other city tax .....	—	—	—	—	—	—	7,123	7,772
Use of money and property .....	45	315	—	853	614	130	3,501	22,371
Intergovernmental.....	198,529	—	—	27,072	—	—	—	285,146
Charges for service .....	—	—	—	—	—	—	—	21,800
Miscellaneous.....	—	—	—	—	42,537	24,565	—	90,054
<b>Total Receipts.....</b>	<b>198,574</b>	<b>315</b>	<b>—</b>	<b>27,925</b>	<b>43,151</b>	<b>24,695</b>	<b>267,252</b>	<b>708,310</b>
<b>Disbursements</b>								
Operating								
Public safety.....	—	—	—	—	—	—	—	16,164
Culture and recreation.....	—	—	—	—	—	—	—	11,517
Community and economic development.....	—	—	—	—	—	—	—	365,595
Debt service.....	—	—	—	—	—	—	271,216	271,216
Capital projects.....	310,765	26,798	8,520	55,362	119,573	185	—	929,222
<b>Total Disbursements.....</b>	<b>310,765</b>	<b>26,798</b>	<b>8,520</b>	<b>55,362</b>	<b>119,573</b>	<b>185</b>	<b>271,216</b>	<b>1,593,714</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(112,191)</b>	<b>(26,483)</b>	<b>(8,520)</b>	<b>(27,437)</b>	<b>(76,422)</b>	<b>24,510</b>	<b>(3,964)</b>	<b>(885,404)</b>
<b>Other Financing Sources (Uses)</b>								
Anticipation project note proceeds .....	—	—	8,520	—	—	—	—	8,520
Transfers in.....	107,054	—	—	—	100,000	—	34,745	452,156
Transfers out .....	—	(10,088)	—	(79,620)	—	—	—	(290,645)
<b>Total Other Financing Sources (Uses).....</b>	<b>107,054</b>	<b>(10,088)</b>	<b>8,520</b>	<b>(79,620)</b>	<b>100,000</b>	<b>—</b>	<b>34,745</b>	<b>170,031</b>
<b>Increase (Decrease) in Cash Balances.....</b>	<b>(5,137)</b>	<b>(36,571)</b>	<b>—</b>	<b>(107,057)</b>	<b>23,578</b>	<b>24,510</b>	<b>30,781</b>	<b>(715,373)</b>
Cash Balances - Beginning of Year, as Reclassified (Note 9) .....	5,137	36,571	—	107,057	—	—	149,789	1,351,086
<b>Cash Balances - End of Year .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 23,578</b>	<b>\$ 24,510</b>	<b>\$ 180,570</b>	<b>\$ 635,713</b>
<b>Cash Basis Fund Balances</b>								
Reserved								
Debt service .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 180,570	\$ 180,570
Unreserved								
Special revenue funds.....	—	—	—	—	—	—	—	215,035
Capital projects funds.....	—	—	—	—	23,578	24,510	—	240,108
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 23,578</b>	<b>\$ 24,510</b>	<b>\$ 180,570</b>	<b>\$ 635,713</b>

**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds**

Year Ended June 30, 2009

	Municipal Sanitary Sewer Utility Revenue Bond and Interest Sinking	Municipal Sanitary Sewer Utility Revenue Debt Service Reserve	Municipal Sanitary Sewer Utility and Water Utility Capital Improvements	Yard Waste and Recycling	Water Meter Deposits	Total
<b>Operating Receipts</b>						
Charges for service .....	\$ —	\$ —	\$ 39,307	\$ 37,789	\$ —	\$ 77,096
Miscellaneous .....	—	—	—	—	9,120	9,120
<b>Total Operating Receipts</b> .....	<b>—</b>	<b>—</b>	<b>39,307</b>	<b>37,789</b>	<b>9,120</b>	<b>86,216</b>
<b>Operating Disbursements</b>						
Business-type activities .....	—	—	4,733	69,065	12,080	85,878
<b>Operating Receipts Over (Under) Disbursements</b> .....	<b>—</b>	<b>—</b>	<b>34,574</b>	<b>(31,276)</b>	<b>(2,960)</b>	<b>338</b>
<b>Nonoperating Receipts (Disbursements)</b>						
Interest on investments .....	796	2,607	2,187	1,486	882	7,958
Debt service .....	(45,357)	—	—	—	—	(45,357)
<b>Net Nonoperating Receipts (Disbursements)</b> .....	<b>(44,561)</b>	<b>2,607</b>	<b>2,187</b>	<b>1,486</b>	<b>882</b>	<b>(37,399)</b>
<b>Receipts Over (Under) Disbursements</b> .....	<b>(44,561)</b>	<b>2,607</b>	<b>36,761</b>	<b>(29,790)</b>	<b>(2,078)</b>	<b>(37,061)</b>
<b>Other Financing Sources (Uses)</b>						
Capital lease loan proceeds .....	—	—	—	16,006	—	16,006
Transfers in .....	41,237	10,000	—	—	—	51,237
Transfers out .....	—	—	(2,000)	(2,000)	—	(4,000)
<b>Total Other Financing Sources (Uses)</b> .....	<b>41,237</b>	<b>10,000</b>	<b>(2,000)</b>	<b>14,006</b>	<b>—</b>	<b>63,243</b>
<b>Increase (Decrease) in Cash Balances</b> .....	<b>(3,324)</b>	<b>12,607</b>	<b>34,761</b>	<b>(15,784)</b>	<b>(2,078)</b>	<b>26,182</b>
Cash Balance - Beginning of Year .....	46,761	185,575	115,779	100,334	55,488	503,937
<b>Cash Balance - End of Year</b> .....	<b>\$ 43,437</b>	<b>\$ 198,182</b>	<b>\$ 150,540</b>	<b>\$ 84,550</b>	<b>\$ 53,410</b>	<b>\$ 530,119</b>
<b>Cash Basis Fund Balances</b>						
Reserved .....	\$ 43,437	\$ 198,182	\$ —	\$ —	\$ —	\$ 241,619
Unreserved .....	—	—	150,540	84,550	53,410	288,500
<b>Total Cash Basis Fund Balances</b> .....	<b>\$ 43,437</b>	<b>\$ 198,182</b>	<b>\$ 150,540</b>	<b>\$ 84,550</b>	<b>\$ 53,410</b>	<b>\$ 530,119</b>

## Schedule of Indebtedness

Year Ended June 30, 2009

Obligation	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<b>General Obligation Bonds</b>									
Corporate purpose.....	\$ 290,000	12-1-01	3.90%	<u>\$ 115,000</u>	<u>\$ —</u>	<u>\$ 55,000</u>	<u>\$ 60,000</u>	<u>\$ 4,403</u>	<u>\$ —</u>
<b>General Obligation Notes</b>									
Capital Loan Notes									
Series 2001A .....	500,000	8-1-01	5.75%	\$ 285,000	\$ —	\$ 285,000	\$ —	\$ 16,298	\$ —
Series 2001B .....	253,000	8-1-01	4.30	184,000	—	11,000	173,000	7,912	—
Series 2007 .....	1,885,000	1-8-07	3.65 - 4.40	<u>1,825,000</u>	<u>—</u>	<u>120,000</u>	<u>1,705,000</u>	<u>71,710</u>	<u>—</u>
<b>Total General Obligation Notes .....</b>				<b><u>\$ 2,294,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 416,000</u></b>	<b><u>\$ 1,878,000</u></b>	<b><u>\$ 95,920</u></b>	<b><u>\$ —</u></b>
<b>Sewer Revenue Capital Loan Notes .....</b>	\$ 600,000	8-1-01	4.30%	<u>\$ 445,000</u>	<u>\$ —</u>	<u>\$ 26,000</u>	<u>\$ 419,000</u>	<u>\$ 19,135</u>	<u>\$ —</u>
<b>Anticipation Project Note</b>									
Sewer Revenue Capital Loan Note .....	\$ 26,900*	3-25-08	0.00%	<u>\$ 2,024</u>	<u>\$ 8,520</u>	<u>\$ —</u>	<u>\$ 10,544</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Capital Lease - Wheel Loader.....</b>	\$ 64,024	8-22-08	5.25%	<u>\$ —</u>	<u>\$ 64,024</u>	<u>\$ —</u>	<u>\$ 64,024</u>	<u>\$ —</u>	<u>\$ —</u>

\*Maximum available



**Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds**

Years Ended June 30, 2002 Through 2009

	2009	2008	2007	2006	2005	2004	2003	2002
<b>Receipts</b>								
Property tax .....	\$ 1,500,615	\$ 1,496,480	\$ 1,300,355	\$ 1,218,728	\$ 1,254,449	\$ 1,309,772	\$ 1,294,007	\$ 1,131,266
T.I.F. collections .....	1,276	129,468	297,248	476,662	352,806	214,898	144,837	206,244
Other city tax .....	425,758	373,542	363,312	326,821	280,733	277,349	266,893	255,796
Licenses and permits.....	12,475	13,536	13,740	14,739	14,931	13,927	12,086	13,182
Use of money and property .....	91,424	136,944	107,094	82,320	59,135	58,211	56,024	63,750
Intergovernmental.....	681,859	1,351,428	784,852	400,676	432,214	466,198	539,194	745,605
Charges for service .....	884,095	871,211	846,977	830,777	830,207	814,309	812,344	771,242
Special assessments.....	1,442	1,435	2,281	13,269	18,818	34,925	4,563	4,780
Miscellaneous.....	<u>216,808</u>	<u>136,971</u>	<u>149,997</u>	<u>291,877</u>	<u>125,697</u>	<u>135,551</u>	<u>97,131</u>	<u>86,243</u>
<b>Total Receipts .....</b>	<b><u>\$ 3,815,752</u></b>	<b><u>\$ 4,511,015</u></b>	<b><u>\$ 3,865,856</u></b>	<b><u>\$ 3,655,869</u></b>	<b><u>\$ 3,368,990</u></b>	<b><u>\$ 3,325,140</u></b>	<b><u>\$ 3,227,079</u></b>	<b><u>\$ 3,278,108</u></b>
<b>Disbursements</b>								
Operating								
Public safety.....	\$ 670,862	\$ 637,709	\$ 629,691	\$ 631,399	\$ 752,035	\$ 547,742	\$ 536,615	\$ 920,078
Public works .....	1,048,598	997,573	1,057,308	935,299	961,408	874,340	826,386	800,133
Health and social services .....	3,929	3,929	3,929	2,953	2,952	2,952	2,835	3,335
Culture and recreation.....	931,256	958,363	888,419	995,473	802,011	759,001	803,698	685,898
Community and economic development.....	405,374	608,006	533,219	211,124	481,581	55,638	261,792	704,823
General government .....	251,369	232,533	220,785	281,937	223,228	213,015	186,036	172,209
Debt service.....	271,216	357,027	335,041	644,290	558,279	425,825	499,198	526,011
Capital projects.....	<u>937,722</u>	<u>883,829</u>	<u>258,537</u>	<u>514</u>	<u>12,253</u>	<u>207,339</u>	<u>49,353</u>	<u>912,206</u>
<b>Total Disbursements .....</b>	<b><u>\$ 4,520,326</u></b>	<b><u>\$ 4,678,969</u></b>	<b><u>\$ 3,926,929</u></b>	<b><u>\$ 3,702,989</u></b>	<b><u>\$ 3,793,747</u></b>	<b><u>\$ 3,085,852</u></b>	<b><u>\$ 3,165,913</u></b>	<b><u>\$ 4,724,693</u></b>

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

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To the Honorable Mayor and  
Members of the City Council  
City of Cresco, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cresco, Iowa, for the year ended June 30, 2009, and have issued our report thereon dated October 8, 2009. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Cresco, Iowa'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 Cresco, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cresco, Iowa'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 material weaknesses.

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 of Cresco, Iowa'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 Cresco, Iowa's financial statements that is more than inconsequential will not be prevented or detected by the City of Cresco, Iowa'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 Cresco, Iowa'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. We believe the significant deficiencies described in Part I of the accompanying Schedule of Findings are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Cresco, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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 or other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Cresco, Iowa'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 Cresco, Iowa's responses and, accordingly, we express no opinion on them.

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 Cresco, Iowa, and other parties to whom the City may report, including other grantor agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
October 8, 2009

## Schedule of Findings

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Year Ended June 30, 2009

### **Part I: Findings Related to the General-Purpose Financial Statements:**

#### **Instances of Noncompliance:**

There were no current year instances of noncompliance noted.

#### **Significant Deficiencies:**

Prior year significant deficiencies have not been resolved and have been repeated below as items 09-I-IC-1 and 09-I-IC-2.

#### **09-I-IC-1 Segregation of Duties**

**Prior Year Finding and Recommendation** - The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control. We realize the condition will be difficult to improve on without hiring additional staff. However, we do believe it is important that the Council be aware this condition does exist and make changes when appropriate and cost effective.

**Current Year Finding** - We found that the same conditions existed.

**Auditor's Recommendation** - We reiterate our prior year recommendation.

**City's Response** - Council is aware of the condition.

**Conclusion** - Response accepted.

#### **09-I-IC-2 Written Procedures**

**Prior Year Finding and Recommendation** - The City does not have written procedures describing internal controls and business practices. Management should have a written policy covering job descriptions and procedures, including required controls and business practices. These would provide documentation of job requirements and be the basis for employees to process transactions through the City's internal controls. The City should draft written procedures covering controls and business practices, including job descriptions.

**Current Year Finding** - We found that the same conditions existed.

**Auditor's Recommendation** - We reiterate our prior year recommendation.

**City's Response** - We will work on writing procedures with an estimated completion date of June 30, 2010.

**Conclusion** - Response accepted.

## Schedule of Findings

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Year Ended June 30, 2009

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

- 09-II-A Certified Budget** - Disbursements for the year ended June 30, 2009 did not exceed the amounts budgeted.
- 09-II-B Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion.
- 09-II-C Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 09-II-D Business Transactions** - Business transactions between the City of Cresco and City officials which may appear to be conflicts of interest are as follows:

<b>Name, Title and Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
John Loveless, Council Member, Part owner of Cresco Shopper	Advertising and supplies	\$ 3,832
Jim Daly, Council Member, Owner of Daly Plumbing and Heating	Repairs, heater, City Hall work	5,233

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Council Members Loveless and Daly may represent a conflict of interest since a competitive bidding process was not utilized and the total of the transactions was in excess of \$1,500.

**Auditor's Recommendation** - The City should use a competitive bidding process when practicable.

**City's Response** - Some of the transactions were normal expenses (advertising, supply costs, and minor repairs). However, some transactions were for more extensive projects. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

**Auditor's Conclusion** - Response accepted.

- 09-II-E Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 09-II-F Council Minutes** - Minutes of Council proceedings were published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.
- 09-II-G Deposits and Investments** - We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- 09-II-H Financial Condition** - No funds had a deficit balance at June 30, 2009.

## Schedule of Findings

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Year Ended June 30, 2009

**09-II-I Payment of General Obligation Bonds** - Certain general obligation bonds were paid from the Urban Renewal T.I.F. Area Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund."

**Auditor's Recommendation** - The City should transfer funds from the Urban Renewal T.I.F. Area Fund to the Debt Service Fund. Payments of the bonds should then be disbursed from the Debt Service Fund.

**City's Response** - We will transfer in the future as recommended.

**Auditor's Conclusion** - Response accepted.