

CITY OF CRESCO, IOWA
FINANCIAL STATEMENTS
JUNE 30, 2010

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Officials

Name	Title	Term Expires
Elected Officials		
(Before January, 2010)		
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
(After January, 2010)		
Mark Bohle	Mayor	January, 2012
John Loveless	Mayor Pro Tem	January, 2012
Josh Moore	Council Member	January, 2012
Dennis Blake	Council Member	January, 2012
Amy Bouska	Council Member	January, 2014
Steve McCarville	Council Member	January, 2014
Appointed Officials		
John Lloyd	Administrator/Clerk	September, 2010
Michelle Girolamo	Deputy Clerk	Indefinite
Joseph P. Braun	Attorney	Indefinite
Dennis Cauwels	Public Works Director	Indefinite

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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cresco, Iowa, as of and for the year ended June 30, 2010 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, the aggregate discretely presented component units, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cresco as of June 30, 2010, 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 September 29, 2010 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
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Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 10 and Page 25 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 required 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 eight years ended June 30, 2009 (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 which were prepared in conformity with an other comprehensive basis of accounting. Other supplemental information included on Pages 26 through 31 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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Mason City, Iowa
September 29, 2010

City of Cresco, Iowa
Management's Discussion and Analysis
June 30, 2010

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

Revenue of the City's governmental activities decreased approximately \$180,000 from fiscal year 2009 to fiscal year 2010. This decrease is primarily due to a decrease in operating grants in the current fiscal year.

Disbursements for governmental activities decreased approximately \$1,020,000 in fiscal year 2010 from fiscal year 2009. This is mainly due to a decrease in expenditures for the street shop, community center, bike trail, airport, train and sewer projects in the current fiscal year. It is also due to the early payoff of a capital loan note in the prior fiscal year.

The City's total cash basis net assets increased \$173,290 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased \$195,890 and the assets of the business-type activities decreased by \$22,600.

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 (d) the Capital Projects Funds such as Street Shop Project 2007, Bike Trail Project 2007, Project Design, Airport Project, City Hall Remodeling, Cresco Senior Citizens Center and 1st Avenue Street Project. 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 and for the internal service fund. Enterprise funds are used to report business-type activities. The City maintains several enterprise funds to provide separate information for water, sewer, capital improvement and yard waste and recycling funds, of which water and sewer funds are considered to be major funds of the City. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is 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 City's cash balance for governmental activities increased from \$2,829,782 a year ago to \$3,025,672. The analysis that follows focuses on the changes in cash balances for governmental activities.

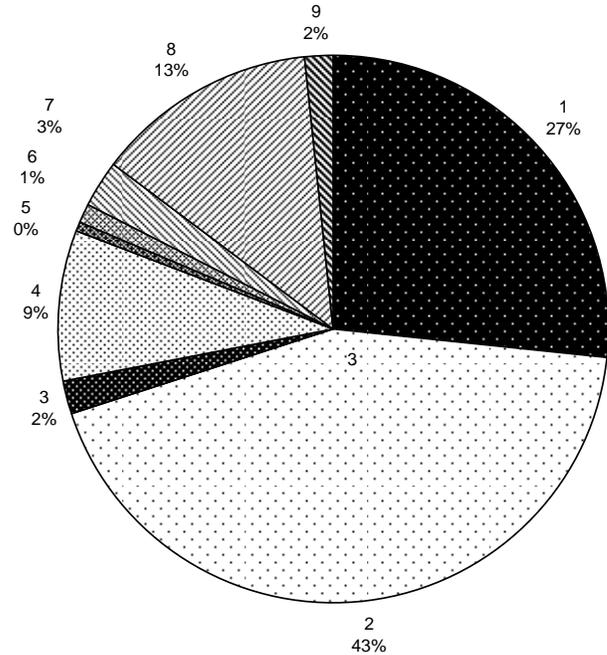
Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Receipts and Transfers		
Program Receipts		
Charges for service	\$ 990,461	\$ 1,000,761
Operating grants, contributions and restricted interest	481,254	789,847
General Receipts		
Property tax	1,595,116	1,501,891
Other city tax	75,606	78,312
Local option sales tax	331,011	347,446
Unrestricted interest on investments	43,189	53,868
Loan proceeds	16,356	56,538
Proceeds of capital assets sold	102,354	5,000
Other general receipts	62,213	43,627
Transfers, net	<u>1,905</u>	<u>35,470</u>
Total Receipts and Transfers	<u>3,699,465</u>	<u>3,912,760</u>
Disbursements and Transfers		
Public safety	653,523	670,862
Public works	1,003,632	1,048,598
Health and social services	3,929	3,929
Culture and recreation	890,594	931,256
Community and economic development	117,740	405,374
General government	246,290	251,369
Debt service	268,654	271,216
Capital projects	<u>319,213</u>	<u>937,722</u>
Total Disbursements and Transfers	<u>3,503,575</u>	<u>4,520,326</u>
Increase (Decrease) in Cash Basis Net Assets	195,890	(607,566)
Cash basis net assets - beginning of year	<u>2,829,782</u>	<u>3,437,348</u>
Cash Basis Net Assets - End of Year	<u>\$ 3,025,672</u>	<u>\$ 2,829,782</u>

Receipts 2010

1. Charges for service	\$ 990,461
2. Property tax	1,595,116
3. Other city tax	75,606
4. Local option sales tax	331,011
5. Loan proceeds	16,356
6. Unrestricted interest	43,189
7. Sale of assets	102,354
8. Operating grants	481,254
9. Transfers and other	64,118

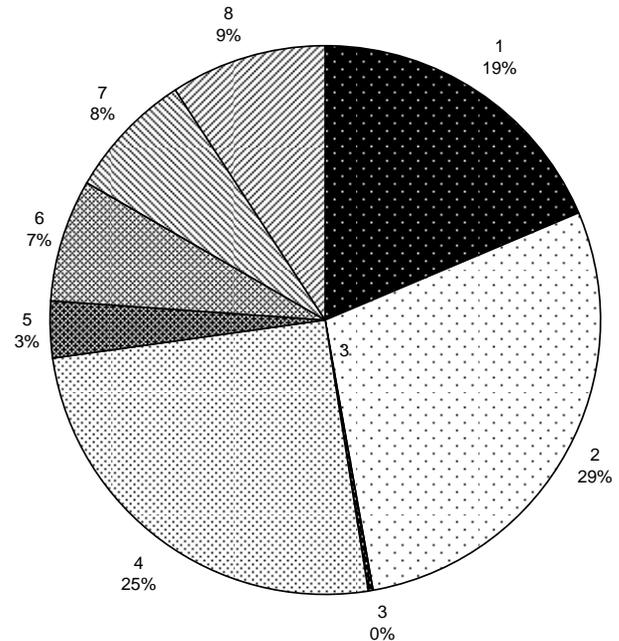
Total **\$ 3,699,465**



Disbursements 2010

1. Public safety	\$ 653,523
2. Public works	1,003,632
3. Health and social services	3,929
4. Culture and recreation	890,594
5. Community and economic development	117,740
6. General government	246,290
7. Debt service	268,654
8. Capital projects	319,213

Total **\$ 3,503,575**



The City's total receipts for governmental activities decreased by 5%, or \$213,295. 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 \$1,016,751, or 22%. The majority of this decrease was in the capital projects function.

Changes in Cash Basis Net Assets of Business-Type Activities

	Year Ended June 30,	
	2010	2009
Receipts and Transfers		
Program Receipts		
Charges for Service		
Water	\$ 355,592	\$ 320,051
Sewer	582,012	562,598
Other proprietary	82,932	86,216
General Receipts		
Sale of assets	3,078	—
Unrestricted interest on investments	15,775	20,704
Other general receipts	4,861	—
Loan proceeds	—	16,006
Net transfers	(1,905)	(35,470)
Total Receipts and Transfers	1,042,345	970,105
Disbursements		
Water	463,447	478,044
Sewer	543,734	592,226
Other proprietary	57,764	73,798
Total Disbursements	1,064,945	1,144,068
Decrease in Cash Basis Net Assets	(22,600)	(173,963)
Cash basis net assets - beginning of year	1,270,953	1,444,916
Cash Basis Net Assets - End of Year	\$ 1,248,353	\$ 1,270,953

Total business-type activities receipts for the fiscal year were \$1,042,345 compared to \$970,105 last year. The increase was related to charges for service. The cash balance decreased by \$22,600, or 2% from the prior year. Total disbursements for the fiscal year decreased by 7%, or \$79,123. This decrease was primarily due to lower expenses for wages and electricity. Also, the City did not purchase a sludge tank this year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Cresco's governmental funds reported a combined fund balance of \$3,009,085, an increase of \$179,303 from last year's total of \$2,829,782.

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 \$76,440 from the prior year to \$731,201. This increase was largely due to property tax receipts.

The Road Use Tax Fund cash balance increased by \$79,496 to \$420,501 during the fiscal year. This increase is due to charging expenses such as electricity and snow removal to the Local Option Sales Tax Fund instead of the Road Use Tax Fund as in the prior year. It is also due to the I-Jobs funding received.

The Employee Benefits Fund cash balance increased \$60,421 to \$349,430 during the fiscal year. This year the City received \$424,701 in property taxes with additional revenue coming from interest on a certificate of deposit and utility tax replacement. Total revenue was \$449,405. 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 increased \$1,896.

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 \$554,910, an increase of \$49,331 from the previous year.

The Local Option Sales Tax Fund cash balance decreased by \$600 to \$403,115 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$102,628 to \$322,488, due to the meter replacement program and wellhouse repairs.

The Sewer Fund cash balance increased by \$50,749 to \$661,496, due to increased revenue and no transfer of excess bond proceeds as there was last year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The amendments were approved on September 21, 2009, March 15, 2010 and May 17, 2010. The amendments resulted in increases in revenue from grant monies received and the sale of the street shop. There were also increases in expenditures due to projects and grant monies expended and equipment purchases; capital projects started; unexpected repairs; higher electricity costs; and additional transfers.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$1,747,000 in general obligation debt, \$418,900 in revenue note debt and \$49,225 in capital lease debt.

Outstanding Debt at Year End

General obligation notes	\$ 1,747,000
Revenue notes	418,900
Capital leases	<u>49,225</u>
Totals	<u>\$ 2,215,125</u>

The City continues to carry a general obligation bond rating of A1. 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 \$1,747,000 is below its constitutional debt limit of \$8,032,143.

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 Michelle Girolamo, City Clerk, at 130 North Park Place, Cresco, Iowa.

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

Year Ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Units
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total	
Governmental Activities							
Public safety	\$ 653,523	\$ 17,686	\$ 27,339	\$ (608,498)	\$ —	\$ (608,498)	\$ —
Public works	1,003,632	516,460	362,235	(124,937)	—	(124,937)	—
Health and social services.....	3,929	—	—	(3,929)	—	(3,929)	—
Culture and recreation.....	890,594	426,594	43,531	(420,469)	—	(420,469)	—
Community and economic development	117,740	175	36,319	(81,246)	—	(81,246)	—
General government.....	246,290	29,546	—	(216,744)	—	(216,744)	—
Debt service.....	268,654	—	—	(268,654)	—	(268,654)	—
Capital projects.....	319,213	—	11,830	(307,383)	—	(307,383)	—
Total Governmental Activities	3,503,575	990,461	481,254	(2,031,860)	—	(2,031,860)	—
Business-Type Activities							
Water	463,447	355,592	—	—	(107,855)	(107,855)	—
Sewer	543,734	582,012	—	—	38,278	38,278	—
Other proprietary	57,764	82,932	—	—	25,168	25,168	—
Total Business-Type Activities.....	1,064,945	1,020,536	—	—	(44,409)	(44,409)	—
Total	\$ 4,568,520	\$ 2,010,997	\$ 481,254	(2,031,860)	(44,409)	(2,076,269)	—
Component Units							
Cresco Public Library Foundation	\$ 9,125	—	\$ 15,581	—	—	—	6,456
Cresco Fire Fighters, Inc.	30,758	—	36,646	—	—	—	5,888
Total Component Units	\$ 39,883	—	\$ 52,227	—	—	—	12,344
General Receipts							
Property Tax Levied for							
General purposes.....				908,534	—	908,534	—
Tax increment financing.....				19,427	—	19,427	—
Debt service				242,454	—	242,454	—
Employee benefits.....				424,701	—	424,701	—
Other City tax.....				75,606	—	75,606	—
Local option sales tax.....				331,011	—	331,011	—
Unrestricted interest on investments				43,189	15,775	58,964	6,564
Miscellaneous.....				62,213	4,861	67,074	—
Anticipation project note proceeds				16,356	—	16,356	—
Proceeds of capital assets sold.....				102,354	3,078	105,432	—
Transfers				1,905	(1,905)	—	—
Total General Receipts and Transfers				2,227,750	21,809	2,249,559	6,564
Change in Cash Basis Net Assets				195,890	(22,600)	173,290	18,908
Cash Basis Net Assets - Beginning of Year				2,829,782	1,270,953	4,100,735	253,700
Cash Basis Net Assets - End of Year				\$ 3,025,672	\$ 1,248,353	\$ 4,274,025	\$ 272,608
Cash Basis Net Assets							
Restricted							
Expendable							
Streets				\$ 420,501	\$ —	\$ 420,501	\$ —
Urban renewal purposes.....				78,856	—	78,856	—
Debt service.....				196,898	256,539	453,437	—
Capital projects.....				92,907	—	92,907	—
Other purposes.....				1,488,722	—	1,488,722	—
Unrestricted				747,788	991,814	1,739,602	272,608
Total Cash Basis Net Assets				\$ 3,025,672	\$ 1,248,353	\$ 4,274,025	\$ 272,608

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, 2010

	<u>Special Revenue</u>					Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Employee Benefits	Expendable Trust	Local Option Sales Tax		
Receipts							
Property tax	\$ 882,170	\$ —	\$ 424,701	\$ —	\$ —	\$ 267,651	\$ 1,574,522
T.I.F. collections	—	—	—	—	—	19,427	19,427
Other city tax	58,598	—	10,492	—	331,011	6,517	406,618
Licenses and permits.....	12,593	—	—	—	—	—	12,593
Use of money and property	51,762	—	3,810	11,999	6,782	13,597	87,950
Intergovernmental.....	48,111	362,235	—	4,800	—	12,992	428,138
Charges for service	869,670	—	—	—	—	21,478	891,148
Special assessments.....	—	—	—	1,168	—	—	1,168
Miscellaneous.....	60,700	169	10,402	46,474	—	39,542	157,287
Total Receipts	<u>1,983,604</u>	<u>362,404</u>	<u>449,405</u>	<u>64,441</u>	<u>337,793</u>	<u>381,204</u>	<u>3,578,851</u>
Disbursements							
Operating							
Public safety	501,648	—	149,597	—	716	6,628	658,589
Public works	504,036	282,908	100,797	1,135	104,671	—	993,547
Health and social services	3,929	—	—	—	—	—	3,929
Culture and recreation.....	690,193	—	113,520	25,465	56,596	11,474	897,248
Community and economic development.....	17,084	—	—	13,224	65,000	22,445	117,753
General government	222,050	—	25,070	100	390	—	247,610
Debt service.....	—	—	—	—	—	268,654	268,654
Capital projects.....	—	—	—	—	—	319,213	319,213
Total Disbursements	<u>1,938,940</u>	<u>282,908</u>	<u>388,984</u>	<u>39,924</u>	<u>227,373</u>	<u>628,414</u>	<u>3,506,543</u>
Receipts Over (Under) Disbursements.....	<u>44,664</u>	<u>79,496</u>	<u>60,421</u>	<u>24,517</u>	<u>110,420</u>	<u>(247,210)</u>	<u>72,308</u>
Other Financing Sources (Uses)							
Interfund loan activity.....	—	—	—	—	(42,435)	42,435	—
Anticipation project note proceeds	—	—	—	—	—	16,356	16,356
Proceeds of capital assets sold	1,754	—	—	—	—	100,600	102,354
Capital lease payments	—	—	—	(4,540)	(9,080)	—	(13,620)
Operating transfers in.....	32,022	—	—	69,000	39,510	33,101	173,633
Operating transfers out.....	(2,000)	—	—	(39,646)	(99,015)	(31,067)	(171,728)
Total Other Financing Sources (Uses)	<u>31,776</u>	<u>—</u>	<u>—</u>	<u>24,814</u>	<u>(111,020)</u>	<u>161,425</u>	<u>106,995</u>
Increase (Decrease) in Cash Balances.....	<u>76,440</u>	<u>79,496</u>	<u>60,421</u>	<u>49,331</u>	<u>(600)</u>	<u>(85,785)</u>	<u>179,303</u>
Cash Balances - Beginning of Year.....	654,761	341,005	289,009	505,579	403,715	635,713	2,829,782
Cash Balances - End of Year	<u>\$ 731,201</u>	<u>\$ 420,501</u>	<u>\$ 349,430</u>	<u>\$ 554,910</u>	<u>\$ 403,115</u>	<u>\$ 549,928</u>	<u>\$ 3,009,085</u>
Cash Basis Fund Balances							
Reserved							
Debt service	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 196,898	\$ 196,898
Unreserved							
General fund	731,201	—	—	—	—	—	731,201
Special revenue fund	—	420,501	349,430	554,910	403,115	260,123	1,988,079
Capital projects fund	—	—	—	—	—	92,907	92,907
Total Cash Basis Fund Balances	<u>\$ 731,201</u>	<u>\$ 420,501</u>	<u>\$ 349,430</u>	<u>\$ 554,910</u>	<u>\$ 403,115</u>	<u>\$ 549,928</u>	<u>\$ 3,009,085</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets - Governmental Funds

At June 30, 2010

Total Fund Balances for Governmental Funds (Page 12)..... **\$ 3,009,085**

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.....

16,587

Cash Basis Net Assets of Governmental Activities (Page 11)..... **\$ 3,025,672**

Net Change in Cash Balances (Page 12)..... **\$ 179,303**

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.....

16,587

Change in Cash Basis Net Assets of Governmental Activities (Page 11)..... **\$ 195,890**

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

Year Ended June 30, 2010

	Enterprise Funds				Internal Service Fund Employee Health
	Water	Sewer	Other Nonmajor Proprietary Funds	Total	
Operating Receipts					
Charges for service	\$ 311,285	\$ 567,239	\$ 82,933	\$ 961,457	\$ —
Miscellaneous	49,897	17,122	—	67,019	24,744
Total Operating Receipts	<u>361,182</u>	<u>584,361</u>	<u>82,933</u>	<u>1,028,476</u>	<u>24,744</u>
Operating Disbursements					
Governmental Activities					
Business-type activities	465,980	501,584	53,796	1,021,360	—
General government.....	—	—	—	—	2,000
Total Operating Disbursements	<u>465,980</u>	<u>501,584</u>	<u>53,796</u>	<u>1,021,360</u>	<u>2,000</u>
Operating Receipts Over (Under)					
Operating Disbursements	<u>(104,798)</u>	<u>82,777</u>	<u>29,137</u>	<u>7,116</u>	<u>22,744</u>
Nonoperating Receipts (Disbursements)					
Interest on investments.....	4,170	9,104	2,501	15,775	24
Debt service	—	(45,227)	—	(45,227)	—
Net Nonoperating Receipts (Disbursements).....	<u>4,170</u>	<u>(36,123)</u>	<u>2,501</u>	<u>(29,452)</u>	<u>24</u>
Receipts Over (Under)					
Disbursements.....	<u>(100,628)</u>	<u>46,654</u>	<u>31,638</u>	<u>(22,336)</u>	<u>22,768</u>
Other Financing Sources (Uses)					
Capital lease payments.....	—	—	(4,540)	(4,540)	—
Operating transfers in	—	6,095	—	6,095	—
Operating transfers out	(2,000)	(2,000)	(4,000)	(8,000)	—
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>4,095</u>	<u>(8,540)</u>	<u>(6,445)</u>	<u>—</u>
Increase (Decrease) in Cash					
Balances.....	<u>(102,628)</u>	<u>50,749</u>	<u>23,098</u>	<u>(28,781)</u>	<u>22,768</u>
Cash Balances - Beginning of Year, as reclassified - Note 11	425,116	610,747	235,090	1,270,953	—
Cash Balances - End of Year	<u>\$ 322,488</u>	<u>\$ 661,496</u>	<u>\$ 258,188</u>	<u>\$ 1,242,172</u>	<u>\$ 22,768</u>
Cash Basis Fund Balances					
Reserved for debt service	\$ —	\$ 256,539	\$ —	\$ 256,539	\$ —
Unreserved.....	322,488	404,957	258,188	985,633	22,768
Total Cash Basis Fund Balances	<u>\$ 322,488</u>	<u>\$ 661,496</u>	<u>\$ 258,188</u>	<u>\$ 1,242,172</u>	<u>\$ 22,768</u>

See accompanying notes to financial statements.

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets - Proprietary Funds

Year Ended June 30, 2010

Total Enterprise Funds Cash Balances (Page 14)	\$ 1,242,172
<i>Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in the business-type activities in the Statement of Activities and Net Assets	
	6,181
Cash Basis Net Assets of Business-Type Activities (Page 11)	<u>\$ 1,248,353</u>
 Net Change in Cash Balances (Page 14)	 \$ (28,781)
<i>Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of <i>partial</i> self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business-type activities	
	6,181
Change in Cash Basis Net Assets of Business-Type Activities (Page 11)	<u>\$ (22,600)</u>

Notes to the Financial Statements

(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 units, the Cresco Public Library Foundation (Foundation) and Cresco Fire Fighters, Inc. (Organization). Neither the Foundation nor the Organization issue separately audited financial statements.

Discrete Component Units

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.

Cresco Fire Fighters, Inc. (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Organization is governed by a Board of Directors. Economic resources received by the Organization are used for the direct benefit of the City's constituents. The Organization has a year end of December 31. Accordingly, the Organization's financial information included in the statement of activities and net assets is as of and for the year ended December 31, 2009.

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, Planning and Zoning Board, Regional Health Services Foundation Board, Intermediary Relending Program Board, Prairie Springs Recreation Trails Board, Upper Explorerland Regional Planning Commission and Howard County Agricultural Society Board.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Expendable 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. Total expendable restricted net assets at June 30, 2010 were \$2,534,423.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

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.

The City also reports the following additional proprietary fund:

The *Internal Service Fund* is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost-reimbursement basis.

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 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, 2010 did not exceed the amounts budgeted.

Subsequent Events

Management has evaluated subsequent events through June 30, 2010, the date which the financial statements were available to be issued.

Notes to the Financial Statements

(2) Deposits and Investments

The City's deposits at June 30, 2010 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.

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, 2010.

Component Units

The Cresco Public Library Foundation deposits at June 30, 2010 are shown below.

Certificates of deposit.....	\$ 199,791
Checking/savings	<u>25,857</u>
	<u>\$ 225,648</u>

Cresco Fire Fighters, Inc. deposits at December 31, 2009 are shown below:

Certificates of deposit.....	\$ 9,674
Checking/savings	<u>37,286</u>
	<u>\$ 46,960</u>

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Sewer Revenue Notes		Capital Lease - Wheel Loader		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 137,000	\$ 69,976	\$ 55,900	\$ 16,856	\$ 15,576	\$ 2,584	\$ 208,476	\$ 89,416
2012	137,000	64,898	30,000	15,609	16,394	1,767	183,394	82,274
2013	138,000	59,757	31,000	14,319	17,255	906	186,255	74,982
2014	143,000	54,510	32,000	12,986	—	—	175,000	67,496
2015	149,000	49,011	34,000	11,610	—	—	183,000	60,621
2016-2020 ...	560,000	162,233	192,000	34,959	—	—	752,000	197,192
2021-2025 ...	398,000	69,749	44,000	1,892	—	—	442,000	71,641
2026	85,000	3,740	—	—	—	—	85,000	3,740
	<u>\$ 1,747,000</u>	<u>\$ 533,874</u>	<u>\$ 418,900</u>	<u>\$ 108,231</u>	<u>\$ 49,225</u>	<u>\$ 5,257</u>	<u>\$ 2,215,125</u>	<u>\$ 647,362</u>

Notes to the Financial Statements

(3) Notes Payable

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$600,000 and \$26,900 of sewer revenue notes issued in August, 2001 and March, 2008, respectively. Proceeds from the notes provided financing for improvements to the sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2025 and 2011, respectively. Annual principal and interest payments on the notes are expected to require approximately 10% of net receipts. The total principal and interest remaining to be paid on the notes is \$527,131. For the current year, principal and interest paid and total customer net receipts were \$45,017 and \$65,655, respectively.

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

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

The City was in compliance with these provisions at June 30, 2010.

Anticipation Project Note

In March, 2008, the City issued a \$26,900 anticipation project note at 0% interest per annum, 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. As of June 30, 2010, \$26,900 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 payments of \$18,160 to CNH Capital at 5.25% interest, which began in August, 2009. The last payment is due August, 2012.

(4) Interfund Loan Agreements

The City has approved an interfund loan from the Local Option Sales Tax Fund at a 3% annual interest rate as follows:

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-10
Local Option Sales Tax	1st Avenue Street Project	\$42,435	\$42,435

The City plans to pay off this loan with bond proceeds that are expected to be received during the 2010-2011 fiscal year.

Notes to the Financial Statements

(5) 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 4.3% of their annual covered salary and the City is required to contribute 6.65% 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 contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$100,742, \$90,810 and \$86,347, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 25 active members and 2 retired members in the plan. Participants must be age 55 or older at retirement. The medical/prescription drug benefits are provided through a partially self-funded plan through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums are \$350 for single coverage and \$895 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed a total of \$259,633 and plan members eligible for benefits contributed a total of \$18,956 to the plan.

(7) 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. Additionally, an employee may apply unused sick leave to pay health insurance premiums upon retirement.

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, 2010, primarily relating to the General Fund was as follows:

Notes to the Financial Statements

(7) Compensated Absences

Type of Benefit	Amount
Compensatory time off	\$ 37,573
Vacation.....	120,949
Sick leave (100%).....	566,009
Total	<u>\$ 724,531</u>

This liability has been computed based on rates of pay as of June 30, 2010.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Expendable Trust	\$ 5,551
	Local Option Sales Tax	6,914
	Emergency	19,300
	State Grants	<u>257</u>
		<u>32,022</u>
Special Revenue	Special Revenue	
	Expendable Trust	28,000
	Capital Project	
Local Option Sales Tax		<u>11,510</u>
		<u>39,510</u>
Special Revenue	General Fund	2,000
	Special Revenue	
	Local Option Sales Tax	59,000
	Proprietary	
	Water	2,000
	Municipal Sanitary Sewer and	
	Water Utility Capital Improvements	2,000
	Sewer	2,000
Yard Waste and Recycling	<u>2,000</u>	
		<u>69,000</u>
Debt Service	Special Revenue	
	Local Option Sales Tax	<u>33,101</u>
Proprietary	Special Revenue	
	Sewer	<u>6,095</u>
Total		<u>\$ 179,728</u>

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

(9) 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.

(10) Commitments

At June 30, 2010, the City had entered into various contracts totaling approximately \$379,000 for street improvements and water control improvements.

(11) Reclassification of Beginning Proprietary Fund Balances

The Water Utility, Water Utility Repair and Replacement and Water Meter Deposits Funds were reclassified to form the Water Fund. The 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 and Municipal Sanitary Sewer Utility Revenue Debt Service Reserve Funds were reclassified to form the Sewer Fund. These funds were reclassified to better summarize the activity related to those utilities and to simplify the information for the reader.

	Water Utility	Water Utility Repair and Replacement	Water Meter Deposits	Water	Municipal Sanitary Sewer Utility Revenue	Municipal Sanitary Sewer Utility Operation and Main- tenance
Fund Balance - Beginning of Year, as previously reported	\$ 132,839	\$ 238,867	\$ 53,410	\$ —	\$ 78,474	\$ 2,783
Reclassified funds as noted above	(132,839)	(238,867)	(53,410)	425,116	(78,474)	(2,783)
Fund Balance - Beginning of Year, as Reclassified.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 425,116</u>	<u>\$ —</u>	<u>\$ —</u>

	Municipal Sanitary Sewer Utility Replacement	Municipal Sanitary Sewer Utility Revenue Bond and Interest Sinking	Municipal Sanitary Sewer Utility Revenue Debt Service Reserve	Sewer	Total
Fund Balance - Beginning of Year, as previously reported	\$ 287,871	\$ 43,437	\$ 198,182	\$ —	\$ 1,035,863
Reclassified funds as noted above	(287,871)	(43,437)	(198,182)	610,747	—
Fund Balance - Beginning of Year, as Reclassified.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 610,747</u>	<u>\$ 1,035,863</u>

Notes to the Financial Statements

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,415 during the year ended June 30, 2010.

(13) Subsequent Events

In August, 2010, the City approved the purchase of a new dump truck for \$89,598 from Truck Country. The City also approved a bid for \$72,746 with Kitchen Construction for the 2010 Sanitary Sewer Rerouting Project. In addition, the City approved an interfund loan of \$100,000 at 3% interest from the Local Option Sales Tax fund to the 1st Avenue Street Project fund. The issuance of \$154,101 of debt to reimburse the City for the new dump truck and new street sweeper was also approved.

In September, 2010, the City approved the issuance of two series of General Obligation Capital Loan Notes: one not to exceed \$1,210,000 and one not to exceed \$40,000.

Required Supplementary Information

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, 2010

	Governmental Funds - Actual	Proprietary Funds - Actual	Less Funds Not Required to be Budgeted	Net Actual	Budgeted Amounts		Final to Net Actual Variance
					Original	Final	
Receipts							
Property tax	\$ 1,574,522	\$ —	\$ —	\$ 1,574,522	\$ 1,528,008	\$ 1,528,008	\$ 46,514
T.I.F. collections	19,427	—	—	19,427	18,000	18,000	1,427
Other city tax	406,618	—	—	406,618	365,037	415,037	(8,419)
Licenses and permits.....	12,593	—	—	12,593	13,115	13,115	(522)
Use of money and property	87,950	15,799	24	103,725	108,740	108,740	(5,015)
Intergovernmental.....	428,138	—	—	428,138	385,460	491,460	(63,322)
Charges for service	891,148	961,457	—	1,852,605	1,907,980	1,923,980	(71,375)
Special assessments.....	1,168	—	—	1,168	—	—	1,168
Miscellaneous.....	157,287	91,763	24,744	224,306	126,214	126,214	98,092
Total Receipts.....	3,578,851	1,069,019	24,768	4,623,102	4,452,554	4,624,554	(1,452)
Disbursements							
Public safety	658,589	—	—	658,589	707,405	707,405	48,816
Public works	993,547	—	—	993,547	1,075,475	1,100,475	106,928
Health and social services.....	3,929	—	—	3,929	4,000	4,000	71
Culture and recreation.....	897,248	—	—	897,248	992,540	1,007,540	110,292
Community and economic development	117,753	—	—	117,753	169,313	286,313	168,560
General government.....	247,610	2,000	2,000	247,610	279,140	279,140	31,530
Debt service.....	268,654	—	—	268,654	269,259	269,259	605
Capital projects.....	319,213	—	—	319,213	—	448,000	128,787
Business-type activities	—	1,066,587	—	1,066,587	1,259,667	1,289,667	223,080
Total Disbursements.....	3,506,543	1,068,587	2,000	4,573,130	4,756,799	5,391,799	818,669
Excess (Deficiency) of Receipts Over (Under) Disbursements	72,308	432	22,768	49,972	(304,245)	(767,245)	817,217
Other Financing Sources, Net	106,995	(6,445)	—	100,550	3,000	120,000	(19,450)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses.....	179,303	(6,013)	22,768	150,522	(301,245)	(647,245)	797,767
Balances - Beginning of Year	2,829,782	1,270,953	—	4,100,735	3,785,049	4,100,289	446
Balances - End of Year.....	\$ 3,009,085	\$ 1,264,940	\$ 22,768	\$ 4,251,257	\$ 3,483,804	\$ 3,453,044	\$ 798,213

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 the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. 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 \$635,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, 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, 2010

	Special Revenue					Capital Projects	
	Emergency	CIDC Revolving Loan	Urban Renewal T.I.F. Area	Cresco Telecommunication	State Grants	Bike Trail 2007	Street Shop Project 2007
Receipts							
Property tax	\$ 25,197	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
T.I.F. collections	—	—	19,427	—	—	—	—
Other city tax	624	—	—	—	—	—	—
Use of money and property	107	5,773	1,625	1,004	—	41	1,107
Intergovernmental.....	—	—	—	—	1,521	—	—
Charges for service	—	—	—	21,478	—	—	—
Miscellaneous.....	—	28,436	—	—	—	—	2,400
Total Receipts.....	25,928	34,209	21,052	22,482	1,521	41	3,507
Disbursements							
Operating							
Public safety.....	6,628	—	—	—	—	—	—
Culture and recreation.....	—	—	—	11,474	—	—	—
Community and economic development.....	—	20,474	450	—	1,521	—	—
Debt service.....	—	—	—	—	—	—	—
Capital projects.....	—	—	—	—	—	—	211,150
Total Disbursements.....	6,628	20,474	450	11,474	1,521	—	211,150
Receipts Over (Under) Disbursements.....	19,300	13,735	20,602	11,008	—	41	(207,643)
Other Financing Sources (Uses)							
Interfund loan activity.....	—	—	—	—	—	—	—
Anticipation project note proceeds	—	—	—	—	—	—	—
Sale of capital assets.....	—	—	—	—	—	—	100,600
Operating transfers in.....	—	—	—	—	—	—	—
Operating transfers out.....	(19,300)	—	—	—	(257)	—	—
Total Other Financing Sources (Uses).....	(19,300)	—	—	—	(257)	—	100,600
Increase (Decrease) in Cash Balances.....	—	13,735	20,602	11,008	(257)	41	(107,043)
Cash Balances - Beginning of Year.....	—	54,258	58,254	102,266	257	3,892	188,128
Cash Balances - End of Year.....	\$ —	\$ 67,993	\$ 78,856	\$ 113,274	\$ —	\$ 3,933	\$ 81,085
Cash Basis Fund Balances							
Reserved							
Debt service	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved							
Special revenue funds.....	—	67,993	78,856	113,274	—	—	—
Capital projects funds.....	—	—	—	—	—	3,933	81,085
Total Cash Basis Fund Balances.....	\$ —	\$ 67,993	\$ 78,856	\$ 113,274	\$ —	\$ 3,933	\$ 81,085

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

Year Ended June 30, 2010

	Capital Projects					Debt Service	Total
	Airport Project	Project Design	City Hall Remodeling	Cresco Senior Citizen Center	1st Avenue Street Project		
Receipts							
Property tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 242,454	\$ 267,651
T.I.F. collections	—	—	—	—	—	—	19,427
Other city tax	—	—	—	—	—	5,893	6,517
Use of money and property	39	—	193	—	174	3,534	13,597
Intergovernmental.....	11,471	—	—	—	—	—	12,992
Charges for service	—	—	—	—	—	—	21,478
Miscellaneous.....	—	—	8,347	359	—	—	39,542
Total Receipts.....	11,510	—	8,540	359	174	251,881	381,204
Disbursements							
Operating							
Public safety.....	—	—	—	—	—	—	6,628
Culture and recreation.....	—	—	—	—	—	—	11,474
Community and economic development.....	—	—	—	—	—	—	22,445
Debt service.....	—	—	—	—	—	268,654	268,654
Capital projects.....	—	16,356	31,954	24,869	34,884	—	319,213
Total Disbursements.....	—	16,356	31,954	24,869	34,884	268,654	628,414
Receipts Over (Under) Disbursements.....	11,510	(16,356)	(23,414)	(24,510)	(34,710)	(16,773)	(247,210)
Other Financing Sources (Uses)							
Interfund loan activity.....	—	—	—	—	42,435	—	42,435
Anticipation project note proceeds	—	16,356	—	—	—	—	16,356
Sale of capital assets.....	—	—	—	—	—	—	100,600
Operating transfers in.....	—	—	—	—	—	33,101	33,101
Operating transfers out.....	(11,510)	—	—	—	—	—	(31,067)
Total Other Financing Sources (Uses).....	(11,510)	16,356	—	—	42,435	33,101	161,425
Increase (Decrease) in Cash Balances.....	—	—	(23,414)	(24,510)	7,725	16,328	(85,785)
Cash Balances - Beginning of Year.....	—	—	23,578	24,510	—	180,570	635,713
Cash Balances - End of Year	\$ —	\$ —	\$ 164	\$ —	\$ 7,725	\$ 196,898	\$ 549,928
Cash Basis Fund Balances							
Reserved							
Debt service	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 196,898	\$ 196,898
Unreserved							
Special revenue funds.....	—	—	—	—	—	—	260,123
Capital projects funds.....	—	—	164	—	7,725	—	92,907
Total Cash Basis Fund Balances	\$ —	\$ —	\$ 164	\$ —	\$ 7,725	\$ 196,898	\$ 549,928

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

Year Ended June 30, 2010

	Municipal Sanitary Sewer Utility and Water Utility Capital Improvements	Yard Waste and Recycling	Total
Operating Receipts			
Charges for service	\$ 45,046	\$ 37,887	\$ 82,933
Operating Disbursements			
Business-type activities	<u>5,429</u>	<u>48,367</u>	<u>53,796</u>
Operating Receipts Over (Under) Disbursements	39,617	(10,480)	29,137
Nonoperating Receipts			
Interest on investments	<u>1,679</u>	<u>822</u>	<u>2,501</u>
Receipts Over (Under) Disbursements.....	<u>41,296</u>	<u>(9,658)</u>	<u>31,638</u>
Other Financing Uses			
Capital lease payments	—	(4,540)	(4,540)
Operating transfers out.....	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Total Other Financing Uses	<u>(2,000)</u>	<u>(6,540)</u>	<u>(8,540)</u>
Increase (Decrease) in Cash Balances.....	39,296	(16,198)	23,098
Cash Balance - Beginning of Year, as reclassified - Note 11	<u>150,540</u>	<u>84,550</u>	<u>235,090</u>
Cash Balance - End of Year.....	<u>\$ 189,836</u>	<u>\$ 68,352</u>	<u>\$ 258,188</u>
Cash Basis Fund Balances			
Reserved	\$ —	\$ —	\$ —
Unreserved	<u>189,836</u>	<u>68,352</u>	<u>258,188</u>
Total Cash Basis Fund Balances	<u>\$ 189,836</u>	<u>\$ 68,352</u>	<u>\$ 258,188</u>

Schedule of Indebtedness

Year Ended June 30, 2010

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
General Obligation Bonds									
Corporate purpose.....	\$ 290,000	12-1-01	3.90%	<u>\$ 60,000</u>	<u>\$ —</u>	<u>\$ 60,000</u>	<u>\$ —</u>	<u>\$ 2,340</u>	<u>\$ —</u>
General Obligation Notes									
Capital Loan Notes									
Series 2001B	253,000	8-1-01	4.30	\$ 173,000	\$ —	\$ 11,000	\$ 162,000	\$ 7,439	\$ —
Series 2007	1,885,000	1-8-07	3.65 - 4.40	<u>1,705,000</u>	<u>—</u>	<u>120,000</u>	<u>1,585,000</u>	<u>67,390</u>	<u>—</u>
Total General Obligation Notes				<u>\$ 1,878,000</u>	<u>\$ —</u>	<u>\$ 131,000</u>	<u>\$ 1,747,000</u>	<u>\$ 74,829</u>	<u>\$ —</u>
Sewer Revenue Capital Loan Notes	\$ 600,000	8-1-01	4.30%	<u>\$ 419,000</u>	<u>\$ —</u>	<u>\$ 27,000</u>	<u>\$ 392,000</u>	<u>\$ 18,017</u>	<u>\$ —</u>
Anticipation Project Note									
Sewer Revenue Capital Loan Note	\$ 26,900*	3-25-08	0.00%	<u>\$ 10,544</u>	<u>\$ 16,356</u>	<u>\$ —</u>	<u>\$ 26,900</u>	<u>\$ —</u>	<u>\$ —</u>
Capital Lease - Wheel Loader.....	\$ 64,024	8-22-08	5.25%	<u>\$ 64,024</u>	<u>\$ —</u>	<u>\$ 14,799</u>	<u>\$ 49,225</u>	<u>\$ 3,361</u>	<u>\$ —</u>
Interfund Loan Agreement (1st Avenue Street Project)	\$ 42,435	8-3-09	3.00%	<u>\$ —</u>	<u>\$ 42,435</u>	<u>\$ —</u>	<u>\$ 42,435</u>	<u>\$ —</u>	<u>\$ —</u>

*Maximum available

Schedule of Note Maturities

At June 30, 2010

Year Ending June 30,	General Obligation Notes					Sewer Revenue	
	Capital Loan Notes					Capital Loan Note	
	Series 2001B		Series 2007		Total	Issued August 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2011	4.30%	\$ 12,000	3.65%	\$ 125,000	\$ 137,000	4.30%	\$ 29,000
2012	4.30	12,000	3.70	125,000	137,000	4.30	30,000
2013	4.30	13,000	3.75	125,000	138,000	4.30	31,000
2014	4.30	13,000	3.80	130,000	143,000	4.30	32,000
2015	4.30	14,000	3.85	135,000	149,000	4.30	34,000
2016	4.30	15,000	3.90	145,000	160,000	4.30	35,000
2017	4.30	15,000	3.95	145,000	160,000	4.30	37,000
2018	4.30	16,000	4.00	60,000	76,000	4.30	38,000
2019	4.30	17,000	4.00	65,000	82,000	4.30	40,000
2020	4.30	17,000	4.00	65,000	82,000	4.30	42,000
2021	4.30	18,000	4.20	70,000	88,000	4.30	44,000
2022		—	4.20	75,000	75,000		—
2023		—	4.30	75,000	75,000		—
2024		—	4.30	80,000	80,000		—
2025		—	4.40	80,000	80,000		—
2026		—	4.40	85,000	85,000		—
Total		\$ 162,000		\$ 1,585,000	\$ 1,747,000		\$ 392,000

Year Ending June 30,	Capital Lease - Wheel Loader		Anticipation Project Note	
	CNH Capital		Sewer Revenue Capital Loan Note	
	Issued August 22, 2008		Issued March 25, 2008	
	Interest Rates	Amount	Interest Rates	Amount
2011	5.25%	\$ 15,576	0.00%	\$ 26,900
2012	5.25	16,394		—
2013	5.25	17,255		—
Total		\$ 49,225		\$ 26,900

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

Years Ended June 30, 2002 Through 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Receipts									
Property tax	\$ 1,574,522	\$ 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	19,427	1,276	129,468	297,248	476,662	352,806	214,898	144,837	206,244
Other city tax	406,618	425,758	373,542	363,312	326,821	280,733	277,349	266,893	255,796
Licenses and permits.....	12,593	12,475	13,536	13,740	14,739	14,931	13,927	12,086	13,182
Use of money and property	87,950	91,424	136,944	107,094	82,320	59,135	58,211	56,024	63,750
Intergovernmental.....	428,138	681,859	1,351,428	784,852	400,676	432,214	466,198	539,194	745,605
Charges for service	891,148	884,095	871,211	846,977	830,777	830,207	814,309	812,344	771,242
Special assessments.....	1,168	1,442	1,435	2,281	13,269	18,818	34,925	4,563	4,780
Miscellaneous.....	<u>157,287</u>	<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>
Total Receipts	<u>\$ 3,578,851</u>	<u>\$ 3,815,752</u>	<u>\$ 4,511,015</u>	<u>\$ 3,865,856</u>	<u>\$ 3,655,869</u>	<u>\$ 3,368,990</u>	<u>\$ 3,325,140</u>	<u>\$ 3,227,079</u>	<u>\$ 3,278,108</u>
Disbursements									
Operating									
Public safety.....	\$ 658,589	\$ 670,862	\$ 637,709	\$ 629,691	\$ 631,399	\$ 752,035	\$ 547,742	\$ 536,615	\$ 920,078
Public works	993,547	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	3,929	2,953	2,952	2,952	2,835	3,335
Culture and recreation.....	897,248	931,256	958,363	888,419	995,473	802,011	759,001	803,698	685,898
Community and economic development.....	117,753	405,374	608,006	533,219	211,124	481,581	55,638	261,792	704,823
General government	247,610	251,369	232,533	220,785	281,937	223,228	213,015	186,036	172,209
Debt service.....	268,654	271,216	357,027	335,041	644,290	558,279	425,825	499,198	526,011
Capital projects.....	<u>319,213</u>	<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>
Total Disbursements	<u>\$ 3,506,543</u>	<u>\$ 4,520,326</u>	<u>\$ 4,678,969</u>	<u>\$ 3,926,929</u>	<u>\$ 3,702,989</u>	<u>\$ 3,793,747</u>	<u>\$ 3,085,852</u>	<u>\$ 3,165,913</u>	<u>\$ 4,724,693</u>

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Certified Public Accountants and Consultants

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

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cresco, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 29, 2010. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cresco's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cresco'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Cresco's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings as item 10-I-IC-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cresco's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which 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, 2010 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'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'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, and other parties to whom the City of Cresco may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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Mason City, Iowa
September 29, 2010

Schedule of Findings

Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

There were no current year instances of noncompliance noted.

Internal Control Deficiencies

10-I-IC-1 Supporting Documentation for Employee Health Insurance Elections

Finding - Through our testing of disbursements, we noted for one employee there was no supporting documentation of the employee's health insurance election.

Auditor's Recommendation - The City should keep payroll information updated in each employee's personnel file to support the employee's payroll elections.

City's Response - We will work on getting this information filed in each employee's personnel file.

Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

- 10-II-A Certified Budget** - Disbursements for the year ended June 30, 2010 did not exceed the amounts budgeted.
- 10-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.
- 10-II-C Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 10-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:

Name, Title and Business Connection	Transaction Description	Amount
John Loveless, Council Member, Part owner of Cresco Shopper	Advertising and supplies	\$ 3,415

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Council Member Loveless 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 - The transactions were normal expenses (advertising and supply costs). 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.

- 10-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.
- 10-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.
- 10-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.
- 10-II-H Revenue Notes** - No instances of noncompliance with the revenue note resolutions were noted.