

CITY OF STANTON

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

JUNE 30, 2005

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City of Stanton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Stephens	Mayor	January 2008
Sue Geer	Council Member	January 2006
Jeannine Gourley	Council Member	January 2006
Tysen Sederburg	Council Member	January 2006
Scott Boatman	Council Member	January 2008
Robert Schenck	Council Member	January 2008
Marilyn Rubel	City Clerk	Indefinite
Thomas Stamets	Attorney	Indefinite

City of Stanton

October 4, 2005

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stanton as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

October 4, 2005
City of Stanton
Independent Auditors' Report

As described in Note 14, during the year ended June 30, 2005, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2005 on our consideration of the City of Stanton's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Stanton's basic financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the fifth preceding paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Stanton 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2005 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$259,000. Property taxes were approximately \$126,000 and intergovernmental receipts were \$74,000.
- Disbursements were approximately \$260,000. Public works, public safety, and culture and recreation were \$125,000, \$65,000 and \$33,000, respectively.
- The City's total cash basis net assets decreased 12%, or approximately \$106,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$4,000, and the assets of the business type activities decreased by approximately \$110,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$159,603 to \$163,552. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		Year Ended June 30, 2005
Receipts and transfers:		
Program receipts:		
Charges for service	\$	2
Operating grants, contributions and restricted interest		75
Capital grants, contributions and restricted interest		7
General receipts:		
Property tax		126
Local option sales tax		46
Grants and contributions not restricted to specific purpose		3
Unrestricted investment earnings		1
Transfers, net		7
Total receipts and transfers		<u>267</u>
Disbursements:		
Public safety		65
Public works		125
Culture and recreation		33
Community and economic development		2
General government		31
Capital projects		7
Total disbursements		<u>263</u>
Increase in cash basis net assets		4
Cash basis net assets beginning of year		<u>160</u>
Cash basis net assets end of year	\$	<u>164</u>

The City's total receipts for governmental activities decreased by 30.1%, or \$114,841. The total cost of all programs and services decreased by approximately \$147,696, or 13.5%, with no new programs added this year. The significant decrease in receipts was primarily the result of the previous year we received grants for two projects.

The City increased property tax rates for 2005 by an average of 2.6%. This increase raised the City's property tax receipts by approximately \$3,000 in 2005.

The cost of all governmental activities this year was \$262,097 compared to \$289,622 last year. However, as shown in the Statement of Activities and Net Assets the amount taxpayers ultimately financed for these activities was only \$178,078 because some of the cost was paid by those directly benefited from the programs (\$1,980) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$82,039). The City paid the remaining "public benefit" portion of governmental activities with approximately \$126,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year Ended June 30, 2005
Receipts and transfers:	
Program receipts:	
Charges for service:	
Electric	\$ 488
Water	101
Sewer	74
Landfill	4
General receipts:	
Unrestricted interest on investments	8
Other general receipts	6
Total receipts	<u>681</u>
Disbursements and transfers:	
Electric	451
Water	192
Sewer	136
Landfill	4
Deposits	1
Transfers	7
Total disbursements and transfers	<u>791</u>
Decrease in cash basis net assets	(110)
Cash basis net assets beginning of year	<u>760</u>
Cash basis net assets end of year	<u><u>650</u></u>

Total business type activities receipts for the fiscal year were \$681,000 compared to \$714,000 last year. This significant decrease was due primarily to the receipt of \$40,000 in the prior fiscal year for the sale of equipment. The cash balance decreased by approximately \$110,000 from the prior year because of the construction of water and sewer utilities in the new subdivision. Total disbursements and transfers for the fiscal year were \$791,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Stanton completed the year, its governmental funds reported a combined fund balance of \$163,552, an increase of \$3,949 above last year's total of \$159,603. 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 \$3,199 from the prior year to \$47,042. This increase was due to less being spent in public safety.
- The Road Use Tax Fund cash balance increased by \$7,657 to \$112,248 during the fiscal year. This increase was due to less road work being done this fiscal year. The City intends to do more work this year.
- The Local Option Sales Tax Fund decreased by \$6,089 to \$201 during the fiscal year. The decrease was the result of the purchase of a new fire truck.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund cash balance decreased by \$102,350 to \$445,226, due to the construction of water and sewer utilities in the new subdivision in the City. The City is establishing a TIF district for the entire City and the money used for the improvements will be paid back to the electric fund with TIF dollars.
- The Water Fund cash balance decreased by \$15,588 to \$82,488, due primarily to the installation of a new filter system in the water plant.
- The Sewer Fund cash balance increased by \$5,855 to \$113,979, due primarily to less overall expenses incurred in the sewer fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment resulted in an increase in operating disbursements related to the purchase of a new fire truck and the installation of water and sewer utilities in the new subdivision.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$467,000 in revenue notes compared to \$499,000 last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Stanton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. Some of the major items addressed in the budget included street work, money to set aside for a City maintenance building and purchase of a new backhoe. The City, along with Southwest Iowa REC, will share cost of a new electric line coming from the Stanton substation to the point where the City receives their power. The new line will be a great asset to the electric system as the new wire will cut down line loss and provide greater reliability to the City.

When looking at the budget the City tries to hold down any increases in taxes as much as possible. Because of growth in our community we have been fortunate to be able to increase our property tax receipts without raising them very much, if at all.

Amounts available for appropriation in the operating budget are \$908,900, an increase of 13% over the final 2005 budget. A slight increase in property tax receipts, option tax receipts and receipts from the electric, water and sewer revenues lead the increase. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to decrease by approximately \$92,000. The installation of the sewer and water utilities in the new subdivision in the City the last fiscal year accounted for the decrease in the 2006 fiscal year figures. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City's budgeted cash balance is expected to be \$606,881.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marilyn Rubel, City Clerk, P.O. Box 189, Stanton, Iowa.

Basic Financial Statements

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

	Disbursements	Program Charges for Service
Functions/Programs:		
Governmental activities:		
Public safety	\$ 64,700	1,030
Public works	125,170	603
Culture and recreation	32,676	-
Community and economic development	1,700	-
General government	30,660	347
Capital projects	7,191	-
Total governmental activities	262,097	1,980
Business type activities:		
Electric	451,537	487,693
Water	191,920	100,953
Sewer	135,884	73,651
Landfill	3,600	3,719
Deposits	1,200	-
Total business type activities	784,141	666,016
Total	\$ 1,046,238	667,996

General Receipts:

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

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash Basis Net Assets

Restricted:
Streets
Community betterment
Debt service
Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements

Receipts	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			
	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities
3,564	-	(60,106)	-	(60,106)
59,366	-	(65,201)	-	(65,201)
10,007	-	(22,669)	-	(22,669)
-	-	(1,700)	-	(1,700)
1,911	-	(28,402)	-	(28,402)
-	7,191	-	-	-
<u>74,848</u>	<u>7,191</u>	<u>(178,078)</u>	<u>-</u>	<u>(178,078)</u>
-	-	-	36,156	36,156
-	-	-	(90,967)	(90,967)
-	-	-	(62,233)	(62,233)
-	-	-	119	119
-	-	-	(1,200)	(1,200)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,125)</u>	<u>(118,125)</u>
<u>74,848</u>	<u>7,191</u>	<u>(178,078)</u>	<u>(118,125)</u>	<u>(296,203)</u>
		\$ 125,775	-	125,775
		45,747	-	45,747
		2,960	-	2,960
		791	8,365	9,156
		-	6,445	6,445
		<u>6,754</u>	<u>(6,754)</u>	<u>-</u>
		<u>182,027</u>	<u>8,056</u>	<u>190,083</u>
		3,949	(110,069)	(106,120)
		<u>159,603</u>	<u>760,437</u>	<u>920,040</u>
		<u>\$ 163,552</u>	<u>650,368</u>	<u>813,920</u>
		\$ 112,248	-	112,248
		201	-	201
		-	11,541	11,541
		4,061	-	4,061
		<u>47,042</u>	<u>638,827</u>	<u>685,869</u>
		<u>\$ 163,552</u>	<u>650,368</u>	<u>813,920</u>

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

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 106,918	-	-
Other city tax	34	-	45,747
Licenses and permits	283	-	-
Use of money and property	1,991	-	-
Intergovernmental	7,682	59,366	-
Charges for service	1,030	-	-
Miscellaneous	10,227	-	-
Total receipts	128,165	59,366	45,747
Disbursements:			
Operating:			
Public safety	29,276	-	30,989
Public works	40,291	51,709	20,847
Culture and recreation	31,146	-	-
Community and economic development	1,700	-	-
General government	29,307	-	-
Capital projects	-	-	-
Total disbursements	131,720	51,709	51,836
Excess (deficiency) of receipts over (under) disbursements	(3,555)	7,657	(6,089)
Other financing sources:			
Operating transfers in	6,754	-	-
Net change in cash balances	3,199	7,657	(6,089)
Cash balances, beginning of year	43,843	104,591	6,290
Cash balances, end of year	\$ 47,042	112,248	201
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 47,042	-	-
Special revenue funds	-	112,248	201
Total cash basis fund balances	\$ 47,042	112,248	201

See notes to financial statements

Other Nonmajor Governmental Funds	Total
18,817	125,735
6	45,787
-	283
-	1,991
7,191	74,239
-	1,030
-	10,227
<u>26,014</u>	<u>259,292</u>
4,435	64,700
12,323	125,170
1,530	32,676
-	1,700
1,353	30,660
7,191	7,191
<u>26,832</u>	<u>262,097</u>
(818)	(2,805)
-	6,754
(818)	3,949
<u>(4,879)</u>	<u>159,603</u>
<u>4,061</u>	<u>163,552</u>
-	47,042
<u>4,061</u>	<u>116,510</u>
<u>4,061</u>	<u>163,552</u>

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

Total governmental funds cash balances	\$	163,552
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
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Cash basis net assets of governmental activities	\$	163,552
---------------------------------------------------------	----	---------

Net change in cash balances	\$	3,949
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
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Change in cash balance of governmental activities	\$	3,949
----------------------------------------------------------	----	-------

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

	Enterprise	
	Electric	Water
Operating receipts:		
Charges for service	\$ 487,693	100,953
Operating disbursements:		
Business type activities	451,537	162,104
Excess (deficiency) of operating receipts over (under) operating disbursements	36,156	(61,151)
Non-operating receipts (disbursements):		
Interest on investments	6,830	581
Miscellaneous	2,123	1,200
Debt service	-	(29,816)
Total non-operating receipts (disbursements)	8,953	(28,035)
Excess (deficiency) of receipts over (under) disbursements	45,109	(89,186)
Operating transfers in (out)	(147,459)	73,598
Net change in cash balances	(102,350)	(15,588)
Cash balances beginning of year	547,576	98,076
Cash balances end of year	\$ 445,226	82,488
Cash Basis Fund Balances		
Reserved for debt service	\$ -	6,225
Unreserved	445,226	76,263
Total cash basis fund balances	\$ 445,226	82,488

See notes to financial statements

Funds		
<u>Sewer</u>	<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
73,651	3,719	666,016
<u>114,299</u>	<u>4,800</u>	<u>732,740</u>
(40,648)	(1,081)	(66,724)
954	-	8,365
27	3,095	6,445
<u>(21,585)</u>	<u>-</u>	<u>(51,401)</u>
(20,604)	3,095	(36,591)
(61,252)	2,014	(103,315)
<u>67,107</u>	<u>-</u>	<u>(6,754)</u>
5,855	2,014	(110,069)
<u>108,124</u>	<u>6,661</u>	<u>760,437</u>
<u>113,979</u>	<u>8,675</u>	<u>650,368</u>
5,316	-	11,541
<u>108,663</u>	<u>8,675</u>	<u>638,827</u>
<u>113,979</u>	<u>8,675</u>	<u>650,368</u>

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

Total enterprise funds cash balances	\$	650,368
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

None		-
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Cash basis net assets of business type activities	\$	650,368
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Net change in cash balances	\$	(110,069)
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

None		-
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Change in cash balance of business type activities	\$	(110,069)
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City of Stanton

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (1) Summary of Significant Accounting Policies

The City of Stanton is a political subdivision of the State of Iowa located in Montgomery County. It was first incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides electric, water, sewer and landfill utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

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

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

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

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

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

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

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

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

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for receipts from tax authorized by referendum and used for community betterment projects.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric utility.

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.

C. Measurement Focus and Basis of Accounting

The City of Stanton 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.

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

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

E. Property Tax Calendar

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

NOTE (2) Cash and Pooled Investments

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

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

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$813,920.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ending June 30,	Revenue Notes	
	Principal	Interest
2006	\$ 34,000	17,859
2007	34,000	16,484
2008	36,000	15,109
2009	37,000	13,654
2010	39,000	12,151
2011-2015	152,000	38,708
2016-2020	<u>135,000</u>	<u>14,650</u>
Total	<u>\$ 467,000</u>	<u>128,615</u>

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

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a sewer revenue reserve account until the account reaches a required minimum balance of principal and interest due on the sewer revenue note in the next fiscal year. This account is restricted for the purpose of paying principal and interest which the above noted accounts may be unable to make.
- (d) Additional monthly transfers of \$750 shall be deposited in the sewer improvement account until fund reaches a minimal balance of \$10,000. This account is restricted for purpose of paying any improvements to the system.

The City has not established the reserve and improvement accounts required by the sewer revenue note resolution. However, the balance in the sewer account is sufficient to cover the balance requirements of these accounts.

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005 was \$5,948, equal to the required contribution for the year.

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2005, primarily relating to the General Fund was \$3,728. This liability has been computed based on rates of pay in effect at June 30, 2005.

NOTE (6) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Enterprise: Electric	\$ 6,754
Enterprise: Water	Enterprise: Electric	73,598
Enterprise: Sewer	Enterprise: Electric	<u>67,107</u>
Total		<u>\$ 147,459</u>

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

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (7) Risk Management

The City 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.

NOTE (8) Construction Contracts and Commitments

The City has entered into the following construction contracts that were not complete as of June 30, 2005:

<u>Project</u>	<u>Estimated Total Contract Price</u>	<u>Paid to 06/30/05</u>	<u>Remaining Commitment</u>	<u>Retainages Payable</u>
Sewer Lift Station	\$ 131,355	80,387	50,968	4,231
Sewer Improvements	57,917	55,521	<u>2,396</u>	<u>2,396</u>
			<u>\$ 53,364</u>	<u>6,627</u>

NOTE (9) Commitments

Law Enforcement Contract

The City renewed its contract with Montgomery County, Iowa, whereby the county provides law enforcement services within the City of Stanton through the office of the Sheriff of Montgomery County, Iowa. The annual contract amount is \$17,500.

Operation and Maintenance Agreement

The City has entered into an agreement for the operation and maintenance of the City's electric utility system. Under the agreement, the City pays a retainer fee of \$1,000 a month. The City is billed for the difference in actual costs incurred.

NOTE (10) Subsequent Events

In July 2005, the City signed a contract for \$15,650 for a sewer extension project.

City of Stanton
Notes to Financial Statements
June 30, 2005

NOTE (11) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2005. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

Required Supplementary Information

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

	Governmental Funds Actual	Proprietary Funds Actual
	<u> </u>	<u> </u>
Receipts:		
Property tax	\$ 125,735	-
Other city tax	45,787	-
Licenses and permits	283	-
Use of money and property	1,991	8,365
Intergovernmental	74,239	-
Charges for service	1,030	666,016
Miscellaneous	10,227	6,445
Total receipts	<u>259,292</u>	<u>680,826</u>
Disbursements:		
Public safety	64,700	-
Public works	125,170	-
Culture and recreation	32,676	-
Community and economic development	1,700	-
General government	30,660	-
Capital projects	7,191	-
Business type activities	-	784,141
Total disbursements	<u>262,097</u>	<u>784,141</u>
Excess (deficiency) of receipts over (under) disbursements	(2,805)	(103,315)
Other financing sources, net	<u>6,754</u>	<u>(6,754)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,949	(110,069)
Balances, beginning of year	<u>159,603</u>	<u>760,437</u>
Balances, end of year	<u>\$ 163,552</u>	<u>650,368</u>

See accompanying notes to financial statement

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
125,735	125,479	125,479	256
45,787	39,023	39,023	6,764
283	640	640	(357)
10,356	9,200	9,200	1,156
74,239	93,619	93,619	(19,380)
667,046	619,600	619,600	47,446
16,672	10,000	10,000	6,672
<u>940,118</u>	<u>897,561</u>	<u>897,561</u>	<u>42,557</u>
64,700	42,724	72,724	8,024
125,170	142,155	142,155	16,985
32,676	46,475	46,475	13,799
1,700	2,000	2,000	300
30,660	30,832	30,832	172
7,191	15,000	15,000	7,809
784,141	632,954	898,345	114,204
<u>1,046,238</u>	<u>912,140</u>	<u>1,207,531</u>	<u>161,293</u>
(106,120)	(14,579)	(309,970)	203,850
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(106,120)	(14,579)	(309,970)	203,850
<u>920,040</u>	<u>800,922</u>	<u>800,922</u>	<u>119,118</u>
<u><u>813,920</u></u>	<u><u>786,343</u></u>	<u><u>490,952</u></u>	<u><u>322,968</u></u>

City of Stanton
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

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

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

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, 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, one budget amendment increased budgeted disbursements by \$295,391. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

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

	Special Revenue		Capital Projects	
	Employee Benefits	Emergency	Greenbelt Trail	Total
Receipts:				
Property tax	\$ 15,719	3,098	-	18,817
Other city tax	5	1	-	6
Use of money and property	-	-	-	-
Intergovernmental	-	-	7,191	7,191
Total receipts	15,724	3,099	7,191	26,014
Disbursements:				
Operating:				
Public safety	1,336	3,099	-	4,435
Public works	12,323	-	-	12,323
Culture and recreation	1,530	-	-	1,530
General government	1,353	-	-	1,353
Debt service	-	-	-	-
Capital projects	-	-	7,191	7,191
Total disbursements	16,542	3,099	7,191	26,832
Net change in cash balances	(818)	-	-	(818)
Cash balances, beginning of year	4,879	-	-	4,879
Cash balances, end of year	\$ 4,061	-	-	4,061
 Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 4,061	-	-	4,061

See accompanying independent auditors' report

City of Stanton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
Year ended June 30, 2005

	<u>Landfill</u>	<u>Deposits</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 3,719	-	3,719
Operating disbursements:			
Business type activities	<u>3,600</u>	<u>1,200</u>	<u>4,800</u>
Excess (deficiency) of operating receipts over (under) disbursements	119	(1,200)	(1,081)
Non-operating receipts:			
Miscellaneous	<u>-</u>	<u>3,095</u>	<u>3,095</u>
Net change in cash balances	119	1,895	2,014
Cash balances, beginning of year	<u>51</u>	<u>6,610</u>	<u>6,661</u>
Cash balances, end of year	\$ <u>170</u>	<u>8,505</u>	<u>8,675</u>
 Cash Basis Fund Balances			
Unreserved	\$ <u>170</u>	<u>8,505</u>	<u>8,675</u>

See accompanying independent auditors' report

City of Stanton
Schedule of Indebtedness
June 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue notes:			
Water	June 2, 1992	4.62 %	\$ 275,000
Sewer	May 16, 2000	3.53 %	420,000
Total			

See accompanying independent auditors' report

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 141,000	-	15,000	126,000	6,514	-
<u>358,000</u>	<u>-</u>	<u>17,000</u>	<u>341,000</u>	<u>12,637</u>	<u>-</u>
<u>\$ 499,000</u>	<u>-</u>	<u>32,000</u>	<u>467,00</u>	<u>19,151</u>	<u>-</u>

City of Stanton
 Bond and Note Maturities
 June 30, 2005

Year Ending June 30,	Revenue Notes					Total
	Water		Sewer			
	Interest Rates	Amount	Interest Rates	Amount		
2006	4.62 %	\$ 16,000	3.53 %	\$ 18,000	\$ 34,000	
2007	4.62 %	16,000	3.53 %	18,000	34,000	
2008	4.62 %	17,000	3.53 %	19,000	36,000	
2009	4.62 %	18,000	3.53 %	19,000	37,000	
2010	4.62 %	19,000	3.53 %	20,000	39,000	
2011	4.62 %	20,000	3.53 %	21,000	41,000	
2012	4.62 %	20,000	3.53 %	22,000	42,000	
2013	-	-	3.53 %	22,000	22,000	
2014	-	-	3.53 %	23,000	23,000	
2015	-	-	3.53 %	24,000	24,000	
2016	-	-	3.53 %	25,000	25,000	
2017	-	-	3.53 %	26,000	26,000	
2018	-	-	3.53 %	27,000	27,000	
2019	-	-	3.53 %	28,000	28,000	
2020	-	-	3.53 %	29,000	29,000	
		\$ 126,000		\$ 341,000	\$ 467,000	

See accompanying independent auditors' report

City of Stanton

October 4, 2005

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stanton, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's Basic financial statements listed in the table of contents and have issued our report thereon dated October 4, 2005. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Stanton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Stanton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in Part I of the accompanying Schedule of Findings.

Continued...

City of Stanton
Report on Internal Control

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Stanton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Stanton and other parties to whom the City of Stanton may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas for the City:

- (1) Receipts – billing, posting and reconciling
- (2) Disbursements – warrant writing, posting and reconciling
- (3) Payroll – preparing and distributing

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternative procedures.

Conclusion – Response accepted.

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

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – City disbursements during the year ended June 30, 2005, did not exceed the amended budget amounts.
- II-C-05 Entertainment Expense – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
James Cavner, employee owner of Cavner Construction	Repairs and supplies	\$ 4,665

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions are not with a Council Member and do not appear to represent a conflict of interest.

- II-F-05 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 insure that the coverage is adequate for current operations.
- II-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-05 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.
- II-I-05 Revenue Notes – The City has not established the reserve and improvement accounts required by the sewer revenue note resolution.

Recommendation – The City should establish these accounts.

Response – The balance in the sewer account is sufficient to cover the required minimum balances of these accounts. We will make the transfers required to establish the accounts.

Conclusion – Response accepted.

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

II-J-05 Excess Balances – The cash balance in the Special Revenue Fund, Road Use Account at June 30, 2005 was in excess of the disbursements made from the fund during the year.

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

Response – We will review this further.

Conclusion – Response accepted.

NEWS RELEASE

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

The City has implemented new reporting standards for the year ended June 30, 2005, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$937,158 for the year ended June 30, 2005. The receipts included \$125,775 in property tax, \$667,996 from charges for service, \$74,848 from operating grants, contributions and restricted interest, \$7,191 from capital grants, contributions and restricted interest, \$45,747 from local option sales tax, \$9,156 from unrestricted investment earnings and \$6,445 from other general receipts.

Disbursements for the year totaled \$1,046,238, and included \$125,170 for public works, \$64,700 for public safety, and \$32,676 for culture and recreation. Also, disbursements for business type activities totaled \$784,141.

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