

CITY OF STANTON

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

JUNE 30, 2015

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City of Stanton

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|----------------|---------------------|
| Kirk Requist | Mayor | January 2016 |
| Ray Guffey | Council Member | January 2016 |
| Jim Cavner | Council Member | January 2016 |
| Dan Allen | Council Member | January 2018 |
| Sheryl Porter | Council Member | January 2016 |
| Dan Shehan | Council Member | January 2018 |
| Marilyn Rubel | City Clerk | Indefinite |
| Thomas Stamets | Attorney | Indefinite |

City of Stanton



Diane McGrain, CPA
Jim Menard, CPA

July 30, 2015

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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.

Continued....

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stanton as of June 30, 2015, 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.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, City of Stanton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Stanton's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

Continued...

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 8 through 12 and 30 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2015 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* in considering City of Stanton's internal control over financial reporting and compliance.

Schroer & Associates, PC

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased approximately \$2,699,000 from fiscal year 2014 to fiscal year 2015. Capital grants decreased approximately \$2,419,000 and loan proceeds decreased approximately \$360,000.
- Disbursements of City's governmental activities decreased approximately \$3,002,000 from fiscal year 2014 to fiscal year 2015. Capital projects decreased approximately \$3,074,000.
- The City's total cash basis net position increased approximately \$229,000, from June 30, 2014 to June 30, 2015. Of this amount, the assets of the governmental activities increased approximately \$165,000, and the assets of the business type activities increased by approximately \$64,000.

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 Cash Basis Statement of Activities and Net Position. 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.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash basis net position for governmental activities increased from \$96,605 to \$287,818. The analysis that follows focuses on the cash basis net position for governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands) | | |
|---|--------------------------------|--------------------------------|
| | Year Ended June 30, 2015 | Year Ended June 30, 2014 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 10 | \$ 8 |
| Operating grants, contributions and restricted interest | 173 | 115 |
| Capital grants, contributions and restricted interest | 192 | 2,611 |
| General receipts: | | |
| Property tax | 167 | 156 |
| Local option sales tax | 64 | 55 |
| Grants and contributions not restricted to specific purposes | 1 | 1 |
| Loan proceeds | - | 360 |
| Total receipts | 607 | 3,306 |
| Disbursements: | | |
| Public safety | 78 | 42 |
| Public works | 155 | 192 |
| Culture and recreation | 175 | 87 |
| Community and economic development | 1 | 1 |
| General government | 50 | 65 |
| Capital projects | - | 3,074 |
| Total disbursements | 459 | 3,461 |
| Change in cash basis net position before transfers | 148 | (155) |
| Transfers, net | 17 | 10 |
| Change in cash basis net position | 165 | (145) |
| Cash basis net position beginning of year | 97 | 242 |
| Cash basis net position end of year | \$ 262 | \$ 97 |

The City's total receipts for governmental activities decreased \$2,699,000. The significant decrease in receipts was the result of capital grants and loan proceeds for a multipurpose community facility received in the prior year.

The cost of all governmental activities this year was \$459,193. However, as shown in the Cash Basis Statement of Activities and Net Position the amount taxpayers ultimately financed for these activities was only \$83,527 because some of the cost was paid by those directly benefited from the programs (\$10,436), or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$365,230). The City paid the remaining "public benefit" portion of governmental activities with approximately \$167,000 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 Position of Business Type Activities (Expressed in Thousands) | | |
|--|--------------------------------|--------------------------------|
| | Year Ended June 30, 2015 | Year Ended June 30, 2014 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | | |
| Electric | \$ 657 | \$ 679 |
| Water | 162 | 171 |
| Sewer | 87 | 92 |
| Landfill | 7 | 7 |
| General receipts | | |
| Unrestricted interest on investments | 1 | 1 |
| Miscellaneous | 13 | 12 |
| Grant proceeds | 44 | - |
| Loan proceeds | 686 | - |
| Total receipts | <u>1,657</u> | <u>962</u> |
| Disbursements: | | |
| Electric | 609 | 613 |
| Water | 897 | 160 |
| Sewer | 63 | 71 |
| Landfill | 4 | 6 |
| Deposits | 3 | 3 |
| Total disbursements | <u>1,576</u> | <u>853</u> |
| Change in cash basis net position before transfers | 81 | 109 |
| Transfers, net | <u>(17)</u> | <u>(10)</u> |
| Change in cash basis net position | 64 | 99 |
| Cash basis net position beginning of year | <u>1,082</u> | <u>983</u> |
| Cash basis net position end of year | <u>\$ 1,146</u> | <u>\$ 1,082</u> |

Total business type activities receipts for the fiscal year were approximately \$1,657,000 compared to \$962,000 last year. The cash basis net position increased by approximately \$64,000 from the prior year. Total disbursements for the fiscal year were \$1,576,000. The significant increases were due to a water capital project in the current year financed with grant and loan proceeds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Stanton completed the year, its governmental funds reported a combined cash basis fund balance of \$287,818, an increase of \$191,213 from last year's total of \$96,605. The following are the major reasons for the changes in cash basis fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$86,689 from the prior year to \$15,803 due to a purchase of a pickup for the city maintenance department, a first responder pickup for the fire department, unscheduled repairs to the heating system in the city maintenance building and Greenbelt trail expenses.
- The Road Use Tax Fund cash balance increased by \$5,034 to \$79,376 during the fiscal year.
- The Local Option Sales Tax Fund increased by \$48,385 to \$143,688 during the fiscal year due to unspent local option sales tax receipts.

- The Capital Projects Fund cash balance increased \$192,084 to \$0 due to grant and loan proceeds to cover construction costs.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Electric Fund cash balance increased by \$31,512 to \$829,497, due to there not being as much electrical work that needed to be done this last fiscal year as had been required the previous year.
- The Enterprise, Water Fund cash balance increased by \$4,055 to \$121,913 due to additional debt service costs.
- The Enterprise, Sewer Fund cash balance increased by \$24,718 to \$176,404.

BUDGETARY HIGHLIGHTS

The City's receipts were approximately \$88,000 less than the amended budget. This was due primarily to grant monies anticipated for the water improvement project not received. Total disbursements were approximately \$611,000 less than budgeted due to less disbursements for a water project than anticipated.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$1,745,000 of notes and other long-term debt outstanding, compared to \$1,208,000 last year, as shown below.

| Outstanding Debt at Year-End (Expressed in Thousands) | | |
|--|---------------------|-----------------|
| | Year Ended June 30, | |
| | 2015 | 2014 |
| Revenue notes | \$ 1,421 | \$ 848 |
| Loan agreement | 324 | 360 |
| Total | <u>\$ 1,745</u> | <u>\$ 1,208</u> |

Debt increased as a result of issuing revenue notes for a water construction project.

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 2016 budget, tax rates, and fees that will be charged for various City activities. Some of the major items addressed in the budget included major work on the east sewer lift station, some repairs to the Greenbelt trail concrete, more road repairs and sidewalk repairs at the community room.

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
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2015

| Functions/Programs: | Program Receipts | | | | Net (Disbursement) Receipts and Changes in Cash Basis Net Position | | |
|--|---------------------|------------------------|--|--|---|-----------------------------|------------------|
| | Disbursements | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Governmental activities: | | | | | | | |
| Public safety | \$ 78,045 | 1,946 | 5,852 | - | (70,247) | - | (70,247) |
| Public works | 154,537 | 6,465 | 72,398 | - | (75,674) | - | (75,674) |
| Culture and recreation | 175,330 | 1,950 | 86,190 | - | (87,190) | - | (87,190) |
| Community and economic development | 1,000 | - | - | - | (1,000) | - | (1,000) |
| General government | 50,281 | 75 | 8,706 | - | (41,500) | - | (41,500) |
| Capital projects | - | - | - | 192,084 | 192,084 | - | 192,084 |
| Total governmental activities | 459,193 | 10,436 | 173,146 | 192,084 | (83,527) | - | (83,527) |
| Business type activities: | | | | | | | |
| Electric | 609,432 | 657,482 | - | - | - | 48,050 | 48,050 |
| Water | 896,996 | 162,083 | - | 43,628 | - | (691,285) | (691,285) |
| Sewer | 63,080 | 87,005 | - | - | - | 23,925 | 23,925 |
| Landfill | 4,650 | 6,652 | - | - | - | 2,002 | 2,002 |
| Deposits | 2,655 | - | - | - | - | (2,655) | (2,655) |
| Total business type activities | 1,576,813 | 913,222 | - | 43,628 | - | (619,963) | (619,963) |
| Total | \$ 2,036,006 | 923,658 | 173,146 | 235,712 | (83,527) | (619,963) | (703,490) |
| General Receipts: | | | | | | | |
| Property tax levied for general purposes | | | | | 167,269 | - | 167,269 |
| Local option sales tax | | | | | 64,145 | - | 64,145 |
| Grants and contributions not restricted to specific purpose | | | | | 590 | - | 590 |
| Unrestricted interest on investments | | | | | 54 | 1,164 | 1,218 |
| Miscellaneous | | | | | - | 12,874 | 12,874 |
| Loan proceeds | | | | | - | 685,687 | 685,687 |
| Transfers | | | | | 16,630 | (16,630) | - |
| Total general receipts and transfers | | | | | 248,688 | 683,095 | 931,783 |
| Change in cash basis net position | | | | | 165,161 | 63,132 | 228,293 |
| Cash basis net position beginning of year | | | | | 96,605 | 1,082,910 | 1,179,515 |
| Cash basis net position end of year | | | | | \$ 261,766 | 1,146,042 | 1,407,808 |
| Cash Basis Net Position | | | | | | | |
| Restricted: | | | | | | | |
| Expendable: | | | | | | | |
| Streets | | | | | \$ 79,376 | - | 79,376 |
| Community betterment | | | | | 143,688 | - | 143,688 |
| Capital projects | | | | | - | 26,052 | 26,052 |
| Debt service | | | | | - | 17,342 | 17,342 |
| Other purposes | | | | | 22,899 | - | 22,899 |
| Unrestricted | | | | | 15,803 | 1,102,648 | 1,118,451 |
| Total cash basis net position | | | | | \$ 261,766 | 1,146,042 | 1,407,808 |

See notes to financial statements

City of Stanton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

| | General | Special Revenue | | Capital Projects | Other Nonmajor Governmental Funds | Total |
|---|------------------|--------------------|------------------------------|---------------------|--|----------------|
| | | Road Use Tax | Local Option Sales Tax | | | |
| Receipts | \$ | | | | | |
| Property tax | 133,863 | - | - | - | 29,810 | 163,673 |
| Other city tax | 31 | - | 64,145 | - | 7 | 64,183 |
| Licenses and permits | 431 | - | - | - | - | 431 |
| Use of money and property | 54 | - | 90 | - | - | 144 |
| Intergovernmental | 16,383 | 71,644 | - | 96,533 | - | 184,560 |
| Charges for service | 3,540 | - | - | - | - | 3,540 |
| Miscellaneous | 95,642 | - | - | 95,551 | - | 191,193 |
| Total receipts | <u>249,944</u> | <u>71,644</u> | <u>64,235</u> | <u>192,084</u> | <u>29,817</u> | <u>607,724</u> |
| Disbursements | | | | | | |
| Operating: | | | | | | |
| Public safety | 74,979 | - | - | - | 3,066 | 78,045 |
| Public works | 57,136 | 66,610 | 15,850 | - | 14,941 | 154,537 |
| Culture and recreation | 172,801 | - | - | - | 2,529 | 175,330 |
| Community and economic development | 1,000 | - | - | - | - | 1,000 |
| General government | 47,347 | - | - | - | 2,934 | 50,281 |
| Total disbursements | <u>353,263</u> | <u>66,610</u> | <u>15,850</u> | <u>-</u> | <u>23,470</u> | <u>459,193</u> |
| Excess (deficiency) of receipts over (under) disbursements | (103,319) | 5,034 | 48,385 | 192,084 | 6,347 | 148,531 |
| Other financing sources: | | | | | | |
| Operating transfers in | <u>16,630</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,630</u> |
| Net change in cash balances | (86,689) | 5,034 | 48,385 | 192,084 | 6,347 | 165,161 |
| Cash balances beginning of year | <u>102,492</u> | <u>74,342</u> | <u>95,303</u> | <u>(192,084)</u> | <u>16,552</u> | <u>96,605</u> |
| Cash balances end of year | <u>\$ 15,803</u> | <u>79,376</u> | <u>143,688</u> | <u>-</u> | <u>22,899</u> | <u>261,766</u> |
| Cash Basis Fund Balances | | | | | | |
| Restricted for: | | | | | | |
| Streets | - | 79,376 | - | - | - | 79,376 |
| Community betterment | - | - | 143,688 | - | - | 143,688 |
| Other purposes | - | - | - | - | 22,899 | 22,899 |
| Unassigned | <u>15,803</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,803</u> |
| Total cash basis fund balances | <u>\$ 15,803</u> | <u>79,376</u> | <u>143,688</u> | <u>-</u> | <u>22,899</u> | <u>261,766</u> |

See notes to financial statements

City of Stanton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

| | Enterprise Funds | | | | |
|---|-------------------|------------------|----------------|--|------------------|
| | Electric | Water | Sewer | Other Nonmajor Enterprise Funds | Total |
| Operating receipts: | | | | | |
| Charges for service | \$ 657,482 | 162,083 | 87,005 | 6,652 | 913,222 |
| Operating disbursements: | | | | | |
| Business type activities | <u>609,432</u> | <u>48,656</u> | <u>63,080</u> | <u>7,305</u> | <u>728,473</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 48,050 | 113,427 | 23,925 | (653) | 184,749 |
| Non-operating receipts (disbursements): | | | | | |
| Interest on investments | 1,051 | 48 | 65 | - | 1,164 |
| Grant proceeds | - | 43,628 | - | - | 43,628 |
| Loan proceeds | - | 685,687 | - | - | 685,687 |
| Miscellaneous | 4,048 | 5,141 | 185 | 3,500 | 12,874 |
| Debt service | - | (145,077) | - | - | (145,077) |
| Capital projects | - | (703,263) | - | - | (703,263) |
| Total non-operating receipts (disbursements) | <u>5,099</u> | <u>(113,836)</u> | <u>250</u> | <u>3,500</u> | <u>(104,987)</u> |
| Excess (deficiency) of receipts over (under) disbursements | 53,149 | (409) | 24,175 | 2,847 | 79,762 |
| Other financing sources (uses) | | | | | |
| Operating transfers in | - | 4,464 | 543 | - | 5,007 |
| Operating transfers out | <u>(21,637)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(21,637)</u> |
| | <u>(21,637)</u> | <u>4,464</u> | <u>543</u> | <u>-</u> | <u>(16,630)</u> |
| Net change in cash balances | 31,512 | 4,055 | 24,718 | 2,847 | 63,132 |
| Cash balances beginning of year | <u>797,985</u> | <u>117,858</u> | <u>151,686</u> | <u>15,381</u> | <u>1,082,910</u> |
| Cash balances end of year | <u>\$ 829,497</u> | <u>121,913</u> | <u>176,404</u> | <u>18,228</u> | <u>1,146,042</u> |
| Cash Basis Fund Balances | | | | | |
| Restricted for: | | | | | |
| Capital projects | \$ - | 26,052 | - | - | 26,052 |
| Debt service | - | 17,342 | - | - | 17,342 |
| Unrestricted | <u>829,497</u> | <u>78,519</u> | <u>176,404</u> | <u>18,228</u> | <u>1,102,648</u> |
| Total cash basis fund balances | <u>\$ 829,497</u> | <u>121,913</u> | <u>176,404</u> | <u>18,228</u> | <u>1,146,042</u> |

See notes to financial statements

City of Stanton

City of Stanton
Notes to Financial Statements
June 30, 2015

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, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Cash Basis Statement of Activities and Net Position 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, 2015

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 from general and emergency levies 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 the road use tax allocation from the State of Iowa to be used 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds.

The City reports the following major proprietary funds:

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

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

The Enterprise, 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.

City of Stanton
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable in two installments on September 30, 2014 and March 31, 2015, at the Montgomery County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Stanton
Notes to Financial Statements
June 30, 2015

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 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 \$1,407,808.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

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.

NOTE (3) Bonds and Notes Payable

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

| Year Ending June 30, | Revenue Bonds | |
|----------------------------|---------------|----------|
| | Principal | Interest |
| 2016 | \$ 117,000 | 33,061 |
| 2017 | 120,000 | 30,577 |
| 2018 | 123,000 | 28,027 |
| 2019 | 126,000 | 25,413 |
| 2020 | 129,000 | 22,733 |
| 2021-2025 | 543,000 | 76,105 |
| 2026-2030 | 262,687 | 23,462 |
| | \$ 1,420,687 | 239,378 |

The City has a legal debt limit of approximately \$1,200,000, which was not exceeded during the year ended June 30, 2015.

City of Stanton
Notes to Financial Statements
June 30, 2015

NOTE (3) Bonds and Notes Payable - Continued

Revenue Notes

The city has pledged future water customer receipts, net of specified operating disbursements, to repay \$420,000 of water revenue notes issued in May 2000, \$860,000 of water revenue notes issued in August 2010, and \$1,350,000 of water revenue notes issued June 6, 2014. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 90% of the net receipts. The total principal and interest remaining to be paid on the notes is \$1,660,065. For the current year, the total principal and interest paid and total customer net receipts were \$143,277 and \$113,427, respectively.

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 revenue note sinking accounts within the Water Enterprise Fund for the purpose of making the note principal and interest payments when due.

The City has complied with the above provisions.

Loan Agreement

The City has a loan agreement with the local telephone company with no interest rate. The loan was used to help finance construction of a community facility and matures as follows:

| Year Ending June 30, | Principal |
|-------------------------|------------|
| 2016 | 36,000 |
| 2017 | 36,000 |
| 2018 | 36,000 |
| 2019 | 36,000 |
| 2020 | 36,000 |
| 2021-2024 | 144,000 |
| Total | \$ 324,000 |

City of Stanton
Notes to Financial Statements
June 30, 2015

NOTE (4) Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

City of Stanton
Notes to Financial Statements
June 30, 2015

NOTE (4) Pension and Retirement Benefits - Continued

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$11,808.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$83,373. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.002060 percent, which was an increase of 0.000073 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$6,240, \$4,585 and \$31,796 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Rate of Inflation (effective June 30, 2014) | 3.00 percent |
| Salary increases (effective June 30, 2014) | 4.00 percent, average, including inflation |
| Investment rate of return (effective June 30, 1996) | 7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of Stanton
Notes to Financial Statements
June 30, 2015

NOTE (4) Pension and Retirement Benefits - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity | 23% | 6.31 |
| Non US Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other Real Assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | <u>100%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

City of Stanton
Notes to Financial Statements
June 30, 2015

NOTE (4) Pension and Retirement Benefits - Continued

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| City's proportionate share of the net pension liability | \$ 157,530 | \$ 83,373 | \$ 20,776 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

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, 2015, primarily relating to the General Fund was \$1,156. This liability has been computed based on rates of pay in effect at June 30, 2015.

NOTE (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| Transfer to | Transfer from | Amount |
|-----------------------|--------------------------|-----------|
| General | Proprietary: Electric | \$ 16,630 |
| Proprietary: Water | Proprietary Electric | 4,464 |
| Proprietary Sewer | Proprietary: Electric | 543 |
| | | \$ 21,637 |

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, 2015

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 the following total contract commitments on construction projects that were not complete as of June 30, 2015:

| | Estimated Total of Contracts | Paid to 06/30/15 | Remaining Commitments | Retainages Payable |
|---------------|---------------------------------|---------------------|--------------------------|-----------------------|
| Water Project | 1,231,670 | 797,907 | 433,763 | 34,745 |
| Trail Project | 38,674 | 35,998 | 2,676 | 1,682 |
| | | | \$ 436,439 | \$ 36,427 |

Other 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
 Other Information
 Year ended June 30, 2015

| | Governmental Funds Actual | Proprietary Funds Actual | Net | Budgeted Amounts | | Final to Net Variance |
|---|---------------------------------|--------------------------------|------------------|------------------|------------------|-----------------------------|
| | | | | Original | Final | |
| Receipts | | | | | | |
| Property tax | \$ 163,673 | - | 163,673 | 161,057 | 161,057 | 2,616 |
| Other city tax | 64,183 | - | 64,183 | 59,042 | 59,042 | 5,141 |
| Licenses and permits | 431 | - | 431 | 180 | 180 | 251 |
| Use of money and property | 144 | 1,164 | 1,308 | 1,110 | 1,110 | 198 |
| Intergovernmental | 184,560 | 43,628 | 228,188 | 420,558 | 484,558 | (256,370) |
| Charges for service | 3,540 | 913,222 | 916,762 | 946,400 | 946,400 | (29,638) |
| Miscellaneous | 191,193 | 12,874 | 204,067 | 15,000 | 15,000 | 189,067 |
| Total receipts | 607,724 | 970,888 | 1,578,612 | 1,603,347 | 1,667,347 | (88,735) |
| Disbursements | | | | | | |
| Public safety | 78,045 | - | 78,045 | 77,770 | 78,270 | 225 |
| Public works | 154,537 | - | 154,537 | 205,659 | 205,659 | 51,122 |
| Culture and recreation | 175,330 | - | 175,330 | 112,680 | 176,680 | 1,350 |
| Community and economic development | 1,000 | - | 1,000 | 6,000 | 6,000 | 5,000 |
| General government | 50,281 | - | 50,281 | 50,483 | 50,483 | 202 |
| Business type activities | - | 1,576,813 | 1,576,813 | 2,123,514 | 2,123,514 | 546,701 |
| Total disbursements | 459,193 | 1,576,813 | 2,036,006 | 2,576,106 | 2,640,606 | 604,600 |
| Excess (deficiency) of receipts over (under) disbursements | 148,531 | (605,925) | (457,394) | (972,759) | (973,259) | 515,865 |
| Other financing sources, net: | 16,630 | 669,057 | 685,687 | 900,000 | 900,000 | (214,313) |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 165,161 | 63,132 | 228,293 | (72,759) | (73,259) | 301,552 |
| Balances beginning of year | 96,605 | 1,082,910 | 1,179,515 | 1,371,550 | 1,371,550 | (192,035) |
| Balances end of year | \$ 261,766 | 1,146,042 | 1,407,808 | 1,298,791 | 1,298,291 | 109,517 |

See accompanying independent auditors' report

City of Stanton
Notes to Other Information – Budgetary Reporting
June 30, 2015

The budgetary comparison is presented 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. 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 \$64,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

City of Stanton
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Iowa Public Employees' Retirement System
 (In Thousands)
 Other Information
 Year ended June 30, 2015

| | |
|--|------------|
| City's proportion of the net pension liability | 0.002102 % |
| City's proportionate share of the net pension liability | \$ 83 |
| City's covered-employee payroll | \$ 138 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 60.14% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report

City of Stanton
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)
Other Information

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Statutorily required contribution | \$ 11 | 12 | 11 | 11 | 9 | 9 | 7 | 8 | 8 | 7 |
| Contributions in relation to the statutorily required contribution | 11 | 12 | 11 | 11 | 9 | 9 | 7 | 8 | 8 | 7 |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - | - |
| City's covered-employee payroll | \$ 132 | 138 | 128 | 131 | 132 | 129 | 121 | 130 | 145 | 117 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.67% | 8.07% | 6.95% | 6.65% | 6.35% | 6.05% | 5.75% | 5.75% |

See accompanying independent auditors' report

City of Stanton
Notes to Other Information – Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Stanton
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Governmental Funds
 As of and for the year ended June 30, 2015

| | Special Revenue | | Total |
|---------------------------------|----------------------|-----------------------------------|--------|
| | Employee Benefits | Urban Renewal Tax Increment | |
| Receipts | | | |
| Property tax | \$ 29,810 | - | 29,810 |
| Other city tax | 7 | - | 7 |
| Total receipts | 29,817 | - | 29,817 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 3,066 | - | 3,066 |
| Public works | 14,941 | - | 14,941 |
| Culture and recreation | 2,529 | - | 2,529 |
| General government | 2,934 | - | 2,934 |
| Total disbursements | 23,470 | - | 23,470 |
| Net change in cash balances | 6,347 | - | 6,347 |
| Cash balances beginning of year | 4,216 | 12,336 | 16,552 |
| Cash balances end of year | \$ 10,563 | 12,336 | 22,899 |
| Cash Basis Fund Balances | | | |
| Restricted for other purposes | \$ 10,563 | 12,336 | 22,899 |

See accompanying independent auditors' report

City of Stanton
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Enterprise Funds
 Year ended June 30, 2015

| | <u>Landfill</u> | <u>Deposits</u> | <u>Total</u> |
|---|-----------------|-----------------|---------------|
| Operating receipts: | | | |
| Charges for service | \$ 6,652 | - | 6,652 |
| Operating disbursements: | | | |
| Business type activities | <u>4,650</u> | <u>2,655</u> | <u>7,305</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 2,002 | (2,655) | (653) |
| Non-operating receipts: | | | |
| Miscellaneous | <u>-</u> | <u>3,500</u> | <u>3,500</u> |
| Net change in cash balances | 2,002 | 845 | 2,847 |
| Cash balances beginning of year | <u>26</u> | <u>15,355</u> | <u>15,381</u> |
| Cash balances end of year | <u>\$ 2,028</u> | <u>16,200</u> | <u>18,228</u> |
| Cash Basis Fund Balances | | | |
| Unrestricted | <u>\$ 2,028</u> | <u>16,200</u> | <u>18,228</u> |

See accompanying independent auditors' report

City of Stanton
 Schedule of Indebtedness
 June 30, 2015

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|----------------|---------------|----------------|--------------------------|---------------------------|--------------------|----------------------|---------------------|---------------|-------------------------|
| Revenue notes: | | | | | | | | | |
| Water | May 16, 2000 | 1.75% | \$ 420,000 | \$ 159,000 | - | 24,000 | 135,000 | 2,783 | - |
| Water | Aug 4, 2010 | 3.00% | 860,000 | 689,000 | - | 33,000 | 656,000 | 20,670 | - |
| Water | Jun 6, 2014 | 1.75% | 1,350,000 | - | 685,687 | 56,000 | 629,687 | 6,824 | - |
| Total | | | | \$ 848,000 | 685,687 | 113,000 | 1,420,687 | 30,277 | - |
| Loan agreement | Nov 25, 2013 | 0.00% | 360,000 | \$ 360,000 | - | 36,000 | 324,000 | - | - |

See accompanying independent auditors' report

City of Stanton
Bond and Note Maturities
June 30, 2015

| Year Ending June 30, | Revenue Notes | | | | | | | | | | | | Loan Agreement | | |
|----------------------------|---------------------|------------|--|--------------------|--------|--|--------------------|--------|--|---------------------|---------|--|-------------------|--------|--|
| | Water | | | Water | | | Water | | | Water | | | Viking Center | | |
| | Issued May 16, 2000 | | | Issued Aug 4, 2010 | | | Issued Jun 6, 2014 | | | Issued Nov 25, 2013 | | | Interest | | |
| | Interest Rates | Amount | | Interest Rates | Amount | | Interest Rates | Amount | | Interest Rates | Amount | | Interest Rates | Amount | |
| 2016 | 1.75% | 25,000 | | 3.00% | 35,000 | | 1.75% | 57,000 | | 0% | 117,000 | | 0% | 36,000 | |
| 2017 | 1.75% | 26,000 | | 3.00% | 36,000 | | 1.75% | 58,000 | | 0% | 120,000 | | 0% | 36,000 | |
| 2019 | 1.75% | 27,000 | | 3.00% | 37,000 | | 1.75% | 59,000 | | 0% | 123,000 | | 0% | 36,000 | |
| 2019 | 1.75% | 28,000 | | 3.00% | 38,000 | | 1.75% | 60,000 | | 0% | 126,000 | | 0% | 36,000 | |
| 2020 | 1.75% | 29,000 | | 3.00% | 39,000 | | 1.75% | 61,000 | | 0% | 129,000 | | 0% | 36,000 | |
| 2021 | - | - | | 3.00% | 41,000 | | 1.75% | 63,000 | | 0% | 104,000 | | 0% | 36,000 | |
| 2022 | - | - | | 3.00% | 42,000 | | 1.75% | 64,000 | | 0% | 106,000 | | 0% | 36,000 | |
| 2023 | - | - | | 3.00% | 43,000 | | 1.75% | 65,000 | | 0% | 108,000 | | 0% | 36,000 | |
| 2024 | - | - | | 3.00% | 45,000 | | 1.75% | 66,000 | | 0% | 111,000 | | 0% | 36,000 | |
| 2025 | - | - | | 3.00% | 46,000 | | 1.75% | 68,000 | | - | 114,000 | | - | - | |
| 2026 | - | - | | 3.00% | 48,000 | | 1.75% | 86,87 | | - | 56,687 | | - | - | |
| 2027 | - | - | | 3.00% | 49,000 | | - | - | | - | 49,000 | | - | - | |
| 2028 | - | - | | 3.00% | 51,000 | | - | - | | - | 51,000 | | - | - | |
| 2029 | - | - | | 3.00% | 52,000 | | - | - | | - | 52,000 | | - | - | |
| 2030 | - | - | | 3.00% | 54,000 | | - | - | | - | 54,000 | | - | - | |
| | | \$ 135,000 | | \$ 656,000 | | | \$ 629,687 | | | \$ 1,420,687 | | | \$ 324,000 | | |

See accompanying independent auditors' report

City of Stanton
 Schedule of Receipts By Source and Disbursements By Function –
 All Governmental Funds
 For the Last Three Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------------------------|--------------------------|-------------------------|-----------------------|
| Receipts | | | |
| Property tax | \$ 163,673 | 152,836 | 147,459 |
| Other city tax | 64,183 | 58,982 | 67,014 |
| Licenses and permits | 431 | 217 | 131 |
| Use of money and property | 144 | 163 | 102 |
| Intergovernmental | 184,560 | 1,697,850 | 112,291 |
| Charges for service | 3,540 | 4,068 | 5,264 |
| Miscellaneous | 191,193 | 1,032,322 | 40,618 |
| | <u>607,724</u> | <u>2,946,438</u> | <u>372,879</u> |
| Total | \$ <u>607,724</u> | <u>2,946,438</u> | <u>372,879</u> |
| Disbursements | | | |
| Operating: | | | |
| Public safety | \$ 78,045 | 42,217 | 46,221 |
| Public works | 154,537 | 192,407 | 171,650 |
| Culture and recreation | 175,330 | 87,731 | 38,458 |
| Community and economic development | 1,000 | 1,000 | 1,000 |
| General government | 50,281 | 64,786 | 31,596 |
| Capital projects | - | 3,073,821 | 279,882 |
| | <u>459,193</u> | <u>3,461,962</u> | <u>568,807</u> |
| Total | \$ <u>459,193</u> | <u>3,461,962</u> | <u>568,807</u> |

See accompanying independent auditors' report

City of Stanton



Diane McGrain, CPA
Jim Menard, CPA

July 30, 2015

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Stanton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Stanton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Stanton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

Continued...

City of Stanton
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of a 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 City of Stanton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

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 or other matters 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Stanton's Responses to Findings

City of Stanton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Stanton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Schroer & Associates, PC

**City of Stanton
Schedule of Findings
June 30, 2015**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted 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 – record keeping, 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 have reviewed procedures and have implemented an independent review of the bank statement by a City official.

Conclusion – Response accepted.

I-B-15 Disbursements

Comment – We noted four invoices were not cancelled.

Recommendation – All invoices should be stamped paid when processed to avoid duplicate payment.

Response – We usually attach a copy of the check written to the invoice. This was an oversight and will correct in the future.

Conclusion – Response accepted.

I-C-15 Payroll

Comment – We noted time sheets are not approved and the payroll is prepared manually.

Recommendation – Timesheets should be reviewed and approval should be noted. Computer generated payroll checks will improve efficiency in preparing payroll report returns.

Response – We will note approval on timesheets by the Mayor. The cost of purchasing the payroll module is too expensive for a city of our size and that is why we will still figure the payroll by hand.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Stanton
Schedule of Findings
June 30, 2015**

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget

City disbursements during the year ended June 30, 2014, did not exceed the amended budgeted amounts.

II-B-15 Entertainment Expense

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

II-C-15 Travel Expense

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

II-D-15 Business Transactions

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

II-E-15 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-F-15 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-15 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-H-15 Revenue Notes

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

**City of Stanton
Schedule of Findings
June 30, 2015**

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

II-I-15 Excess Balances

Comment – The cash balances in the Special Revenue Fund, Road Use Account, Local Option Sales Tax Account, and the Proprietary Funds, Electric and Sewer Accounts at June 30, 2015 were in excess of the disbursements made from each of the accounts 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 are planning on using the Road Use and Local Option Sales Tax monies for capital projects. We are maintaining balances in the other funds as reserves for the future. We will review this further.

Conclusion – Response accepted.

II-J-15 Tax Increment Financing (TIF)

Comment – The City has a balance of \$12,337 in a TIF fund that is no longer active.

Recommendation – The City should consult TIF legal counsel to determine the allowed use of this money or the repayment to the County Auditor.

Response – We will do this.

Conclusion – Response accepted.