CITY OF STANTON

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

JUNE 30, 2016

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City of Stanton

Officials

(Before January 2016)

Name	Title	Term Expires
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 2018
Dan Shehan	Council Member	January 2018
Marilyn Rubel	City Clerk	Indefinite
Thomas Stamets	Attorney	Indefinite

(After January 2016)

Name	Title	Term Expires
Kirk Requist	Mayor	January 2020
Ray Guffey	Council Member	January 2020
Jim Cavner	Council Member	January 2020
Dan Allen	Council Member	January 2018
Sheryl Porter	Council Member	January 2018
Dan Shehan	Council Member	January 2018
Marilyn Rubel	City Clerk	Indefinite
Thomas Stamets	Attorney	Indefinite

City of Stanton

SCHROER and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

July 28, 2016

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, 2016, 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, 2016, 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.

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 three years ended June 30, 2015 (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 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.

Continued...

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 34 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 28, 2016 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.

Lance, Soll & Lunghard, LLP

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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased approximately $186,000 from fiscal year 2015 to fiscal year 2016. Capital grants decreased approximately $192,000.
- Disbursements of City's governmental activities increased approximately $17,000 from fiscal year 2015 to fiscal year 2016. Public safety decreased approximately $40,000, public works increased approximately $130,000, and culture and recreation decreased approximately $68,000.
- The City's total cash basis net position decreased approximately $53,000, from June 30, 2015 to June 30, 2016. Of this amount, the assets of the governmental activities decreased approximately $46,000, and the assets of the business type activities decreased by approximately $7,000.

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 and 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax. 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 statement for governmental funds is 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 statement for proprietary funds is 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 decreased from $261,766 to $216,066. 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, 2016	Year Ended June 30, 2015
Receipts:		
Program receipts:		
Charges for service	$ 8	$ 10
Operating grants, contributions and restricted interest	177	173
Capital grants, contributions and restricted interest	-	192
General receipts:		
Property tax	166	167
Local option sales tax	64	64
Grants and contributions not restricted to specific purposes	6	1
Total receipts	421	607
Disbursements:		
Public safety	38	78
Public works	285	155
Culture and recreation	107	175
Community and economic development	1	1
General government	45	50
Total disbursements	476	459
Change in cash basis net position before transfers	(55)	148
Transfers, net	9	17
Change in cash basis net position	(46)	165
Cash basis net position beginning of year	262	97
Cash basis net position end of year	$ 216	$ 262

The City's total receipts for governmental activities decreased $186,000. The significant decrease in receipts was the result of capital grants for a multipurpose community facility received in the prior year.

The cost of all governmental activities this year was $476,768. However, as shown in the Cash Basis Statement of Activities and Net Position the amount taxpayers ultimately financed for these activities was $291,108 because some of the cost was paid by those directly benefited from the programs ($8,146), or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest ($177,514). The City paid the remaining "public benefit" portion of governmental activities with approximately $166,000 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, 2016	Year Ended June 30, 2015
Receipts:		
Program receipts:		
Charges for service		
Electric	$ 617	$ 657
Water	181	162
Sewer	97	87
Landfill	7	7
General receipts		
Unrestricted interest on investments	1	1
Miscellaneous	9	13
Grant proceeds	32	44
Loan proceeds	149	686
Total receipts	1,093	1,657
Disbursements:		
Electric	591	609
Water	422	897
Sewer	72	63
Landfill	4	4
Deposits	2	3
Total disbursements	1,091	1,576
Change in cash basis net position before transfers	2	81
Transfers, net	(9)	(17)
Change in cash basis net position	(7)	64
Cash basis net position beginning of year	1,146	1,082
Cash basis net position end of year	$ 1,139	$ 1,146

Total business type activities receipts for the fiscal year were approximately $1,093,000 compared to $1,657,000 last year. The cash basis net position decreased by approximately $7,000 from the prior year. Total disbursements for the fiscal year were approximately $1,091,000. The significant decreases in receipts were due to loan proceeds received the prior year for a capital project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Stanton completed the year, its governmental funds reported a combined cash basis fund balance of $216,066, a decrease of $45,700 from last year's total of $261,766. 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 increased $42,853 from the prior year to $58,656 due to less in repair and equipment costs.
- The Road Use Tax Fund cash balance decreased by $36,487 to $42,889 during the fiscal year due to bridge repairs
- The Local Option Sales Tax Fund decreased by $51,257 to $92,431 during the fiscal year due to bridge repairs.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Electric Fund cash balance increased by $18,312 to $847,809.
- The Enterprise, Water Fund cash balance decreased by $56,577 to $65,336 due to additional costs for a water improvement project.
- The Enterprise, Sewer Fund cash balance increased by $27,404 to $203,808.

BUDGETARY HIGHLIGHTS

The City's receipts were approximately $106,000 less than the amended budget. This was due primarily to additional grant monies anticipated. Total disbursements were approximately $164,000 less than budgeted due to fewer disbursements for a water project than anticipated.

DEBT ADMINISTRATION

At June 30, 2016, the City had $1,740,000 of notes and other long-term debt outstanding, compared to $1,745,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	Year Ended June 30,	
	2016	2015
Revenue notes	$ 1,452	$ 1,421
Loan agreement	288	324
Total	$ 1,740	$ 1,745

Revenue debt increased as a result of additional draw downs on 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 2017 budget, tax rates, and fees that will be charged for various City activities. Some of the major items addressed in the budget included new computers for the library, a new mower and road work.

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, 2016

		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
Functions/Programs:							
Governmental activities:							
Public safety	$ 38,105	2,408	4,742	-	(30,955)	-	(30,955)
Public works	285,326	3,713	85,211	-	(196,402)	-	(196,402)
Culture and recreation	107,309	1,950	84,632	-	(20,727)	-	(20,727)
Community and economic development	1,000	-	-	-	(1,000)	-	(1,000)
General government	45,028	75	2,929	-	(42,024)	-	(42,024)
Total governmental activities	476,768	8,146	177,514	-	(291,108)	-	(291,108)
Business type activities:							
Electric	590,792	617,261	-	-	-	26,469	26,469
Water	422,347	180,628	-	32,378	-	(209,341)	(209,341)
Sewer	71,871	97,553	-	-	-	25,682	25,682
Landfill	4,025	6,568	-	-	-	2,543	2,543
Deposits	2,545	-	-	-	-	(2,545)	(2,545)
Total business type activities	1,091,580	902,010	-	32,378	-	(157,192)	(157,192)
Total	$ 1,568,348	910,156	177,514	32,378	(291,108)	(157,192)	(448,300)
General Receipts:							
Property tax levied for general purposes					165,862	-	165,862
Local option sales tax					64,413	-	64,413
Grants and contributions not restricted to specific purpose					5,725	-	5,725
Unrestricted interest on investments					50	1,118	1,168
Miscellaneous					-	9,002	9,002
Loan proceeds					-	149,043	149,043
Transfers					9,358	(9,358)	-
Total general receipts and transfers					245,408	149,805	395,213
Change in cash basis net position					(45,700)	(7,387)	(53,087)
Cash basis net position beginning of year					261,766	1,146,042	1,407,808
Cash basis net position end of year					$ 216,066	1,138,655	1,354,721
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					$ 42,889	-	42,889
Community betterment					92,431	-	92,431
Debt service					-	13,106	13,106
Other purposes					22,090	-	22,090
Unrestricted					58,656	1,125,549	1,184,205
Total cash basis net position					$ 216,066	1,138,655	1,354,721

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, 2016

	General	Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	Other Nonmajor Governmental Funds	Total
Receipts	$				
Property tax	145,680	-	-	20,182	165,862
Other city tax	-	-	64,413	-	64,413
Licenses and permits	271	-	-	-	271
Use of money and property	50	-	65	-	115
Intergovernmental	48,336	85,146	-	-	133,482
Charges for service	4,162	-	-	-	4,162
Miscellaneous	53,405	-	-	-	53,405
Total receipts	251,904	85,146	64,478	20,182	421,710
Disbursements					
Operating:					
Public safety	35,006	-	-	3,099	38,105
Public works	36,009	121,633	115,735	11,949	285,326
Culture and recreation	104,405	-	-	2,904	107,309
Community and economic development	1,000	-	-	-	1,000
General government	41,989	-	-	3,039	45,028
Total disbursements	218,409	121,633	115,735	20,991	476,768
Excess (deficiency) of receipts over (under) disbursements	33,495	(36,487)	(51,257)	(809)	(55,058)
Other financing sources:					
Operating transfers in	9,358	-	-	-	9,358
Net change in cash balances	42,853	(36,487)	(51,257)	(809)	(45,700)
Cash balances beginning of year	15,803	79,376	143,688	22,899	261,766
Cash balances end of year	$ 58,656	42,889	92,431	22,090	216,066
Cash Basis Fund Balances					
Restricted for:					
Streets	-	42,889	-	-	42,889
Community betterment	-	-	92,431	-	92,431
Other purposes	-	-	-	22,090	22,090
Unassigned	58,656	-	-	-	58,656
Total cash basis fund balances	$ 58,656	42,889	92,431	22,090	216,066

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, 2016

	Enterprise Funds				
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total
Operating receipts:					
Charges for service	$ 617,261	180,628	97,553	6,568	902,010
Operating disbursements:					
Business type activities	554,792	36,614	71,871	6,570	669,847
Excess (deficiency) of operating receipts over (under) operating disbursements	62,469	144,014	25,682	(2)	232,163
Non-operating receipts (disbursements):					
Interest on investments	955	28	135	-	1,118
Grant proceeds	-	32,378	-	-	32,378
Loan proceeds	-	149,043	-	-	149,043
Miscellaneous	4,443	1,061	22	3,476	9,002
Debt service	(36,000)	(155,176)	-	-	(191,176)
Capital projects	-	(230,557)	-	-	(230,557)
Total non-operating receipts (disbursements)	(30,602)	(203,223)	157	3,476	(230,192)
Excess (deficiency) of receipts over (under) disbursements	31,867	(59,209)	25,839	3,474	1,971
Other financing sources (uses)					
Operating transfers in	-	2,632	1,565	-	4,197
Operating transfers out	(13,555)	-	-	-	(13,555)
	(13,555)	2,632	1,565	-	(9,358)
Net change in cash balances	18,312	(56,577)	27,404	3,474	(7,387)
Cash balances beginning of year	829,497	121,913	176,404	18,228	1,146,042
Cash balances end of year	$ 847,809	65,336	203,808	21,702	1,138,655
Cash Basis Fund Balances					
Restricted for debt service	$ -	13,106	-	-	13,106
Unrestricted	847,809	52,230	203,808	21,702	1,125,549
Total cash basis fund balances	$ 847,809	65,336	203,808	21,702	1,138,655

See notes to financial statements

City of Stanton

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.

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statement - 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. All remaining enterprise funds are aggregated and reported as nonmajor enterprise funds.

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 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.

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.

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

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 of 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, 2016, 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, 2014, to compute the amounts which became liens on property on July 1, 2015. These taxes were due and payable in two installments on September 30, 2015 and March 31, 2016, 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, 2016 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 $1,354,721.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 72.

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	Revenue Bonds Interest
2017	$ 120,000	34,989
2018	123,000	32,294
2019	126,000	29,532
2020	129,000	26,702
2021	104,000	23,804
2022-2026	556,000	80,560
2027-2030	294,730	17,838
	$ 1,452,730	245,719

The City has a legal debt limit of approximately $1,200,000, which was not exceeded during the year ended June 30, 2016.

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 required more than 100% of the net receipts. The total principal and interest remaining to be paid on the notes is $1,698,449. For the current year, the total principal and interest paid and total customer net receipts were $144,014 and $153,343, 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
2017		36,000
2018		36,000
2019		36,000
2020		36,000
2021		36,000
2022-2024		108,000
Total	$	288,000

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, except members with service before June 30, 2012, will use the highest three-year average salary as of that date 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% 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% 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.

NOTE (4) Pension and Retirement Benefits - Continued

Contributions - 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 were $13,466.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of $95,352 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the 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, 2015, the City's proportion was 0.001930%, which was a decrease of 0.000172% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City pension expense, deferred outflows and deferred inflows totaled $8,041, $18,332 and $22,202 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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% per annum
Rates of salary increases (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 1015 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.

NOTE (4) Pension and Retirement Benefits - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 IPERS' 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 IPERS' 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 7.50%, 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% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$ 166,943	$ 95,352	$ 34,923

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' 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, 2016, primarily relating to the General Fund was $4,855. This liability has been computed based on rates of pay in effect at June 30, 2016.

NOTE (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Proprietary: Electric	$ 9,358
Proprietary: Water	Proprietary Electric	2,632
Proprietary Sewer	Proprietary: Electric	1,565
		$ 13,555

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

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, 2016:

	Estimated Total of Contracts	Paid to 06/30/16	Remaining Commitments	Retainages Payable
Water Project	$ 1,210,414	$ 1,006,337	$ 204,077	$ -

NOTE (9) New Accounting Pronouncement

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application.* The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

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, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	$ 165,862	-	165,862	162,502	162,502	3,360
Other city tax	64,413	-	64,413	57,040	63,040	1,373
Licenses and permits	271	-	271	450	450	(179)
Use of money and property	115	1,118	1,233	1,100	1,100	133
Intergovernmental	133,482	32,378	165,860	88,645	259,645	(93,785)
Charges for service	4,162	902,010	906,172	950,916	950,916	(44,744)
Miscellaneous	53,405	9,002	62,407	35,000	35,000	27,407
Total receipts	421,710	944,508	1,366,218	1,295,653	1,472,653	(106,435)
Disbursements						
Public safety	38,105	-	38,105	36,915	38,415	310
Public works	285,326	-	285,326	188,830	296,830	11,504
Culture and recreation	107,309	-	107,309	77,085	110,585	3,276
Community and economic development	1,000	-	1,000	1,000	1,000	-
General government	45,028	-	45,028	50,650	50,650	5,622
Business type activities	-	1,091,580	1,091,580	1,004,955	1,234,955	143,375
Total disbursements	476,768	1,091,580	1,568,348	1,359,435	1,732,435	164,087
Excess (deficiency) of receipts over (under) disbursements	(55,058)	(147,072)	(202,130)	(63,782)	(259,782)	57,652
Other financing sources, net:	9,358	139,685	149,043	-	142,000	7,043
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(45,700)	(7,387)	(53,087)	(63,782)	(117,782)	64,695
Balances beginning of year	261,766	1,146,042	1,407,808	1,338,713	1,338,713	69,095
Balances end of year	$ 216,066	1,138,655	1,354,721	1,274,931	1,220,931	133,790

See accompanying independent auditors' report

City of Stanton
Notes to Other Information – Budgetary Reporting
June 30, 2016

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 $373,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, 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
For the Last Two Years
(In Thousands)
Other Information

		2016	2015
City's proportion of the net pension liability		0.001930%	0.002102%
City's proportionate share of the net pension liability	$	95	83
City's covered-employee payroll	$	132	138
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		71.97%	60.14%
IPERS' net position as a percentage of the total pension liability		85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors' report

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

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$	13	11	12	11	11	9	9	7	8	8
Contributions in relation to the statutorily required contribution		13	11	12	11	11	9	9	7	8	8
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	$	151	132	138	128	131	132	129	121	130	145
Contributions as a percentage of covered-employee payroll		8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditors' report

City of Stanton
Notes to Other Information – Pension Liability
Year ended June 30, 2016

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.

Legislative action in 2008 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.

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% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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, 2016

	Special Revenue		
	Employee Benefits	Urban Renewal Tax Increment	Total
Receipts:			
Property tax	$ 20,182	-	20,182
Other city tax	-	-	-
Total receipts	20,182	-	20,182
Disbursements:			
Operating:			
Public safety	3,099	-	3,099
Public works	11,949	-	11,949
Culture and recreation	2,904	-	2,904
General government	3,039	-	3,039
Total disbursements	20,991	-	20,991
Net change in cash balances	(809)	-	(809)
Cash balances beginning of year	10,563	12,336	22,899
Cash balances end of year	$ 9,754	12,336	22,090
Cash Basis Fund Balances			
Restricted for other purposes	$ 9,754	12,336	22,090

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, 2016

	Landfill	Deposits	Total
Operating receipts:			
Charges for service	$ 6,568	-	6,568
Operating disbursements:			
Business type activities	4,025	2,545	6,570
Excess (deficiency) of operating receipts over (under) operating disbursements	2,543	(2,545)	(2)
Non-operating receipts:			
Miscellaneous	172	3,304	3,476
Net change in cash balances	2,715	759	3,474
Cash balances beginning of year	2,028	16,200	18,228
Cash balances end of year	$ 4,743	16,959	21,702
Cash Basis Fund Balances			
Unrestricted	$ 4,743	16,959	21,702

See accompanying independent auditors' report

City of Stanton
Schedule of Indebtedness
June 30, 2016

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	$ 135,000	-	25,000	110,000	2,363	-
Water	Aug 4, 2010	3.00%	860,000	656,000	-	35,000	621,000	19,680	-
Water	Jun 6, 2014	2.00%	1,350,000	629,687	149,043	57,000	721,730	14,300	-
Total				$ 1,420,687	149,043	117,000	1,452,730	36,343	-
Loan agreement	Nov 25, 2013	0.00%	360,000	$ 324,000	-	36,000	288,000	-	-

See accompanying independent auditors' report

City of Stanton
Bond and Note Maturities
June 30, 2016

Year Ending June 30,	Revenue Notes							Loan Agreement	
	Water Issued May 16, 2000		Water Issued Aug 4, 2010		Water Issued Jun 6, 2014			Viking Center Issued Nov 25, 2013	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount
2017	1.75%	$ 26,000	3.00%	$ 36000	2.00%	$ 58000	$ 120,000	0%	$ 36000
2019	1.75%	27,000	3.00%	37000	2.00%	59000	123,000	0%	36000
2019	1.75%	28,000	3.00%	38000	2.00%	60000	126,000	0%	36000
2020	1.75%	29,000	3.00%	39000	2.00%	61000	129,000	0%	36000
2021	-	-	3.00%	41000	2.00%	63000	104,000	0%	36000
2022	-	-	3.00%	42000	2.00%	64000	106,000	0%	36000
2023	-	-	3.00%	43000	2.00%	65000	108,000	0%	36000
2024	-	-	3.00%	45000	2.00%	66000	111,000	0%	36000
2025	-	-	3.00%	46000	2.00%	68000	114,000	-	-
2026	-	-	3.00%	48000	2.00%	69000	117,000	-	-
2027	-	-	3.00%	49000	2.00%	70,000	119,000	-	-
2028	-	-	3.00%	51000	2.00%	18,730	69,730	-	-
2029	-	-	3.00%	52000	-	-	52,000	-	-
2030	-	-	3.00%	54000	-	-	54,000	-	-
		$ 110,000		$ 621,000		$ 721,730	$ 1,452,730		$ 288,000

See accompanying independent auditors' report

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

	2016	2015	2014	2013
Receipts:				
Property tax	$ 165,862	163,673	152,836	147,459
Other city tax	64,413	64,183	58,982	67,014
Licenses and permits	271	431	217	131
Use of money and property	115	144	163	102
Intergovernmental	133,482	184,560	1,697,850	112,291
Charges for service	4,162	3,540	4,068	5,264
Miscellaneous	53,405	191,193	1,032,322	40,618
Total	$ 421,710	607,724	2,946,438	372,879
Disbursements:				
Operating:				
Public safety	$ 38,105	78,045	42,217	46,221
Public works	285,326	154,537	192,407	171,650
Culture and recreation	107,309	175,330	87,731	38,458
Community and economic development	1,000	1,000	1,000	1,000
General government	45,028	50,281	64,786	31,596
Capital projects	-	-	3,073,821	279,882
Total	$ 476,768	459,193	3,461,962	568,807

See accompanying independent auditors' report

City of Stanton

SCHROER
and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

July 28, 2016

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, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 28, 2016. 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...

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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-16 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-16 and I-C-16 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, 2016 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.

Gilbert & Associates, P.C.

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 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-16 Disbursements

Comment – We noted one invoice was 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-16 Payroll

Comment – We noted the payroll is prepared manually.

Recommendation – Computer generated payroll checks will improve efficiency in preparing payroll report returns.

Response – 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.

Part II: Other Findings Related to Statutory Reporting:

II-A-16 Certified Budget

City disbursements during the year ended June 30, 2016, did not exceed the amended budgeted amounts.

II-B-16 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-16 Travel Expense

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

II-D-16 Business Transactions

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

II-E-16 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-16 Council Minutes

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

II-G-16 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-16 Revenue Notes

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

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

II-I-16 Excess Balances

Comment – The cash balances in the Proprietary Funds, Electric and Sewer Accounts at June 30, 2016 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 maintaining balances in these funds as reserves for the future. We will review this further.

Conclusion – Response accepted.

II-J-15 Credit Card

Comment – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card purchases.

Recommendation – The City should adopt a formal written policy regulating the use of the City's credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to support the purchase.

Response – We will do this.

Conclusion – Response accepted.

II-K-16 Annual Urban Renewal Report

The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.