

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name)		Telephone Number
Street Address		City State Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name	License Number

CITY OF STANTON

Montcalm County, Michigan

FINANCIAL STATEMENTS

June 30, 2007

CITY OF STANTON

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BERTHIAUME
& COMPANY

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48638

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Commission
City of Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Stanton, management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stanton's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

September 21, 2007

BASIC FINANCIAL STATEMENTS

CITY OF STANTON

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,318,586	\$ 599,740	\$ 2,918,326	\$ 148,912
Receivables	144,381	59,448	203,829	-
Restricted cash and cash equivalents	-	60,313	60,313	-
Capital assets:				
Nondepreciable capital assets	146,799	4,765	151,564	-
Depreciable capital assets, net	<u>895,070</u>	<u>3,102,784</u>	<u>3,997,854</u>	<u>-</u>
 Total assets	 <u>3,504,836</u>	 <u>3,827,050</u>	 <u>7,331,886</u>	 <u>148,912</u>
Liabilities				
Accounts payable and accrued expenses	23,641	17,851	41,492	2,341
Long-term liabilities:				
Due within one year	-	25,000	25,000	75,000
Due in more than one year	<u>14,834</u>	<u>460,000</u>	<u>474,834</u>	<u>165,000</u>
 Total liabilities	 <u>38,475</u>	 <u>502,851</u>	 <u>541,326</u>	 <u>242,341</u>
Net assets				
Invested in capital assets, net of related debt	1,041,869	2,622,549	3,664,418	-
Restricted for:				
Debt service	-	60,313	60,313	-
Streets	598,399	-	598,399	-
Nonexpendable cemetery principal	49,396	-	49,396	-
Unrestricted net assets (deficit)	<u>1,776,697</u>	<u>641,337</u>	<u>2,418,034</u>	<u>(93,429)</u>
 Total net assets	 <u>\$ 3,466,361</u>	 <u>\$ 3,324,199</u>	 <u>\$ 6,790,560</u>	 <u>\$ (93,429)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Functions/Programs					
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 223,990	\$ 57,945	\$ -	\$ -	\$ (166,045)
Public safety	114,677	61	1,624	-	(112,992)
Public works	158,800	5,000	108,211	-	(45,589)
Community and economic development	8,847	-	-	-	(8,847)
Recreation and culture	<u>180,222</u>	<u>9,584</u>	<u>213,737</u>	<u>5,300</u>	<u>48,399</u>
Total governmental activities	<u>686,536</u>	<u>72,590</u>	<u>323,572</u>	<u>5,300</u>	<u>(285,074)</u>
<i>Business-type activities:</i>					
Sewer	145,388	58,556	-	-	(86,832)
Water	<u>126,245</u>	<u>121,737</u>	<u>-</u>	<u>-</u>	<u>(4,508)</u>
Total business-type activities	<u>271,633</u>	<u>180,293</u>	<u>-</u>	<u>-</u>	<u>(91,340)</u>
Total primary government	<u>\$ 958,169</u>	<u>\$ 252,883</u>	<u>\$ 323,572</u>	<u>\$ 5,300</u>	<u>\$ (376,414)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 38,234</u>	<u>\$ 3,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,852)</u>
Total component unit	<u>\$ 38,234</u>	<u>\$ 3,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,852)</u>

continued

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (285,074)	\$ (91,340)	\$ (376,414)	\$ (34,852)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	210,673	-	210,673	-
Property taxes captured by component unit	-	-	-	188,369
Grants and contributions not restricted to specific programs	157,069	-	157,069	-
Unrestricted investment earnings	96,536	28,291	124,827	5,814
Miscellaneous	7,920	-	7,920	-
Contributions to principal of permanent funds	1,000	-	1,000	-
 Total general revenues, contributions, special items and transfers	 473,198	 28,291	 501,489	 194,183
 Change in net assets	 188,124	 (63,049)	 125,075	 159,331
 Net assets (deficit), beginning of year	 3,278,237	 3,387,248	 6,665,485	 (252,760)
 Net assets (deficit), end of year	 <u>\$ 3,466,361</u>	 <u>\$ 3,324,199</u>	 <u>\$ 6,790,560</u>	 <u>\$ (93,429)</u>

CITY OF STANTON

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2007

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Library Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 897,786	\$ 506,428	\$ 538,433	\$ 140,119	\$ 2,082,766
Accounts receivable	1,192	-	-	-	1,192
Due from other governmental units	<u>49,817</u>	<u>11,264</u>	<u>76,385</u>	<u>5,723</u>	<u>143,189</u>
 Total assets	<u>\$ 948,795</u>	<u>\$ 517,692</u>	<u>\$ 614,818</u>	<u>\$ 145,842</u>	<u>\$ 2,227,147</u>
Liabilities and Fund Balances:					
<i>Liabilities:</i>					
Accounts payable	\$ 5,221	\$ -	\$ 5,179	\$ -	\$ 10,400
Accrued expenses	8,045	-	3,181	137	11,363
Due to other governmental units	<u>1,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,878</u>
 Total liabilities	<u>15,144</u>	<u>-</u>	<u>8,360</u>	<u>137</u>	<u>23,641</u>
<i>Fund balances:</i>					
Reserved for:					
Nonexpendable cemetery principal	-	-	-	49,396	49,396
Unreserved:					
General fund	933,651	-	-	-	933,651
Special revenue funds	<u>-</u>	<u>517,692</u>	<u>606,458</u>	<u>96,309</u>	<u>1,220,459</u>
 Total fund balances	<u>933,651</u>	<u>517,692</u>	<u>606,458</u>	<u>145,705</u>	<u>2,203,506</u>
 Total liabilities and fund balances	<u>\$ 948,795</u>	<u>\$ 517,692</u>	<u>\$ 614,818</u>	<u>\$ 145,842</u>	<u>\$ 2,227,147</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2007

Total fund balances for governmental funds \$ 2,203,506

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,180,890	
Less accumulated depreciation	<u>(169,484)</u>	1,011,406

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Compensated absences payable		(14,834)
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The assets and liabilities of internal service funds are included in governmental
activities in the statement of net assets.

266,283

Net assets of governmental activities \$ 3,466,361

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General Fund	Major Street Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 220,869	\$ -	\$ -	\$ -	\$ 220,869
Licenses and permits	3,535	-	-	-	3,535
State grants	158,693	68,607	17,406	39,604	284,310
Contributions from other units	10,800	-	184,978	-	195,778
Charges for services	31,400	-	-	5,761	37,161
Fines and forfeits	61	-	-	-	61
Interest and rents	46,895	21,161	20,776	6,121	94,953
Other revenue	4,846	-	26,237	1,807	32,890
Total revenues	<u>477,099</u>	<u>89,768</u>	<u>249,397</u>	<u>53,293</u>	<u>869,557</u>
Expenditures:					
<i>Current:</i>					
General government	102,679	-	-	9,590	112,269
Public safety	113,060	-	-	-	113,060
Public works	102,735	24,848	-	37,066	164,649
Recreation and culture	2,797	-	172,543	-	175,340
Other	110,187	-	-	-	110,187
Capital outlay	-	-	13,447	-	13,447
Total expenditures	<u>431,458</u>	<u>24,848</u>	<u>185,990</u>	<u>46,656</u>	<u>688,952</u>
Excess of revenues over expenditures	<u>45,641</u>	<u>64,920</u>	<u>63,407</u>	<u>6,637</u>	<u>180,605</u>
Other financing sources (uses):					
Transfers in	-	-	-	2,347	2,347
Transfers out	-	-	-	(2,347)	(2,347)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	45,641	64,920	63,407	6,637	180,605
Fund balances, beginning of year	<u>888,010</u>	<u>452,772</u>	<u>543,051</u>	<u>139,068</u>	<u>2,022,901</u>
Fund balances, end of year	<u>\$ 933,651</u>	<u>\$ 517,692</u>	<u>\$ 606,458</u>	<u>\$ 145,705</u>	<u>\$ 2,203,506</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 180,605

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	13,447	
Less depreciation expense	<u>(21,803)</u>	(8,356)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	2,575
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The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>13,300</u>
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Change in net assets of governmental activities \$ 188,124

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
 June 30, 2007

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Major Enterprise Funds</u>			<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>		<u>Service Fund -</u>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Equipment</u>
				<u>Fund</u>
Assets:				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 174,182	\$ 425,558	\$ 599,740	\$ 235,820
Accounts receivable	18,389	41,059	59,448	-
Total current assets	<u>192,571</u>	<u>466,617</u>	<u>659,188</u>	<u>235,820</u>
<i>Noncurrent assets:</i>				
Restricted cash and cash equivalents	-	60,313	60,313	-
<i>Capital assets:</i>				
Nondepreciable capital assets	4,765	-	4,765	-
Depreciable capital assets, net	<u>2,373,350</u>	<u>729,434</u>	<u>3,102,784</u>	<u>30,463</u>
Total noncurrent assets	<u>2,378,115</u>	<u>789,747</u>	<u>3,167,862</u>	<u>30,463</u>
Total assets	<u>2,570,686</u>	<u>1,256,364</u>	<u>3,827,050</u>	<u>266,283</u>
Liabilities:				
<i>Current liabilities:</i>				
Accounts payable	4,979	1,381	6,360	-
Accrued expenses	861	10,630	11,491	-
Current portion of long-term debt	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total current liabilities	<u>5,840</u>	<u>37,011</u>	<u>42,851</u>	<u>-</u>
<i>Noncurrent liabilities:</i>				
Long-term debt	<u>-</u>	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Total liabilities	<u>5,840</u>	<u>497,011</u>	<u>502,851</u>	<u>-</u>
Net assets				
Invested in capital assets, net of related debt	2,378,115	244,434	2,622,549	30,463
<i>Restricted for:</i>				
Debt service	-	60,313	60,313	-
Unrestricted	<u>186,731</u>	<u>454,606</u>	<u>641,337</u>	<u>235,820</u>
Total net assets	<u>\$ 2,564,846</u>	<u>\$ 759,353</u>	<u>\$ 3,324,199</u>	<u>\$ 266,283</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2007

	Business-type Activities			Governmental
	Major Enterprise Funds			Internal
	Sewer Fund	Water Fund	Total	Service Fund - Equipment Fund
Operating revenues:				
Charges for services	\$ 57,620	\$ 119,743	\$ 177,363	\$ -
Penalties	936	1,994	2,930	-
Equipment rental	-	-	-	21,687
Total operating revenues	<u>58,556</u>	<u>121,737</u>	<u>180,293</u>	<u>21,687</u>
Operating expenses:				
Personnel	16,575	19,324	35,899	-
Fringe benefits	1,242	1,462	2,704	-
Supplies	395	779	1,174	-
Contracted services	12,874	2,766	15,640	-
Administrative expense	10,000	12,000	22,000	-
Telephone	-	5,812	5,812	-
Utilities	20,482	14,446	34,928	-
Repair and maintenance	9,558	12,396	21,954	6,437
Equipment rental	2,000	3,000	5,000	-
Other services and supplies	193	60	253	300
Depreciation	<u>72,069</u>	<u>28,791</u>	<u>100,860</u>	<u>11,153</u>
Total operating expenses	<u>145,388</u>	<u>101,266</u>	<u>246,654</u>	<u>17,890</u>
Operating income (loss)	<u>(86,832)</u>	<u>20,471</u>	<u>(66,361)</u>	<u>3,797</u>
Non-operating revenues (expenses):				
Interest income	7,901	20,390	28,291	9,503
Interest expense	-	(24,979)	(24,979)	-
Total non-operating revenues (expenses)	<u>7,901</u>	<u>(4,589)</u>	<u>3,312</u>	<u>9,503</u>
Net income (loss) before operating transfers	(78,931)	15,882	(63,049)	13,300
Net assets, beginning of year	<u>2,643,777</u>	<u>743,471</u>	<u>3,387,248</u>	<u>252,983</u>
Net assets, end of year	<u>\$ 2,564,846</u>	<u>\$ 759,353</u>	<u>\$ 3,324,199</u>	<u>\$ 266,283</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Major Enterprise Funds			Internal Service Fund -
	Sewer Fund	Water Fund	Total	Equipment Fund
Cash flows from operating activities:				
Cash received from customers	\$ 61,036	\$ 122,120	\$ 183,156	\$ -
Cash received from interfund services	-	-	-	21,937
Cash payments to employees	(16,575)	(19,324)	(35,899)	-
Cash payments to suppliers for goods and services	(54,472)	(55,279)	(109,751)	(7,002)
Net cash provided (used) by operating activities	(10,011)	47,517	37,506	14,935
Cash flows from capital and related financing activities:				
Principal payments	-	(25,000)	(25,000)	-
Interest paid	-	(24,979)	(24,979)	-
Net cash provided by capital and related financing activities	-	(49,979)	(49,979)	-
Cash flows from investing activities:				
Interest received	7,901	20,390	28,291	9,503
Net cash provided by investing activities	7,901	20,390	28,291	9,503
Net increase (decrease) in cash and cash equivalents	(2,110)	17,928	15,818	24,438
Cash and cash equivalents, beginning of year	176,292	467,943	644,235	211,382
Cash and cash equivalents, end of year	\$ 174,182	\$ 485,871	\$ 660,053	\$ 235,820
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (86,832)	\$ 20,471	\$ (66,361)	\$ 3,797
Adjustments:				
Depreciation	72,069	28,791	100,860	11,153
Change in assets and liabilities:				
Accounts receivable	2,480	383	2,863	-
Due from other funds	-	-	-	250
Accounts payable and accrued expenses	2,272	(2,128)	144	(265)
Net cash provided (used) by operating activities	\$ (10,011)	\$ 47,517	\$ 37,506	\$ 14,935

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 7,284
Total assets	<u>7,284</u>
Liabilities	
Accounts payable and accrued expenses	6,092
Due to City	<u>1,192</u>
Total liabilities	<u>7,284</u>
Net Assets	
Unrestricted	<u>-</u>
Total net assets	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stanton was incorporated in 1863 and is located in Montcalm County, Michigan. The City is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a seven member City Commission, including a Mayor, elected by the community at large. The City provides the following services to approximately 1,500 residents as authorized by its charter. Public safety (police and fire), highways and streets, sanitation, health and social services, culture - recreation, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Stanton conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Unit - The component unit columns in the combined financial statements include the financial data of the City's component unit. The unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the City Commission. The budgets and expenditures of the Downtown Development Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Joint Venture – The City is a member of an intergovernmental agreement to operate a joint fire association with the Evergreen, Douglas, and Sidney Townships. The City appoints one member to the joint association's governing board. The operating and capital budgets are funded with equal contributions from each government.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Major Street Fund – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

Library Fund – The Library Fund is used to account for earmarked revenue set aside for library purposes.

The City reports the following major enterprise funds:

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Water Fund – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of February 14 before they are added to the county tax rolls.

The 2006 taxable valuation of the City totaled \$ 21,237,284, on which ad valorem taxes levied consisted of 12.7436 mills for the City's operating purposes.

The delinquent real property taxes of the City are purchased by Montcalm County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-100 years
Vehicles	5-50 years
Furniture and other equipment	5-15 years

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick days. Under the City’s policy, employees with over ten years of employment earn 100% of unused hours. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Clerk submits to the City Commission a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption of the City Commission.
4. Any revision that alters the total expenditures of any fund must be approved by the City.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Commission is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the City did not incur any expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Commission is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits are subject to several types of risk, which are presented in more detail as follows:

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the City had \$3,031,379 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$538,558 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the City had no investments.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

The ordinance authorizing issuance of the Water and Sewer Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Receiving Account - All receipts are initially deposited into this account.

Operation and Maintenance Account - Quarterly transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due.

Water Bond Reserve Account - All excess funds are to be transferred to this account until \$48,000 is accumulated.

At June 30, 2007, the City had established these accounts and had restricted cash, as required, as follows:

	<u>REQUIREMENTS</u>			<u>Amount Funded</u>
	<u>July 1, 2006</u>	<u>Additions (Reductions)</u>	<u>June 30, 2007</u>	<u>Restricted Cash and Cash Equivalents</u>
Water Fund:				
Bond reserve	\$ 48,000	\$ -	\$ 48,000	\$ 48,000
Bond and interest redemption fund	<u>12,625</u>	<u>(312)</u>	<u>12,313</u>	<u>12,313</u>
	<u>\$ 60,625</u>	<u>\$ (312)</u>	<u>\$ 60,313</u>	<u>\$ 60,313</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	July 1, 2006	Additions	Retirements	June 30, 2007
PRIMARY GOVERNMENT:				
Governmental activities:				
<i>Governmental funds:</i>				
Nondepreciable capital assets:				
Land	\$ 146,799	\$ -	\$ -	\$ 146,799
Depreciable capital assets:				
Land improvements	259,029	-	-	259,029
Buildings and improvements	741,844	-	-	741,844
Equipment	19,771	13,447	-	33,218
	1,020,644	13,447	-	1,034,091
Accumulated depreciation	(147,681)	(21,803)	-	(169,484)
Depreciable assets, net	872,963	(8,356)	-	864,607
Governmental fund capital assets, net	1,019,762	(8,356)	-	1,011,406
<i>Equipment Fund:</i>				
Buildings and improvements	4,330	-	-	4,330
Equipment	81,097	-	-	81,097
Vehicles	175,889	-	-	175,889
	261,316	-	-	261,316
Accumulated depreciation	(219,700)	(11,153)	-	(230,853)
Equipment fund capital assets, net	41,616	(11,153)	-	30,463
Total governmental capital assets, net	\$ 1,061,378	\$ (19,509)	\$ -	\$ 1,041,869
Business-type activities:				
<i>Sewer capital assets:</i>				
Nondepreciable capital assets:				
Land	\$ 4,765	\$ -	\$ -	\$ 4,765
Depreciable capital assets				
Machinery and other equipment	85,715	-	-	85,715
Distribution system	3,590,794	-	-	3,590,794
Total depreciable capital assets	3,676,509	-	-	3,676,509
Accumulated depreciation	(1,231,090)	(72,068)	-	(1,303,158)
Total depreciable capital assets, net	2,445,419	(72,068)	-	2,373,351
Sewer capital assets, net	2,450,184	(72,068)	-	2,378,116

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2007</u>
Water capital assets:				
Depreciable capital assets				
Land improvements	72,718	-	-	72,718
Machinery and other equipment	28,605	-	-	28,605
Distribution system	1,332,253	-	-	1,332,253
Total depreciable capital assets	1,433,576	-	-	1,433,576
Accumulated depreciation	(675,351)	(28,792)	-	(704,143)
Water capital assets, net	758,225	(28,792)	-	729,433
Business-type activities, capital assets, net	<u>\$ 3,208,409</u>	<u>\$ (100,860)</u>	<u>\$ -</u>	<u>\$ 3,107,549</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,668
Public safety	6,010
Public works	7,424
Community and economic development	8,847
Recreation and culture	6,007
Total governmental activities	<u>\$ 32,956</u>
Business-type activities:	
Sewer	\$ 72,068
Water	28,792
Total business-type activities	<u>\$ 100,860</u>

NOTE 6: LONG-TERM DEBT

The City issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Long-term obligation activity can be summarized as follows:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Loan Amount</u>	<u>Remaining Balance at Year-End</u>
Business-type Activities					
<i>Revenue Bonds:</i>					
1981 Issue - Water Supply System	2/1/08-2/1/21	5.00%	25,000-40,000	816,000	485,000
Component Units:					
<i>General Obligation Limited Tax Bonds:</i>					
1994 Issue - Downtown Development	11/1/07-11/1/10	5.7-5.9%	70,000-85,000	800,000	240,000

The following is a summary of long-term liability transactions for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT:					
Governmental Activities					
Compensated absences	\$ 17,409	\$ -	\$ (2,575)	\$ 14,834	\$ -
Business-type Activities					
<i>Revenue Bonds:</i>					
1981 Issue - Water Supply System	510,000	-	(25,000)	485,000	25,000
Total governmental and business-type activities	<u>\$ 527,409</u>	<u>\$ -</u>	<u>\$ (27,575)</u>	<u>\$ 499,834</u>	<u>\$ 25,000</u>
COMPONENT UNIT:					
<i>General Obligation Limited Tax Bonds:</i>					
1994 Issue - Downtown Development	<u>\$ 310,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ 240,000</u>	<u>\$ 75,000</u>

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<u>Year Ended June 30,</u>	<u>Business-Type Activities</u>			<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 25,000	\$ 24,250	\$ 49,250	\$ 75,000	\$ 14,045	\$ 89,045
2009	25,000	23,000	48,000	80,000	9,695	89,695
2010	30,000	21,750	51,750	85,000	5,015	90,015
2011	30,000	20,250	50,250	-	-	-
2012	30,000	18,750	48,750	-	-	-
2013-2017	185,000	68,500	253,500	-	-	-
2018-2022	160,000	20,000	180,000	-	-	-
	<u>\$ 485,000</u>	<u>\$ 196,500</u>	<u>\$ 681,500</u>	<u>\$ 240,000</u>	<u>\$ 28,755</u>	<u>\$ 268,755</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Receivables:		
Accounts	\$ 1,192	\$ 59,448
Intergovernmental	<u>143,189</u>	<u>-</u>
Total receivables	<u>\$ 144,381</u>	<u>\$ 59,448</u>
Accounts payable and accrued expenses:		
Accounts	\$ 10,400	\$ 6,360
Payroll and related liabilities	11,363	1,387
Intergovernmental	1,878	-
Interest	<u>-</u>	<u>10,104</u>
Total accounts payable and accrued expenses	<u>\$ 23,641</u>	<u>\$ 17,851</u>

NOTE 8: INTERFUND BALANCES AND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

	<u>Transfer from</u>
	<u>Cemetery Perpetual Care</u>
Transfer to:	
Nonmajor Governmental:	
Cemetery Fund	<u>\$ 2,347</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Municipal Risk Management Authority (the "Authority") risk pool program for claims related to general and auto liability, auto physical damage, and property. The Authority operates as a claims servicing pool for amount up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts.

Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The White Pine Library participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the library employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

FUNDING POLICY:

The Library is required to contribute at an actuarially determined rate; the current rate is 3.42% of annual covered payroll. Library employees are required to contribute 3% of their annual covered payroll. The contribution requirements of the Library are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Annual Pension Costs – For year ended June 30, 2007, the City’s annual pension cost of \$5,509 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of June 30, 2007 follows:

Fiscal Year Ended June 30	2007	2006	2005
Annual pension cost	\$ 5,509	\$ 6,369	\$ 5,013
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Deferred Compensation Plan:

As of December 31, 1993, the City (except Library employees) no longer was a member of the Michigan Municipal Employees Retirement System. A private deferred compensation plan was created in accordance with Internal Revenue Code Section 457, as of July 1, 1992. The plan is available to all full-time employees and it permits tax deferral of a portion of current salary until future years.

The City is required to contribute to the Section 457 plan, an amount equal to three percent (3%) of each eligible employee's annual salary. In addition, the City makes a matching dollar contribution in one percent (1%) increments up to a maximum of two percent (2%). During the year ended June 30, 2007, the City contributed \$9,405 on behalf of the employees under this arrangement.

The City adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, for its primary government. The City has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

Compensated Absences:

City employees receive 100% of their accumulated sick days on termination. As of June 30, 2007, a liability for accrued sick pay of \$14,834 is reflected in the financial statements.

Post Employment Benefits:

The City has no post employment benefits plans at this time other than its pension plans.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

Condensed financial statements for the discretely presented unit are presented below. Complete financial statements are not prepared for the Downtown Development Authority.

DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2007

BALANCE SHEET

Assets:

Cash and cash equivalents	\$ 148,912
Total assets	<u>\$ 148,912</u>

Liabilities and Fund Balances:

Liabilities:

Accounts payable	\$ -
Total liabilities	<u>-</u>

Fund Balances:

Unreserved	<u>148,912</u>
Total fund balances	<u>148,912</u>
Total liabilities and fund balances	<u>\$ 148,912</u>

RECONCILIATION OF FUND BALANCE TO NET ASSETS:

Fund balance for the governmental fund	\$ 148,912
Interest payable on long-term debt is not payable from current resources and therefore not reported in the governmental funds	(2,341)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds	<u>(240,000)</u>
Net assets (deficit), June 30, 2007	<u>\$ (93,429)</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2007

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Revenues:

Property taxes	\$	188,369
Interest and rents		5,814
Other revenue		<u>3,382</u>
Total revenues		<u>197,565</u>

Expenditures:

Current		
Community and economic development		20,864
Debt service		
Principal		70,000
Interest and fees		<u>18,035</u>
Total expenditures		<u>108,899</u>
Excess (deficiency) of revenues over expenditures		88,666
Fund balance, beginning of year		<u>60,246</u>
Fund balance, end of year	\$	<u><u>148,912</u></u>

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS

Net change in fund balance -governmental fund	\$	88,666
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets.		70,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest on bonds and loans payable		<u>665</u>
Change in net assets of governmental activities	\$	<u><u>159,331</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STANTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues:				
Property taxes	\$ 207,824	\$ 207,824	\$ 220,869	\$ 13,045
Licenses and permits	2,600	2,600	3,535	935
State grants	164,200	164,200	158,693	(5,507)
Contributions from other units	10,800	10,800	10,800	-
Charges for services	33,500	33,500	31,400	(2,100)
Fines and forfeits	500	500	61	(439)
Interest and rents	22,200	22,200	46,895	24,695
Other revenue	47,500	47,500	4,846	(42,654)
Total revenues	489,124	489,124	477,099	(12,025)
Expenditures:				
<i>Current:</i>				
General government	106,535	106,535	102,679	(3,856)
Public safety	120,650	120,650	113,060	(7,590)
Public works	115,870	115,870	102,735	(13,135)
Recreation and culture	8,050	8,050	2,797	(5,253)
Other	128,019	128,019	110,187	(17,832)
Capital outlay	10,000	10,000	-	(10,000)
Total expenditures	489,124	489,124	431,458	(57,666)
Excess (deficiency) of revenues over expenditures	-	-	45,641	45,641
Fund balance, beginning of year	888,010	888,010	888,010	-
Fund balance, end of year	\$ 888,010	\$ 888,010	\$ 933,651	\$ 45,641

CITY OF STANTON

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under) Final Budget</u>
Revenues:				
State grants	\$ 60,792	\$ 60,792	\$ 68,607	\$ 7,815
Interest and rents	<u>9,000</u>	<u>9,000</u>	<u>21,161</u>	<u>12,161</u>
Total revenues	<u>69,792</u>	<u>69,792</u>	<u>89,768</u>	<u>19,976</u>
Expenditures:				
<i>Current:</i>				
Public works	<u>69,792</u>	<u>69,792</u>	<u>24,848</u>	<u>(44,944)</u>
Total expenditures	<u>69,792</u>	<u>69,792</u>	<u>24,848</u>	<u>(44,944)</u>
Excess (deficiency) of revenues over expenditures	-	-	64,920	64,920
Fund balance, beginning of year	<u>452,772</u>	<u>452,772</u>	<u>452,772</u>	<u>-</u>
Fund balance, end of year	<u>\$ 452,772</u>	<u>\$ 452,772</u>	<u>\$ 517,692</u>	<u>\$ 64,920</u>

CITY OF STANTON

SPECIAL REVENUE FUND – LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues:				
State grants	\$ 12,300	\$ 17,600	\$ 17,406	\$ (194)
Contributions from other units	153,000	153,000	184,978	31,978
Interest and rents	4,500	4,500	20,776	16,276
Other revenue	10,000	10,000	26,237	-
Total revenues	179,800	185,100	249,397	48,060
Expenditures:				
<i>Current:</i>				
Recreation and culture	155,943	173,545	172,543	(1,002)
Capital outlay	6,500	14,400	13,447	(953)
Total expenditures	162,443	187,945	185,990	(1,955)
Excess (deficiency) of revenues over expenditures	17,357	(2,845)	63,407	50,015
Fund balance, beginning of year	543,051	543,051	543,051	-
Fund balance, end of year	\$ 560,408	\$ 540,206	\$ 606,458	\$ 50,015

CITY OF STANTON

SCHEDULE OF PENSION PLAN FUNDING PROGRESS Year Ended June 30, 2007

<u>Actuarial Valuation Date</u>	<u>12/31/05</u>	<u>12/31/04</u>	<u>12/31/03</u>
Actuarial Value of Assets	\$ 109,630	\$ 108,453	\$ 107,982
Actuarial Accrued Liability (AAL)	174,558	172,143	173,967
Unfunded AAL (UAAL)	64,928	63,690	65,985
Funded Ratio	63%	63%	62%
Covered Payroll	49,593	49,706	47,059
UAAL as a percentage of covered payroll	131%	128%	140%

OTHER SUPPLEMENTAL INFORMATION

CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2007

Current Taxes:

Property taxes	\$ 209,449
Trailer tax	265
Penalties and interest on taxes	959
Administration fees	<u>10,196</u>
	<u>220,869</u>

Licenses and permits:

Nonbusiness licenses and permits	800
CATV franchise fees	<u>2,735</u>
	<u>3,535</u>

State Grants:

Liquor license fees	1,624
State revenue sharing - sales tax	<u>157,069</u>
	<u>158,693</u>

Contribution from other units:

Stanton Downtown Development Authority - Administration charges	<u>10,800</u>
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Charges for services:

Charges to other funds	<u>31,400</u>
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Fines and forfeits:

Ordinance fines	<u>61</u>
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Interest and rents:

Interest	38,975
Rents	<u>7,920</u>
	<u>46,895</u>

Other Revenue:

Refund and rebates	1,310
Miscellaneous	<u>3,536</u>
	<u>4,846</u>

Total revenues	<u>\$ 477,099</u>
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CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2007

General Government:

Commission:

Personnel	\$ 8,861
Printing and publications	843
Other	<u>273</u>
	<u>9,977</u>

Clerk/Treasurer:

Personnel	49,679
Supplies	1,472
Other	<u>368</u>
	<u>51,519</u>

Audit:

Contracted services	<u>2,700</u>
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Board of Review:

Personnel	<u>840</u>
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Assessor/Equalization Department:

Personnel	8,400
Other	<u>796</u>
	<u>9,196</u>

Elections:

Supplies	965
Contracted services	2,039
Printing and publications	<u>68</u>
	<u>3,072</u>

Building and Grounds:

Personnel	6,484
Supplies	3,946
Contracted services	1,426
Telephone	2,647
Printing and publications	195
Utilities	6,029
Repairs and maintenance	2,375
Other	<u>889</u>
	<u>23,991</u>

Legal:

Contracted services	<u>475</u>
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Cemetery:

Supplies	<u>909</u>
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Total general government	<u>102,679</u>
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CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2007

Public Safety:

Police:

Personnel	82,327
Supplies	6,021
Repairs and maintenance	1,339
Equipment rental	7,000
	<u>96,687</u>

Fire:

Contracted services	<u>16,373</u>
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Total public safety	<u>113,060</u>
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Public Works:

Department of Public Works:

Personnel	50,758
Supplies	199
Contracted services	6,350
Utilities	168
Repairs and maintenance	8,834
Equipment rental	4,500
	<u>70,809</u>

Street Lighting:

Utilities	<u>25,655</u>
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Refuse Collection/Disposal:

Contracted services - Spring Cleanup	<u>4,271</u>
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Public Transportation:

Contracted services	<u>2,000</u>
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Total public works	<u>102,735</u>
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Recreation and Culture:

Parks and Recreation Department:

Personnel	1,012
Supplies	660
Equipment rental	1,125
Total recreation and culture	<u>2,797</u>

CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2007

Other:

Insurance and bonds	24,283
Health Insurance	56,163
Employer's share of retirement	9,405
Employer's share of FICA	15,701
Unemployment insurance	702
Workers compensation insurance	<u>3,933</u>
Total other	<u>110,187</u>
Total expenditures	<u>\$ 431,458</u>

CITY OF STANTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2007

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Local Sreet Fund</u>	<u>Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
Assets:				
Cash and cash equivalents	\$ 75,004	\$ 15,719	\$ 49,396	\$ 140,119
Due from other governmental units	<u>5,723</u>	<u>-</u>	<u>-</u>	<u>5,723</u>
Total assets	<u>\$ 80,727</u>	<u>\$ 15,719</u>	<u>\$ 49,396</u>	<u>\$ 145,842</u>
Liabilities and Fund Balances:				
<i>Liabilities:</i>				
Accrued expenses	<u>\$ 20</u>	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ 137</u>
Total liabilities	<u>20</u>	<u>117</u>	<u>-</u>	<u>137</u>
<i>Fund balances:</i>				
Reserved for:				
Nonexpendable cemetery principal	-	-	49,396	49,396
Unreserved:				
Special revenue funds	<u>80,707</u>	<u>15,602</u>	<u>-</u>	<u>96,309</u>
Total fund balances	<u>80,707</u>	<u>15,602</u>	<u>49,396</u>	<u>145,705</u>
Total liabilities and fund balances	<u>\$ 80,727</u>	<u>\$ 15,719</u>	<u>\$ 49,396</u>	<u>\$ 145,842</u>

CITY OF STANTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Local Sreet Fund</u>	<u>Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
Revenues:				
State grants	\$ 39,604	\$ -	\$ -	\$ 39,604
Charges for services	-	5,761	-	5,761
Interest and rents	3,538	233	2,350	6,121
Lot sales/Perpetual care	-	807	1,000	1,807
Total revenues	<u>43,142</u>	<u>6,801</u>	<u>3,350</u>	<u>53,293</u>
Expenditures:				
<i>Current:</i>				
General government	-	9,590	-	9,590
Public works	<u>37,066</u>	<u>-</u>	<u>-</u>	<u>37,066</u>
Total expenditures	<u>37,066</u>	<u>9,590</u>	<u>-</u>	<u>46,656</u>
Excess (deficiency) of revenues over expenditures	<u>6,076</u>	<u>(2,789)</u>	<u>3,350</u>	<u>6,637</u>
Other financing sources (uses):				
Transfers in	-	2,347	-	2,347
Transfers out	<u>-</u>	<u>-</u>	<u>(2,347)</u>	<u>(2,347)</u>
Total other financing sources (uses)	<u>-</u>	<u>2,347</u>	<u>(2,347)</u>	<u>-</u>
Net change in fund balance	6,076	(442)	1,003	6,637
Fund balances, beginning of year	<u>74,631</u>	<u>16,044</u>	<u>48,393</u>	<u>139,068</u>
Fund balances, end of year	<u>\$ 80,707</u>	<u>\$ 15,602</u>	<u>\$ 49,396</u>	<u>\$ 145,705</u>

CITY OF STANTON

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2007

	<u>Payroll Withholding Fund</u>	<u>Tax Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 6,092	\$ 1,192	\$ 7,284
Total assets	<u>6,092</u>	<u>-</u>	<u>7,284</u>
Liabilities			
Accounts payable and accrued expenses	6,092	-	6,092
Due to City	<u>-</u>	<u>1,192</u>	<u>1,192</u>
Total liabilities	<u>6,092</u>	<u>1,192</u>	<u>7,284</u>
Net Assets			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF STANTON

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, Year Ended June 30, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Payroll Withholding Fund</u>				
Assets				
Cash and cash equivalents	\$ 5,028	\$ 377,050	\$ 375,986	\$ 6,092
Total assets	<u>\$ 5,028</u>	<u>\$ 377,050</u>	<u>\$ 375,986</u>	<u>\$ 6,092</u>
Liabilities				
Accounts payable and accrued expenses	\$ 5,028	\$ 377,050	\$ 375,986	\$ 6,092
Total liabilities	<u>\$ 5,028</u>	<u>\$ 377,050</u>	<u>\$ 375,986</u>	<u>\$ 6,092</u>
<u>Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 1,259	\$ 1,027,636	\$ 1,027,703	\$ 1,192
Liabilities				
Due to other units/City	\$ 1,259	\$ 1,027,924	\$ 1,027,991	\$ 1,192
Total liabilities	<u>\$ 1,259</u>	<u>\$ 1,027,924</u>	<u>\$ 1,027,991</u>	<u>\$ 1,192</u>
<u>Total Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 6,287	\$ 1,404,686	\$ 1,403,689	\$ 7,284
Total assets	<u>\$ 6,287</u>	<u>\$ 1,404,686</u>	<u>\$ 1,403,689</u>	<u>\$ 7,284</u>
Liabilities				
Accounts payable and accrued expenses	\$ 5,028	\$ 377,050	\$ 375,986	\$ 6,092
Due to other funds/governmental units	1,259	1,027,924	1,027,991	1,192
Total liabilities	<u>\$ 6,287</u>	<u>\$ 1,404,974</u>	<u>\$ 1,403,977</u>	<u>\$ 7,284</u>

CITY OF STANTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2007

1981 WATER SUPPLY REVENUE BONDS

Original amount of issue	\$ 816,000
Less: Principal paid in prior years	(306,000)
Principal paid in current year	<u>(25,000)</u>
Balance payable at June 30, 2007	<u>\$ 485,000</u>

Balance payable as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Rate</i>	<i>Interest Due</i>		<i>Principal Due</i>	<i>Total Annual Requirement</i>
		<i>8/1</i>	<i>2/1</i>	<i>2/1</i>	
2008	5.00%	\$ 12,125	\$ 12,125	\$ 25,000	\$ 49,250
2009	5.00%	11,500	11,500	25,000	48,000
2010	5.00%	10,875	10,875	30,000	51,750
2011	5.00%	10,125	10,125	30,000	50,250
2012	5.00%	9,375	9,375	30,000	48,750
2013	5.00%	8,625	8,625	35,000	52,250
2014	5.00%	7,750	7,750	35,000	50,500
2015	5.00%	6,875	6,875	35,000	48,750
2016	5.00%	6,000	6,000	40,000	52,000
2017	5.00%	5,000	5,000	40,000	50,000
2018	5.00%	4,000	4,000	40,000	48,000
2019	5.00%	3,000	3,000	40,000	46,000
2020	5.00%	2,000	2,000	40,000	44,000
2021	5.00%	<u>1,000</u>	<u>1,000</u>	<u>40,000</u>	<u>42,000</u>
		<u>\$ 98,250</u>	<u>\$ 98,250</u>	<u>\$ 485,000</u>	<u>\$ 681,500</u>

CITY OF STANTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2007

1994 DOWNTOWN DEVELOPMENT LIMITED TAX GENERAL OBLIGATION BONDS

Issue dated 9/1/1994 in the amount of	\$ 800,000
Less: Principal paid in prior years	(490,000)
Principal paid in current year	<u>(70,000)</u>
Balance payable at June 30, 2007	<u>\$ 240,000</u>

Balance payable as follows:

<i>Fiscal Year Ended June 30.</i>	<i>Rate</i>	<i>Interest Due</i>		<i>Principal Due</i>	<i>Total Annual Requirement</i>
		<i>11/1</i>	<i>5/1</i>	<i>5/1</i>	
2008	5.70%	\$ 7,023	\$ 7,022	\$ 75,000	\$ 89,045
2009	5.80%	4,847	4,848	80,000	89,695
2010	5.90%	<u>2,508</u>	<u>2,507</u>	<u>85,000</u>	<u>90,015</u>
		<u>\$ 14,378</u>	<u>\$ 14,377</u>	<u>\$ 240,000</u>	<u>\$ 268,755</u>