

CITY OF STANTON

Montcalm County, Michigan

FINANCIAL STATEMENTS

June 30, 2011

CITY OF STANTON

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Managements Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Net Assets	20
Notes to Financial Statements	22
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule – General Fund	35
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund	36
Budgetary Comparison Schedule – Special Revenue Fund – Library Fund.....	37
Schedule of Pension Plan Funding Progress	38
OTHER SUPPLEMENTAL INFORMATION:	
General Fund:	
Detailed Schedule of Revenues	40
Detailed Schedule of Expenditures	41
Nonmajor Governmental Funds:	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
Fiduciary Funds:	
Combining Statement of Net Assets	48
Schedules of Indebtedness	49

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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, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan as of and for the year ended June 30, 2011, 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 opinions 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan, as of June 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), budgetary comparison information (pages 33 through 37) and schedule of pension plan funding progress (page 38) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stanton's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Berthiaume & Co.

Saginaw, Michigan
August 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF STANTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Stanton (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,185,824 (net assets). Of this amount, \$2,676,229 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the fiscal year, the City's total net assets increased by \$65,504. Governmental activities increased \$148,229, while business-type activities decreased \$82,725.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,804,364, an increase of \$171,889 in comparison with prior year. Approximately two (2) percent of this total or \$52,714 is reserved for various purposes. The remaining fund balance of \$2,751,650 is unreserved and undesignated.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,112,831, or approximately 239 percent of the General Fund's annual expenditures (including transfers).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information and supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

CITY OF STANTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 11 through 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The City adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided for the General Fund, Major Street Fund, and Library Fund, the City's major funds, to demonstrate compliance with that budget.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for sewage collection and water distribution. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an Internal Service Fund to account for equipment rental charges and related expenses for the motor pool.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water Funds, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF STANTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities of the City, assets exceeded liabilities by \$7,185,824 at the close of the most recent fiscal year. Of this amount (50 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, infrastructure, sewer and water systems) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (13 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (37 percent) may be used to meet the government's ongoing obligations to citizens and others.

City of Stanton's Net Assets

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Other assets	\$ 3,006,854	\$ 2,884,319	\$ 647,373	\$ 685,250	\$ 3,654,227	\$ 3,569,569
Capital assets	<u>1,218,387</u>	<u>1,180,674</u>	<u>2,731,832</u>	<u>2,804,969</u>	<u>3,950,219</u>	<u>3,985,643</u>
Total assets	<u>4,225,241</u>	<u>4,064,993</u>	<u>3,379,205</u>	<u>3,490,219</u>	<u>7,604,446</u>	<u>7,555,212</u>
Liabilities:						
Other liabilities	16,386	17,536	14,067	12,356	30,453	29,892
Long-term liabilities	<u>13,169</u>	<u>-</u>	<u>375,000</u>	<u>405,000</u>	<u>388,169</u>	<u>405,000</u>
Total liabilities	<u>29,555</u>	<u>17,536</u>	<u>389,067</u>	<u>417,356</u>	<u>418,622</u>	<u>434,892</u>
Net assets:						
Invested in capital assets, net of related debt	1,218,387	1,180,674	2,356,832	2,399,969	3,575,219	3,580,643
Restricted	874,188	790,011	60,188	60,563	934,376	850,574
Unrestricted	<u>2,103,111</u>	<u>2,076,772</u>	<u>573,118</u>	<u>612,331</u>	<u>2,676,229</u>	<u>2,689,103</u>
Total net assets	<u>\$ 4,195,686</u>	<u>\$ 4,047,457</u>	<u>\$ 2,990,138</u>	<u>\$ 3,072,863</u>	<u>\$ 7,185,824</u>	<u>\$ 7,120,320</u>

CITY OF STANTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

City of Stanton's Changes in Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues						
Charges for services	\$ 52,907	\$ 65,997	\$ 193,433	\$ 161,743	\$ 246,340	\$ 227,740
Operating grants	307,374	303,150	-	-	307,374	303,150
General revenues						
Property taxes	323,027	321,038	-	-	323,027	321,038
Franchise taxes	9,203	1,744	-	-	9,203	1,744
State revenue sharing and grants	134,533	134,532	-	-	134,533	134,532
Investment earnings	15,146	27,389	3,454	7,559	18,600	34,948
Total revenues	<u>842,190</u>	<u>853,850</u>	<u>196,887</u>	<u>169,302</u>	<u>1,039,077</u>	<u>1,023,152</u>
Expenses:						
General government	219,021	215,894	-	-	219,021	215,894
Public safety	109,056	120,017	-	-	109,056	120,017
Public works	143,376	140,133	-	-	143,376	140,133
Community and economic development	11,347	8,847	-	-	11,347	8,847
Recreation and culture	212,361	202,195	-	-	212,361	202,195
Sewer	-	-	152,281	147,438	152,281	147,438
Water	-	-	127,331	107,104	127,331	107,104
Total expenses	<u>695,161</u>	<u>687,086</u>	<u>279,612</u>	<u>254,542</u>	<u>974,773</u>	<u>941,628</u>
Excess of revenues over expenses before other items	<u>147,029</u>	<u>166,764</u>	<u>(82,725)</u>	<u>(85,240)</u>	<u>64,304</u>	<u>81,524</u>
Other items:						
Contribution to principal of permanent funds	1,200	900	-	-	1,200	900
Gain on sale of capital assets	-	4,500	-	-	-	4,500
Total other items	<u>1,200</u>	<u>5,400</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>5,400</u>
Change in net assets	<u>148,229</u>	<u>172,164</u>	<u>(82,725)</u>	<u>(85,240)</u>	<u>65,504</u>	<u>86,924</u>
Net assets, beginning of year	<u>4,047,457</u>	<u>3,875,293</u>	<u>3,072,863</u>	<u>3,158,103</u>	<u>7,120,320</u>	<u>7,033,396</u>
Net assets, end of year	<u>\$ 4,195,686</u>	<u>\$ 4,047,457</u>	<u>\$ 2,990,138</u>	<u>\$ 3,072,863</u>	<u>\$ 7,185,824</u>	<u>\$ 7,120,320</u>

CITY OF STANTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental funds are the General Fund, Major Street Fund, and Library Fund. Additionally, the City reports the Sewer and Water funds as major proprietary funds.

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund had an increase in fund balance of \$59,434.

The Major Street Fund accounts for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the City. This fund had an increased fund balance of \$29,616.

The Library Fund is used to account for earmarked revenue set aside for library purposes. This fund had a increased fund balance of \$28,933.

The Sewer Fund covers the operations of the City's sewage treatment plant and the maintenance and construction of the sewer distribution system.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system.

General Fund Budgetary Highlights

Over the course of the year, the City Commission and City management monitor and amend the budget to account for unanticipated events during the year such as cuts in State-shared revenue, utility expense increases, and rising healthcare costs.

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for governmental and business-type activities as of June 30, 2011 amounts to \$3,950,219 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, equipment, sewer and water systems, and infrastructure. Governmental activities included additions of \$82,641, the largest portion being for the purchase of a police car, pickup and preliminary engineering on a new DPW building. Business-type activities had \$27,723 in additions which included an auto dialer system and engineering costs for system upgrades.

Debt – At the end of the current fiscal year, the City had total long-term debt outstanding of \$375,000. This amount is backed solely by specified revenue sources. Debt decreased by \$30,000 for the business-type activities which was current year principal payments due.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have been accustomed. However, should State-shared revenues be reduced further, reductions in services are inevitable.

It will be the goal of the City to continue producing balanced operating budgets without the use of fund balance. Furthermore, potential use of fund balance will be strategically spent in a manner that is "one time" expenditures that do not increase the operational costs of government, but rather are designed and planned to reduced fixed operational costs.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the City Office at 225 S. Camburn Street, Stanton, MI 48888.

BASIC FINANCIAL STATEMENTS

CITY OF STANTON

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,885,596	\$ 502,633	\$ 3,388,229
Receivables	121,258	84,552	205,810
Restricted cash and cash equivalents	-	60,188	60,188
Capital assets:			
Nondepreciable capital assets	146,799	4,765	151,564
Depreciable capital assets, net	<u>1,071,588</u>	<u>2,727,067</u>	<u>3,798,655</u>
 Total assets	 <u>4,225,241</u>	 <u>3,379,205</u>	 <u>7,604,446</u>
Liabilities			
Accounts payable and accrued expenses	16,386	14,067	30,453
Long-term liabilities:			
Due within one year	-	30,000	30,000
Due in more than one year	<u>13,169</u>	<u>345,000</u>	<u>358,169</u>
 Total liabilities	 <u>29,555</u>	 <u>389,067</u>	 <u>418,622</u>
Net assets			
Invested in capital assets, net of related debt	1,218,387	2,356,832	3,575,219
Restricted for:			
Debt service	-	60,188	60,188
Streets and highways	821,474	-	821,474
Nonexpendable cemetery principal	52,714	-	52,714
Unrestricted net assets	<u>2,103,111</u>	<u>573,118</u>	<u>2,676,229</u>
 Total net assets	 <u>\$ 4,195,686</u>	 <u>\$ 2,990,138</u>	 <u>\$ 7,185,824</u>

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

CITY OF STANTON

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
<i>Governmental activities:</i>					
General government	\$ 219,021	\$ 35,546	\$ -	\$ -	\$ (183,475)
Public safety	109,056	104	1,652	-	(107,300)
Public works	143,376	2,000	102,202	-	(39,174)
Community and economic development	11,347	-	-	-	(11,347)
Recreation and culture	<u>212,361</u>	<u>15,257</u>	<u>203,520</u>	<u>-</u>	<u>6,416</u>
Total governmental activities	<u>695,161</u>	<u>52,907</u>	<u>307,374</u>	<u>-</u>	<u>(334,880)</u>
<i>Business-type activities:</i>					
Sewer	152,281	68,345	-	-	(83,936)
Water	<u>127,331</u>	<u>125,088</u>	<u>-</u>	<u>-</u>	<u>(2,243)</u>
Total business-type activities	<u>279,612</u>	<u>193,433</u>	<u>-</u>	<u>-</u>	<u>(86,179)</u>
Total primary government	<u>\$ 974,773</u>	<u>\$ 246,340</u>	<u>\$ 307,374</u>	<u>\$ -</u>	<u>\$ (421,059)</u>

continued

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

	Governmental Activities	Business- type Activities	Total
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (334,880)	\$ (86,179)	\$ (421,059)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	323,027	-	323,027
Franchise fees	9,203	-	9,203
Grants and contributions not restricted to specific programs	134,533	-	134,533
Unrestricted investment earnings	15,146	3,454	18,600
Contributions to principal of permanent funds	1,200	-	1,200
 Total general revenues, contributions, special items and transfers	 483,109	 3,454	 486,563
 Change in net assets	 148,229	 (82,725)	 65,504
Net assets, beginning of year	4,047,457	3,072,863	7,120,320
Net assets, end of year	<u>\$ 4,195,686</u>	<u>\$ 2,990,138</u>	<u>\$ 7,185,824</u>

CITY OF STANTON

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2011

	<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	\$ 1,075,170	\$ 605,677	\$ 751,269	\$ 266,079	\$ 2,698,195
Accounts receivable	1,753	-	-	-	1,753
Interest receivable	1,542	-	1,043	-	2,585
Due from other governmental units	44,952	10,444	56,157	5,310	116,863
Due from other funds	-	-	-	350	350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,123,417</u>	<u>\$ 616,121</u>	<u>\$ 808,469</u>	<u>\$ 271,739</u>	<u>\$ 2,819,746</u>
Liabilities and Fund Balances:					
<i>Liabilities:</i>					
Accounts payable	\$ 5,919	\$ -	\$ 3,572	\$ -	\$ 9,491
Accrued expenses	1,989	-	874	-	2,863
Due to other governmental units.	2,678	-	-	-	2,678
Due to other funds	-	-	-	350	350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>10,586</u>	<u>-</u>	<u>4,446</u>	<u>350</u>	<u>15,382</u>
<i>Fund balances:</i>					
Nonspendable:					
Cemetery perpetual care	-	-	-	52,714	52,714
Restricted:					
Streets	-	616,121	-	205,353	821,474
Library	-	-	804,023	-	804,023
Committed:					
Cemetery operations	-	-	-	13,322	13,322
Unassigned	<u>1,112,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112,831</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,112,831</u>	<u>616,121</u>	<u>804,023</u>	<u>271,389</u>	<u>2,804,364</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,123,417</u>	<u>\$ 616,121</u>	<u>\$ 808,469</u>	<u>\$ 271,739</u>	<u>\$ 2,819,746</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, 2011

Total fund balances for governmental funds \$ 2,804,364

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	1,375,085	
Less accumulated depreciation	<u>(266,795)</u>	1,108,290

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

Compensated absences payable	(13,169)
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The assets and liabilities of internal service funds are included in governmental
activities in the statement of net assets.

296,201

Net assets of governmental activities

\$ 4,195,686

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, 2011

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Library Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 334,718	\$ -	\$ -	\$ -	\$ 334,718
Licenses and permits	9,570	-	-	-	9,570
State grants	136,185	64,730	5,012	37,472	243,399
Contributions from other units	-	-	198,508	-	198,508
Charges for services	15,890	-	-	4,528	20,418
Fines and forfeits	104	-	-	-	104
Interest and rents	18,748	2,998	3,140	1,255	26,141
Other revenue	<u>10,131</u>	<u>-</u>	<u>15,257</u>	<u>2,700</u>	<u>28,088</u>
Total revenues	<u>525,346</u>	<u>67,728</u>	<u>221,917</u>	<u>45,955</u>	<u>860,946</u>
Expenditures:					
<i>Current:</i>					
General government	125,732	-	-	7,422	133,154
Public safety	108,735	-	-	-	108,735
Public works	109,496	11,653	-	11,086	132,235
Community and economic development	2,500	-	-	-	2,500
Recreation and culture	5,988	-	191,782	-	197,770
Other	91,026	-	-	-	91,026
Capital outlay	<u>22,435</u>	<u>-</u>	<u>1,202</u>	<u>-</u>	<u>23,637</u>
Total expenditures	<u>465,912</u>	<u>11,653</u>	<u>192,984</u>	<u>18,508</u>	<u>689,057</u>
Excess of revenues over expenditures	<u>59,434</u>	<u>56,075</u>	<u>28,933</u>	<u>27,447</u>	<u>171,889</u>
Other financing sources (uses):					
Transfers in	-	-	-	27,096	27,096
Transfers out	<u>-</u>	<u>(26,459)</u>	<u>-</u>	<u>(637)</u>	<u>(27,096)</u>
Total other financing sources (uses)	<u>-</u>	<u>(26,459)</u>	<u>-</u>	<u>26,459</u>	<u>-</u>
Net change in fund balances	59,434	29,616	28,933	53,906	171,889
Fund balances, beginning of year	<u>1,053,397</u>	<u>586,505</u>	<u>775,090</u>	<u>217,483</u>	<u>2,632,475</u>
Fund balances, end of year	<u>\$ 1,112,831</u>	<u>\$ 616,121</u>	<u>\$ 804,023</u>	<u>\$ 271,389</u>	<u>\$ 2,804,364</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, 2011

Net change in fund balances - total governmental funds \$ 171,889

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	23,637	
Less depreciation expense	<u>(29,804)</u>	(6,167)

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		(6,864)
--	--	---------

The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(10,629)</u>
--	--	-----------------

Change in net assets of governmental activities \$ 148,229

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

CITY OF STANTON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2011

	<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	\$ 70,687	\$ 431,946	\$ 502,633	\$ 187,401
Accounts receivable	33,132	50,722	83,854	-
Interest receivable	80	618	698	57
Total current assets	<u>103,899</u>	<u>483,286</u>	<u>587,185</u>	<u>187,458</u>
<i>Noncurrent assets:</i>				
Restricted cash and cash equivalents	-	60,188	60,188	-
Capital assets:				
Nondepreciable capital assets	4,765	-	4,765	-
Depreciable capital assets, net	<u>2,091,389</u>	<u>635,678</u>	<u>2,727,067</u>	<u>110,097</u>
Total noncurrent assets	<u>2,096,154</u>	<u>695,866</u>	<u>2,792,020</u>	<u>110,097</u>
Total assets	<u>2,200,053</u>	<u>1,179,152</u>	<u>3,379,205</u>	<u>297,555</u>
Liabilities:				
<i>Current liabilities:</i>				
Accounts payable	3,654	2,284	5,938	1,354
Accrued expenses	113	203	316	-
Accrued interest payable	-	7,813	7,813	-
Current portion of long-term debt	-	<u>30,000</u>	<u>30,000</u>	-
Total current liabilities	<u>3,767</u>	<u>40,300</u>	<u>44,067</u>	<u>1,354</u>
<i>Noncurrent liabilities:</i>				
Long-term debt	-	<u>345,000</u>	<u>345,000</u>	-
Total noncurrent liabilities	-	<u>345,000</u>	<u>345,000</u>	-
Total liabilities	<u>3,767</u>	<u>385,300</u>	<u>389,067</u>	<u>1,354</u>
Net assets				
Invested in capital assets, net of related debt	2,096,154	260,678	2,356,832	110,097
Restricted for:				
Debt service	-	60,188	60,188	-
Unrestricted	<u>100,132</u>	<u>472,986</u>	<u>573,118</u>	<u>186,104</u>
Total net assets	<u>\$ 2,196,286</u>	<u>\$ 793,852</u>	<u>\$ 2,990,138</u>	<u>\$ 296,201</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, 2011

	Business-type Activities			Governmental
	Major Enterprise Funds			Internal
	Sewer Fund	Water Fund	Total	Service Fund - Equipment Fund
Operating revenues:				
Charges for services	\$ 65,576	\$ 122,721	\$ 188,297	\$ -
Penalties	681	1,646	2,327	-
Equipment rental	-	-	-	15,438
Other	2,088	721	2,809	-
Total operating revenues	68,345	125,088	193,433	15,438
Operating expenses:				
Personnel	18,335	19,118	37,453	-
Fringe benefits	1,377	1,476	2,853	-
Supplies	463	522	985	-
Contracted services	22,288	18,090	40,378	-
Administrative expense	2,500	5,000	7,500	-
Telephone	-	6,376	6,376	-
Printing and publishing	117	-	117	-
Utilities	24,143	13,898	38,041	-
Repair and maintenance	10,410	11,929	22,339	11,140
Equipment rental	500	1,500	2,000	-
Other services and supplies	80	1,005	1,085	328
Depreciation	72,068	28,792	100,860	15,124
Total operating expenses	152,281	107,706	259,987	26,592
Operating income (loss)	(83,936)	17,382	(66,554)	(11,154)
Non-operating revenues (expenses):				
Interest income	788	2,666	3,454	525
Interest expense	-	(19,625)	(19,625)	-
Total non-operating revenues (expenses)	788	(16,959)	(16,171)	525
Net income (loss)	(83,148)	423	(82,725)	(10,629)
Net assets, beginning of year	2,279,434	793,429	3,072,863	306,830
Net assets, end of year	\$ 2,196,286	\$ 793,852	\$ 2,990,138	\$ 296,201

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

CITY OF STANTON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Major Enterprise Funds</u>			<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Service Fund -</u>
	<u>Fund</u>	<u>Fund</u>		<u>Equipment</u>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Fund</u>
Cash flows from operating activities:				
Cash received from customers	\$ 51,939	\$ 113,593	\$ 165,532	\$ -
Cash received from interfund services	-	-	-	15,438
Cash payments to employees	(18,335)	(19,113)	(37,448)	-
Cash payments to suppliers for goods goods and services	<u>(60,608)</u>	<u>(67,173)</u>	<u>(127,781)</u>	<u>(10,114)</u>
Net cash provided (used) by operating activities	<u>(27,004)</u>	<u>27,307</u>	<u>303</u>	<u>5,324</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(6,311)	(21,412)	(27,723)	(59,004)
Principal payments	-	(30,000)	(30,000)	-
Interest paid	<u>-</u>	<u>(11,812)</u>	<u>(11,812)</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>(6,311)</u>	<u>(63,224)</u>	<u>(69,535)</u>	<u>(59,004)</u>
Cash flows from investing activities:				
Interest received	<u>2,808</u>	<u>2,248</u>	<u>5,056</u>	<u>543</u>
Net cash provided by investing activities	<u>2,808</u>	<u>2,248</u>	<u>5,056</u>	<u>543</u>
Net increase (decrease) in cash and cash equivalents	(30,507)	(33,669)	(64,176)	(53,137)
Cash and cash equivalents, beginning of year	<u>101,194</u>	<u>525,803</u>	<u>626,997</u>	<u>240,538</u>
Cash and cash equivalents, end of year	<u>\$ 70,687</u>	<u>\$ 492,134</u>	<u>\$ 562,821</u>	<u>\$ 187,401</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (83,936)	\$ 17,382	\$ (66,554)	\$ (11,154)
Adjustments:				
Depreciation	72,068	28,792	100,860	15,124
Change in assets and liabilities:				
Accounts receivable	(16,406)	(11,495)	(27,901)	-
Accounts payable and accrued expenses	<u>1,270</u>	<u>(7,372)</u>	<u>(6,102)</u>	<u>1,354</u>
Net cash provided (used) by operating activities	<u>\$ (27,004)</u>	<u>\$ 27,307</u>	<u>\$ 303</u>	<u>\$ 5,324</u>

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

CITY OF STANTON

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 6,285
Total assets	<u>6,285</u>
Liabilities	
Accounts payable and accrued expenses	4,532
Due to City	<u>1,753</u>
Total liabilities	<u>6,285</u>
Net Assets	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</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, 2011

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.

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.

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.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

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.

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.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

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 2010 taxable valuation of the City totaled \$ 23,012,320 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 13.6154 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

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.

Fund Equity:

In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed – amounts which are subject to limitations the City imposes upon itself through official actions made by the City Commission and that remain binding unless removed in the same manner.

Assigned – amounts neither restricted nor committed for which the City has a stated intended use as established by the Commission or an official to which the Commission has delegated the authority to assign amounts for specific purposes.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Beginning fund balances for the City’s governmental funds have been restated to reflect the above classifications.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2011

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, 2011

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 \$3,540,486 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$2,077,245 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, 2011, the City had established these accounts and had restricted cash, as required, as follows:

	<u>REQUIREMENTS</u>			<u>Amount Funded</u>
	<u>July 1, 2010</u>	<u>Additions (Reductions)</u>	<u>June 30, 2011</u>	<u>Restricted Cash and Cash Equivalents</u>
Water Fund:				
Bond reserve	\$ 48,000	\$ -	\$ 48,000	\$ 48,000
Bond and interest redemption fund	<u>12,563</u>	<u>(375)</u>	<u>12,188</u>	<u>12,188</u>
	<u>\$ 60,563</u>	<u>\$ (375)</u>	<u>\$ 60,188</u>	<u>\$ 60,188</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

NOTE 5: CAPITAL ASSETS

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

	July 1, 2010	Additions	Retirements	June 30, 2011
Governmental activities:				
<i>Governmental funds:</i>				
Nondepreciable capital assets:				
Land	\$ 146,799	\$ -	\$ -	\$ 146,799
Depreciable capital assets:				
Land improvements	489,938	-	-	489,938
Buildings and improvements	680,384	21,094	-	701,478
Equipment	34,327	2,543	-	36,870
Total depreciable capital assets	1,204,649	23,637	-	1,228,286
Accumulated depreciation	(236,991)	(29,804)	-	(266,795)
Depreciable assets, net	967,658	(6,167)	-	961,491
Governmental fund capital assets, net	1,114,457	(6,167)	-	1,108,290
<i>Equipment Fund:</i>				
Buildings and improvements	4,330	-	-	4,330
Equipment	92,012	8,200	-	100,212
Vehicles	226,677	50,804	20,138	257,343
Total depreciable capital assets	323,019	59,004	20,138	361,885
Accumulated depreciation	(256,802)	(15,124)	(20,138)	(251,788)
Equipment fund capital assets, net	66,217	43,880	-	110,097
Total governmental capital assets, net	\$ 1,180,674	\$ 37,713	\$ -	\$ 1,218,387
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	4,200	-	89,915
Distribution system	3,590,794	2,111	-	3,592,905
Total depreciable capital assets	3,676,509	6,311	-	3,682,820
Accumulated depreciation	(1,519,363)	(72,068)	-	(1,591,431)
Total depreciable capital assets, net	2,157,146	(65,757)	-	2,091,389
Sewer capital assets, net	2,161,911	(65,757)	-	2,096,154

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

	<u>July 1,</u> <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2011</u>
Water capital assets:				
Depreciable capital assets				
Land improvements	72,718	-	-	72,718
Machinery and other equipment	28,605	19,300	-	47,905
Distribution system	<u>1,332,253</u>	<u>2,112</u>	<u>-</u>	<u>1,334,365</u>
Total depreciable capital assets	1,433,576	21,412	-	1,454,988
Accumulated depreciation	<u>(790,518)</u>	<u>(28,792)</u>	<u>-</u>	<u>(819,310)</u>
Water capital assets, net	<u>643,058</u>	<u>(7,380)</u>	<u>-</u>	<u>635,678</u>
Business-type activities, capital assets, net	<u>\$ 2,804,969</u>	<u>\$ (73,137)</u>	<u>\$ -</u>	<u>\$ 2,731,832</u>

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

Governmental activities:	
General government	\$ 4,018
Public safety	6,818
Public works	10,654
Community and economic development	8,847
Recreation and culture	<u>14,591</u>
Total governmental activities	<u>\$ 44,928</u>
Business-type activities:	
Sewer	\$ 72,068
Water	<u>28,792</u>
Total business-type activities	<u>\$ 100,860</u>

NOTE 6: LONG-TERM DEBT

The City may issue 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 may also be 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 may include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED) June 30, 2011

Long-term liabilities at June 30, 2011 consisted of the following:

<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	2/1/12-2/1/21	5.00%	\$30,000-\$40,000	\$ 816,000	\$ 375,000

Long-term obligation activity for the year is summarized as follows::

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences	\$ 6,305	\$ 6,864	\$ -	\$ 13,169	\$ -
Business-type Activities					
<i>Revenue Bonds:</i>					
1981 Issue - Water Supply System	405,000	-	(30,000)	375,000	30,000
Total governmental and business-type activities	\$ 411,305	\$ 6,864	\$ (30,000)	\$ 388,169	\$ 30,000

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>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 30,000	\$ 18,750	\$ 48,750
2013	35,000	17,250	52,250
2014	35,000	15,500	50,500
2015	35,000	13,750	48,750
2016	40,000	12,000	52,000
2016-2020	200,000	30,000	230,000
	\$ 375,000	\$ 107,250	\$ 482,250

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

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	\$ 1,753	\$ 83,854
Interest receivable	2,585	698
Intergovernmental	<u>116,863</u>	<u>-</u>
Total receivables	<u>\$ 121,201</u>	<u>\$ 84,552</u>
Accounts payable and accrued expenses:		
Accounts	\$ 10,845	\$ 5,938
Payroll and related liabilities	2,863	316
Intergovernmental	2,678	-
Interest	<u>-</u>	<u>7,813</u>
Total accounts payable and accrued expenses	<u>\$ 16,386</u>	<u>\$ 14,067</u>

NOTE 8: INTERFUND BALANCES AND TRANSFERS

The interfund balances at June 30, 2011 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major governmental Cemetery Perpetual Care	Non-major governmental Cemetery Fund	<u>\$ 350</u>

Interfund transfers reported in the fund statements were as follows:

<u>Transfer From:</u>	<u>Transfer To:</u>	
Major Governmental: Major Street Fund	Nonmajor Governmental: Local Street Fund	\$ 26,459
Nonmajor Governmental: Cemetery Perpetual Care	Nonmajor Governmental: Cemetery Fund	<u>637</u>
		<u>\$ 27,096</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

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 City of Stanton's 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. Other City employees do not participate and are not covered by this plan. 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 City Library is required to contribute at an actuarially determined rate; the current rate is 4.79% 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.

Annual Pension Costs – For year ended June 30, 2011, the City's annual pension cost of \$8,463 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, 2008, 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.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

Three year trend information as of June 30, 2011 follows:

Fiscal Year Ended June 30	2011	2010	2009
Annual pension cost	\$ 8,463	\$ 7,537	\$ 6,942
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Funded Status and Funding Progress – As of December 31, 2010, the most recent actuarial valuation date, the plan was 60 percent funded. The actuarial accrued liability for benefits was approximately \$212,000, and the actuarial value of assets was approximately \$126,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$86,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$66,500 and the ratio of the UAAL to the covered payroll was 129 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Deferred Compensation Plan:

The City has a deferred compensation plan that was created in accordance with Internal Revenue Code Section 457. The plan is available to all full-time employees, except library employees who are covered by the MERS defined contribution plan, 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 gross pay. The City will make an additional matching contribution up to two percent (2%) for a maximum of five percent (5%) of gross pay per employee. During the year ended June 30, 2011, the City contributed \$8,041 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, 2011, a liability for accrued sick pay of \$13,169 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.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STANTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenues:				
Property taxes	\$ 321,150	\$ 339,000	\$ 334,718	\$ (4,282)
Licenses and permits	2,100	2,050	9,570	7,520
State grants	134,012	121,800	136,185	14,385
Charges for services	13,390	13,390	15,890	2,500
Fines and forfeits	150	150	104	(46)
Interest and rents	22,724	21,700	18,748	(2,952)
Other revenue	3,150	3,282	10,131	6,849
	<u>496,676</u>	<u>501,372</u>	<u>525,346</u>	<u>23,974</u>
Total revenues				
Expenditures:				
<i>Current:</i>				
General government	121,848	147,550	125,732	(21,818)
Public safety	124,050	125,450	108,735	(16,715)
Public works	115,868	154,825	109,496	(45,329)
Community and economic development	-	2,500	2,500	-
Recreation and culture	5,500	13,100	5,988	(7,112)
Other	125,410	111,140	91,026	(20,114)
Capital outlay	4,000	106,500	22,435	(84,065)
	<u>496,676</u>	<u>661,065</u>	<u>465,912</u>	<u>(195,153)</u>
Total expenditures				
Net change in fund balance	-	(159,693)	59,434	219,127
Fund balance, beginning of year	<u>1,053,397</u>	<u>1,053,397</u>	<u>1,053,397</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,053,397</u>	<u>\$ 893,704</u>	<u>\$ 1,112,831</u>	<u>\$ 219,127</u>

CITY OF STANTON

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues:				
State grants	\$ 55,899	\$ 56,000	\$ 64,730	\$ 8,730
Interest and rents	800	1,000	2,998	1,998
Other revenue	-	3,000	-	(3,000)
Total revenues	<u>56,699</u>	<u>60,000</u>	<u>67,728</u>	<u>7,728</u>
Expenditures:				
<i>Current:</i>				
Public works	<u>66,175</u>	<u>18,225</u>	<u>11,653</u>	<u>(6,572)</u>
Total expenditures	<u>66,175</u>	<u>18,225</u>	<u>11,653</u>	<u>(6,572)</u>
Excess (deficiency) of revenues over expenditures	(9,476)	41,775	56,075	14,300
Other financing sources (uses):				
Transfers in	42,066		-	
Transfers out	<u>(32,590)</u>	<u>(28,000)</u>	<u>(26,459)</u>	<u>(1,541)</u>
Net change in fund balance	-	13,775	29,616	15,841
Fund balance, beginning of year	<u>586,505</u>	<u>586,505</u>	<u>586,505</u>	<u>-</u>
Fund balance, end of year	<u>\$ 577,029</u>	<u>\$ 628,280</u>	<u>\$ 616,121</u>	<u>\$ 15,841</u>

CITY OF STANTON

SPECIAL REVENUE FUND – LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenues:				
State grants	\$ 7,000	\$ 7,000	\$ 5,012	\$ (1,988)
Contributions from other units	191,000	191,000	198,508	7,508
Interest and rents	5,200	5,200	3,140	(2,060)
Other revenue	<u>12,000</u>	<u>12,000</u>	<u>15,257</u>	<u>-</u>
Total revenues	<u>215,200</u>	<u>215,200</u>	<u>221,917</u>	<u>3,460</u>
Expenditures:				
<i>Current:</i>				
Recreation and culture	210,700	210,700	191,782	(18,918)
Capital outlay	<u>4,500</u>	<u>4,500</u>	<u>1,202</u>	<u>(3,298)</u>
Total expenditures	<u>215,200</u>	<u>215,200</u>	<u>192,984</u>	<u>(22,216)</u>
Net change in fund balance	-	-	28,933	25,676
Fund balance, beginning of year	<u>775,090</u>	<u>775,090</u>	<u>775,090</u>	<u>-</u>
Fund balance, end of year	<u>\$ 775,090</u>	<u>\$ 775,090</u>	<u>\$ 804,023</u>	<u>\$ 25,676</u>

CITY OF STANTON

SCHEDULE OF PENSION PLAN FUNDING PROGRESS Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>12/31/10</u>	<u>12/31/09</u>	<u>12/31/08</u>
Actuarial Value of Assets	\$ 126,054	\$ 121,457	\$ 119,389
Actuarial Accrued Liability (AAL)	211,841	204,010	207,588
Unfunded AAL (UAAL)	85,787	82,553	88,199
Funded Ratio	60%	60%	58%
Covered Payroll	66,547	64,698	62,138
UAAL as a percentage of covered payroll	129%	128%	142%

OTHER SUPPLEMENTAL INFORMATION

CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2011

Current Taxes:

Property taxes	\$ 321,238
Trailer tax	192
Penalties and interest on taxes	1,597
Administration fees	<u>11,691</u>
	<u>334,718</u>

Licenses and permits:

Nonbusiness licenses and permits	367
CATV franchise fees	<u>9,203</u>
	<u>9,570</u>

State Grants:

Liquor license fees	1,652
State revenue sharing - sales tax	<u>134,533</u>
	<u>136,185</u>

Charges for services:

Charges to other funds	<u>15,890</u>
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Fines and forfeits:

Ordinance fines	<u>104</u>
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Interest and rents:

Interest	7,228
Rents	<u>11,520</u>
	<u>18,748</u>

Other Revenue:

Refund and rebates	279
Miscellaneous	<u>9,852</u>
	<u>10,131</u>

Total revenues	<u>\$ 525,346</u>
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CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2011

General Government:

Commission:

Personnel	\$ 6,570
Supplies	72
Contracted services	5,763
Printing and publications	1,275
Other	700
	<u>14,380</u>

Clerk/Treasurer:

Personnel	41,467
Supplies	1,389
Other	910
	<u>43,766</u>

Audit:

Contracted services	<u>4,236</u>
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Board of Review:

Personnel	1,015
Other	238
	<u>1,253</u>

Assessor/Equalization Department:

Personnel	8,863
Contracted services	155
Other	1,724
	<u>10,742</u>

Elections:

Supplies	1,353
Contracted services	2,197
Printing and publications	46
	<u>3,596</u>

Building and Grounds:

Personnel	22,896
Supplies	6,655
Telephone	4,205
Printing and publications	317
Utilities	5,234
Repairs and maintenance	1,473
Other	249
	<u>47,759</u>

Total general government	<u>125,732</u>
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CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2011

Public Safety:

Police:

Personnel	79,231
Supplies	7,866
Repairs and maintenance	288
Equipment rental	8,000
	<u>95,385</u>

Fire:

Contracted services	<u>13,350</u>
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Total public safety	<u>108,735</u>
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Public Works:

Department of Public Works:

Personnel	47,029
Supplies	927
Contracted services	6,727
Printing and publications	257
Utilities	172
Repairs and maintenance	17,383
Equipment rental	1,500
Other	65
	<u>74,060</u>

Street Lighting:

Utilities	<u>35,436</u>
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Total public works	<u>109,496</u>
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Community and Economic Development:

Economic development:

Contracted services	<u>2,500</u>
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Total community and economic development	<u>2,500</u>
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Recreation and Culture:

Parks and Recreation Department:

Personnel	1,430
Supplies	2,913
Printing and Publishing	80
Other	1,565
	<u>5,988</u>

Total recreation and culture	<u>5,988</u>
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CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2011

Other:

Insurance and bonds	22,286
Health Insurance	40,766
Employer's share of retirement	8,081
Employer's share of FICA	15,903
Workers compensation insurance	<u>3,990</u>
Total other	<u>91,026</u>

Capital Outlay:

Public works	<u>22,435</u>
Total capital outlay	<u>22,435</u>

Total expenditures	<u><u>\$ 465,912</u></u>
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CITY OF STANTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2011

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Local Street Fund</u>	<u>Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
Assets:				
Cash and cash equivalents	\$ 200,043	\$ 13,672	\$ 52,364	\$ 266,079
Due from other governmental units	5,310	-	-	5,310
Due from other funds	-	-	350	350
Total assets	<u>\$ 205,353</u>	<u>\$ 13,672</u>	<u>\$ 52,714</u>	<u>\$ 271,739</u>
Liabilities and Fund Balances:				
<i>Liabilities:</i>				
Due to other funds	\$ -	\$ 350	\$ -	\$ 350
Total liabilities	<u>-</u>	<u>350</u>	<u>-</u>	<u>350</u>
<i>Fund balances:</i>				
Nonspendable:				
Cemetery perpetual care	-	-	52,714	52,714
Restricted:				
Streets	205,353			205,353
Unrestricted:				
Committed:				
Cemetery Operations	-	13,322	-	13,322
Total fund balances	<u>205,353</u>	<u>13,322</u>	<u>52,714</u>	<u>271,389</u>
Total liabilities and fund balances	<u>\$ 205,353</u>	<u>\$ 13,672</u>	<u>\$ 52,714</u>	<u>\$ 271,739</u>

CITY OF STANTON

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Local Street Fund</u>	<u>Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
Revenues:				
State grants	\$ 37,472	\$ -	\$ -	\$ 37,472
Charges for services	-	4,528	-	4,528
Interest and rents	509	102	644	1,255
Lot sales/Perpetual care	-	1,500	1,200	2,700
Total revenues	<u>37,981</u>	<u>6,130</u>	<u>1,844</u>	<u>45,955</u>
Expenditures:				
<i>Current:</i>				
General government	-	7,422	-	7,422
Public works	11,086	-	-	11,086
Total expenditures	<u>11,086</u>	<u>7,422</u>	<u>-</u>	<u>18,508</u>
Excess (deficiency) of revenues over expenditures	<u>26,895</u>	<u>(1,292)</u>	<u>1,844</u>	<u>27,447</u>
Other financing sources (uses):				
Transfers in	26,459	637	-	27,096
Transfers out	-	-	(637)	(637)
Total other financing sources (uses)	<u>26,459</u>	<u>637</u>	<u>(637)</u>	<u>26,459</u>
Net change in fund balance	53,354	(655)	1,207	53,906
Fund balances, beginning of year	<u>151,999</u>	<u>13,977</u>	<u>51,507</u>	<u>217,483</u>
Fund balances, end of year	<u>\$ 205,353</u>	<u>\$ 13,322</u>	<u>\$ 52,714</u>	<u>\$ 271,389</u>

CITY OF STANTON

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2011

	Payroll Withholding Fund	Tax Fund	Total
Assets			
Cash and cash equivalents	\$ 4,532	\$ 1,753	\$ 6,285
Total assets	<u>4,532</u>	<u>-</u>	<u>6,285</u>
Liabilities			
Accounts payable and accrued expenses	4,532	-	4,532
Due to City	<u>-</u>	<u>1,753</u>	<u>1,753</u>
Total liabilities	<u>4,532</u>	<u>1,753</u>	<u>6,285</u>
Net Assets			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF STANTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2011

1981 WATER SUPPLY REVENUE BONDS

Original amount of issue	\$ 816,000
Less: Principal paid in prior years	(411,000)
Principal paid in current year	<u>(30,000)</u>
Balance payable at June 30, 2011	<u>\$ 375,000</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>	
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%	1,000	1,000	40,000	42,000
		<u>\$ 53,625</u>	<u>\$ 53,625</u>	<u>\$ 375,000</u>	<u>\$ 482,250</u>

BERTHIAUME
& COMPANY

Certified Public Accountants



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REQUIRED COMMUNICATION TO THE CITY OF STANTON IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the City Commission
City of Stanton

We have audited 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 for the year ended June 30, 2011, and have issued our report thereon dated August 15, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 21, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Stanton are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. For this year, a new accounting standard (GASB #54) was implemented. As a result, there is a new / different presentation of fund balances on page 13 of the financial statements and a new, related description of fund equity on page 25. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 15, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Communication of Internal Control Matters Identified in the Audit

In planning and performing our audit of the financial statements of the City of Stanton as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Stanton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality'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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified.

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 combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be a material weakness:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the City has placed reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

Cause: This condition was caused by the City's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the City to perform these tasks internally.

Effect: As a result of this condition, the City lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the City to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of the City Commission and management, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

August 15, 2011