

**CITY OF STRATFORD, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

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**City of Stratford, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Nepereny	Mayor	Jan 2010
Rick Woodard	Mayor Pro Tem	Jan 2012
Aaron Bradley	Council Member	Jan 2012
Mark Doud	Council Member	Jan 2010
Julie Ehresmann	Council Member	Jan 2010
Brian Wilde	Council Member	Jan 2010
Rachel Cahill	Manager/Clerk	Indefinite
Alan C. Schroeder	Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stratford, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Stratford's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stratford as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2009 on our consideration of the City of Stratford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 23 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 Stratford's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

October 15, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Stratford provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

\* Revenues of the City's governmental activities increased 6.18%, or \$30,612 from fiscal 2008 to fiscal 2009. The increase in receipts was primarily the result of inclusion of City Arbor Committee funds into the general fund and grant money received.

\* Disbursements from the City's governmental activities decreased by 9% or \$41,689. This was primarily due to grant monies received but not spent and a fervent effort by city employees to curb spending and to become energy efficient.

\* The City's total cash basis net assets increased 21%, or \$202,103, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased \$117,284 and the assets of the business type activities increased by \$84,819.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### **Basis of Accounting**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two types of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Rescue, Road Use Tax, and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general

government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the electric, water, sewer and garbage funds. Water and electric are considered to be major funds; sewer and garbage are nonmajor funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position.

### Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Receipts and transfers:		
Program Receipts:		
Charges for service	\$ 80,478	\$ 78,468
Operating grants, contributions and restricted interest	92,923	90,599
Capital grants, contributions and restricted interest	---	---
General receipts:		
Property tax	222,279	211,656
Local option sales tax	57,354	53,900
Unrestricted interest on investments	1,868	6,411
Other general receipts	58,043	41,517
Transfers, net	<u>12,718</u>	<u>12,500</u>
Total receipts and transfers	<u>525,663</u>	<u>495,051</u>
Disbursements:		
Public safety	92,343	79,166
Public works	39,470	75,672
Health and social services	3,243	2,702
Culture and recreation	146,713	138,220
Community and economic development	14,184	4,529
General government	62,818	81,081
Debt service	49,608	68,698
Capital projects	<u>-</u>	<u>-</u>
Total disbursements	<u>408,379</u>	<u>450,068</u>
Increase (decrease) in cash basis net assets	117,284	44,983
Cash basis net assets beginning of year	<u>297,076</u>	<u>252,093</u>
Cash basis net assets end of year	<u>\$414,360</u>	<u>\$297,076</u>

The City's total receipts for governmental activities increased by 6.18% or \$30,612. The increase in receipts was primarily the result of inclusion of City Arbor Funds into the general fund and grant money received.

The City's total expenditures for governmental activities decreased by 9% or \$41,689. This was primarily due to grant monies received but not spent and a fervent effort by city employees to curb spending and to become energy efficient.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Receipts:		
Program Receipts:		
Charges for services:		
Water	\$123,035	\$ 92,687
Electric	523,534	525,845
Garbage and Landfill	98,803	78,181
Sewer	79,000	63,997
Miscellaneous	60,530	74,594
Bond Proceeds	89,837	205,578
Loan proceeds	---	---
Total Receipts	<u>974,739</u>	<u>1,040,882</u>
Disbursements and transfers:		
Water	128,529	331,461
Electric	492,230	509,346
Garbage and Landfill	96,334	77,558
Sewer	66,082	52,002
Capital Projects	24,824	---
Debt Service	69,203	(25,600)
Transfers	<u>12,718</u>	<u>12,500</u>
Total disbursements	<u>889,920</u>	<u>957,267</u>
Increase (decrease) in cash balance	84,819	(119,924)
Cash basis net assets beginning of year	<u>635,924</u>	<u>603,509</u>
Cash basis net assets end of year	<u>\$720,743</u>	<u>\$635,924</u>

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The water fund cash balance showed a decrease of \$29,667.36. This was primarily due to increased costs of maintaining outdated water plant equipment, and insufficient revenues for the water note. A water rate increase was effective October, 2008 to continue to create sufficient revenue for the water main revenue note. The city is presently in the process of building a new drinking water plant financed with \$300,000 from CDBG, a third of the project cost up to \$300,000 financed with ARRA funds and the balance financed by revenue bonding. This fund will be monitored closely as the water plant project progresses.

The electric fund cash balance showed an increase of \$120,630. This was primarily due to the fiscal year 2009 receipt of \$54,500 to pay back a fiscal year 2008 loan from the electric fund and a concerted effort towards efficiency in operating costs due to the economy.

The wastewater fund cash balance showed a decrease of \$11,098.89. This was primarily due to increased operating costs due to the economy and \$13,614 for sewer pump repairs. A move toward another rate increase was initiated in June of 2009 to continue to correct the deficit from previous years. This fund is being closely monitored by the City.

The garbage and landfill fund cash balance showed an increase of \$4,956. This was primarily due to an increase in fees collected for a landfill assessment. The City submitted a resolution to the Hamilton County Solid Waste Landfill Commission in June of 2009 to withdraw from the Landfill. Garbage and the relating landfill assessment fees will be taken directly to the Fort Dodge Landfill beginning in Fiscal Year 2011.

## **BUDGETARY HIGHLIGHTS**

The City will continue to monitor the deficit sewer fund and make sure that rates for all the proprietary funds are adequate to cover needed revenue bonds, and expenses. The City will continue to budget for capital projects which include the ongoing drinking water plant project. The need to become cost and energy efficient played a huge role in the FY 09 budget.

## **DEBT ADMINISTRATION**

At June 30, 2009, the City had \$550,000 in bonds and \$89,836 in a State Revolving Fund Planning & Design Loan for the Drinking Water Plant. The SRF P&D Loan is a 3 year zero percent interest no payment loan that becomes payable and starts accruing interest when construction begins. The City of Stratford does not obtain a bond rating because the cost of the analysis would be more than any potential savings in interest relative to the amount of debt carried by the City.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Stratford's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for various City activities. General fund fees were increased in some areas, budgets within the General fund were reviewed extremely closely and had almost no increases, and employee pay rates were frozen due to the unsure economy. The need to become cost and energy efficient will continue to play a huge role in the budget. Another of the major factors taken into account was the increase of water and sewer revenue rates and the need to continue to analyze them frequently to make sure that the rates are adequate to repair deficits and to allow for the building of reserves for maintenance and future improvements. The construction of a new water plant will result in additional revenue bonding which will have a further impact on rates charged for water.

Other factors taken into account when setting the budget included review of valuations and the impact of having a significant number of homes on five year tax abatements through the City's urban renewal plan. The increase in abated tax base is due to the November 2005 tornado. The City's overall levy rate increased from \$15.64336 to \$15.69351 from fiscal 2008 to fiscal 2009.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rachel Cahill, City Manager, 805 Shakespeare Avenue, Stratford, Iowa. Phone number is 515-838-2311. E-mail is [cityofstratford@globalccs.net](mailto:cityofstratford@globalccs.net).

## **Basic Financial Statements**

City of Stratford, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2009

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 92,343	66,755	20,224	-
Public works	39,470	-	61,895	-
Health and social services	3,243	-	-	-
Culture and recreation	146,713	-	-	-
Community and economic development	14,184	13,723	10,804	-
General government	62,818	-	-	-
Debt service	49,608	-	-	-
Total governmental activities	408,379	80,478	92,923	-
Business type activities:				
Water	196,616	123,035	-	-
Electric	492,230	523,534	-	-
Garbage and landfill	96,334	98,803	-	-
Sewer	92,022	79,000	-	-
Total business type activities	877,202	824,372	-	-
Total	\$ 1,285,581	904,850	92,923	-

**General Receipts:**

Property and other city tax levied for:
General purposes
Debt service
Local option sales tax
Unrestricted interest on investments
Bond proceeds
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:
Streets
Debt service
Other purposes
Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(5,364)	-	(5,364)
22,425	-	22,425
(3,243)	-	(3,243)
(146,713)	-	(146,713)
10,343	-	10,343
(62,818)	-	(62,818)
<u>(49,608)</u>	<u>-</u>	<u>(49,608)</u>
<u>(234,978)</u>	<u>-</u>	<u>(234,978)</u>
-	(73,581)	(73,581)
-	31,304	31,304
-	2,469	2,469
<u>-</u>	<u>(13,022)</u>	<u>(13,022)</u>
<u>-</u>	<u>(52,830)</u>	<u>(52,830)</u>
<u>(234,978)</u>	<u>(52,830)</u>	<u>(287,808)</u>
171,879	-	171,879
50,400	-	50,400
57,354	-	57,354
1,868	14,100	15,968
-	89,837	89,837
58,043	46,430	104,473
<u>12,718</u>	<u>(12,718)</u>	<u>-</u>
<u>352,262</u>	<u>137,649</u>	<u>489,911</u>
117,284	84,819	202,103
<u>297,076</u>	<u>635,924</u>	<u>933,000</u>
<u>\$ 414,360</u>	<u>720,743</u>	<u>1,135,103</u>
53,666	-	53,666
1,616	1,835	3,451
298,155	-	298,155
<u>60,923</u>	<u>718,908</u>	<u>779,831</u>
<u>\$ 414,360</u>	<u>720,743</u>	<u>1,135,103</u>

City of Stratford, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2009

Exhibit B

	<u>General</u>	<u>Rescue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Receipts:</b>				
Property tax	\$ 148,228	-	74,051	222,279
Other city tax	-	-	57,354	57,354
Licenses and permits	852	-	-	852
Use of money and property	1,832	1,401	-	3,233
Intergovernmental	25,224	-	70,781	96,005
Charges for service	13,723	65,903	-	79,626
Miscellaneous	39,988	8,600	5,008	53,596
Total receipts	229,847	75,904	207,194	512,945
<b>Disbursements:</b>				
Operating:				
Public safety	35,917	52,555	3,871	92,343
Public works	9,950	-	29,520	39,470
Health and social services	2,813	-	430	3,243
Culture and recreation	128,406	-	18,307	146,713
Community and economic development	14,184	-	-	14,184
General government	57,465	-	5,353	62,818
Debt service	-	-	49,608	49,608
Total disbursements	248,735	52,555	107,089	408,379
Excess (deficiency) of receipts over (under) disbursements	(18,888)	23,349	100,105	104,566
<b>Other financing sources (uses):</b>				
Operating transfers in	31,762	-	25,465	57,227
Operating transfers out	(17,965)	(729)	(25,815)	(44,509)
Total other financing sources (uses)	13,797	(729)	(350)	12,718
Net change in cash balances	(5,091)	22,620	99,755	117,284
Cash balances beginning of year	15,143	85,705	196,228	297,076
Cash balances end of year	\$ 10,052	108,325	295,983	414,360
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	\$ -	-	1,616	1,616
Unreserved:				
General fund	10,052	-	-	10,052
Special revenue funds	-	108,325	243,496	351,821
Capital project funds	-	-	50,871	50,871
Total cash basis fund balances	\$ 10,052	108,325	295,983	414,360

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise Funds				
	Water Utility	Electric Utility	Sewer	Garbage & Landfill	Total
Operating receipts:					
Charges for service	\$ 123,035	523,534	79,000	98,803	824,372
Miscellaneous	<u>11,008</u>	<u>31,012</u>	<u>1,923</u>	<u>2,487</u>	<u>46,430</u>
Total operating receipts	<u>134,043</u>	<u>554,546</u>	<u>80,923</u>	<u>101,290</u>	<u>870,802</u>
Operating disbursements:					
Business type activities	<u>128,529</u>	<u>492,230</u>	<u>66,082</u>	<u>96,334</u>	<u>783,175</u>
Total operating disbursements	<u>128,529</u>	<u>492,230</u>	<u>66,082</u>	<u>96,334</u>	<u>783,175</u>
Excess of operating receipts over operating disbursements	<u>5,514</u>	<u>62,316</u>	<u>14,841</u>	<u>4,956</u>	<u>87,627</u>
Non-operating receipts (disbursements):					
Miscellaneous	68	14,032	-	-	14,100
Bond proceeds	89,837	-	-	-	89,837
Capital projects	(24,824)	-	-	-	(24,824)
Debt service	<u>(43,263)</u>	<u>-</u>	<u>(25,940)</u>	<u>-</u>	<u>(69,203)</u>
Total non-operating receipts (disbursements)	<u>21,818</u>	<u>14,032</u>	<u>(25,940)</u>	<u>-</u>	<u>9,910</u>
Excess (deficiency) of receipts over (under) disbursements	27,332	76,348	(11,099)	4,956	97,537
Operating transfers in (out)	<u>(57,000)</u>	<u>44,282</u>	<u>-</u>	<u>-</u>	<u>(12,718)</u>
Net change in cash balances	(29,668)	120,630	(11,099)	4,956	84,819
Cash balances beginning of year	<u>64,947</u>	<u>612,941</u>	<u>(53,025)</u>	<u>11,061</u>	<u>635,924</u>
Cash balances end of year	<u>\$ 35,279</u>	<u>733,571</u>	<u>(64,124)</u>	<u>16,017</u>	<u>720,743</u>
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	3	-	1,832		1,835
Unreserved	<u>35,276</u>	<u>733,571</u>	<u>(65,956)</u>	<u>16,017</u>	<u>718,908</u>
Total cash basis fund balances	<u>\$ 35,279</u>	<u>733,571</u>	<u>(64,124)</u>	<u>16,017</u>	<u>720,743</u>

See notes to financial statements.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

The City of Stratford is a political subdivision of the State of Iowa located in Hamilton and Webster counties. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric and garbage utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board: Hamilton County Joint E911 Service Board.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

B. Basis of Presentation

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

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

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

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

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

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

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

The City reports the following major governmental funds:

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

Special Revenue:

The Rescue Fund accounts for the operation and maintenance of the City's ambulance service.

The City reports the following major proprietary funds:

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

The Water Fund accounts for the operation and maintenance of the City's water operations.

The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

The Garbage & Landfill Fund accounts for the operation and maintenance of the City's garbage services.

C. Measurement Focus and Basis of Accounting

The City of Stratford maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash**

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

There were no investments at June 30, 2009. During the year, the City invested its excess funds in certificates of deposit and money market savings accounts.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	40,000	8,327	53,000	14,990
2011	40,000	6,948	55,000	12,849
2012	45,000	5,467	57,000	10,629
2013	45,000	3,713	32,000	8,330
2014	45,000	1,890	33,000	6,762
2015-2017	-	-	105,000	10,388
Total	\$ 215,000	26,345	335,000	63,948
	=====	=====	=====	=====

Year Ending June 30,	Total	
	Principal	Interest
2010	93,000	23,317
2011	95,000	19,797
2012	102,000	16,096
2013	77,000	12,043
2014	78,000	8,652
2015-2017	105,000	10,388
Total	\$ 550,000	90,293
	=====	=====

Revenue Bonds

The city has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$350,000 in sewer revenue bonds issued in June 1992. Proceeds from the notes provided financing for capital improvements to the sewer system. The

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

notes are payable solely from sewer customer net receipts and are payable through 2012. The total principal and interest remaining to be paid on the bonds is \$79,560. For the current year, principal and interest paid and total customer net receipts were \$25,940 and \$66,082, respectively.

The city has pledged future water customer receipts, net of specified operating disbursements, to repay \$315,000 in water revenue bonds issued in October 2007. Proceeds from the notes provided financing for the construction of improvements to the water system. The notes are payable solely from water customer net receipts and are payable through 2017. The total principal and interest remaining to be paid on the bonds is \$319,388. For the current year, principal and interest paid and total customer net receipts were \$43,263 and \$5,514.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (A) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made to a separate water and sewer revenue sinking fund accounts for the purpose of making the bond principal and interest payments when due.
- (C) A sewer revenue bond reserve account is to be established and the amount to remain deposited in this account until the series 1991 bonds have been paid in full, shall be equal to the lesser of (1) the maximum amount of principal and interest becoming due on the series 1991 bonds in any succeeding fiscal year or (2) 10 percent of the principal amount of the series 1991 bonds then outstanding.
- (D) A water revenue bond reserve account is to be established and the amount to remain deposited in this account until the series 2007 bonds have been paid in full, shall be equal to one-sixth (1/6) of the interest payment amount due on the next succeeding interest payment date plus a sum equal to one-twelfth (1/12) of the principal installment amount due on the next succeeding principal due date.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$11,218, \$10,093, and \$9,300, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours accumulate and are paid only when used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,900
	=====

This liability has been computed based on rates of pay in effect at June 30, 2009.

**(6) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Stratford, Iowa  
Notes to Financial Statements  
June 30, 2009

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Library Trust	\$ 13,450
	Emergency	4,729
	TIF	881
	Capital Projects:	
	Capital Improvement	7,484
	Enterprise:	
	Electric	5,218
Debt Service	General	7,928
Capital Projects:		
Capital Improvement	General	10,038
	Enterprise:	
	Water	2,500
	Electric	5,000
Enterprise:	Enterprise:	
Electric	Water	<u>54,500</u>
Total		\$ 111,728 =====

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

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2009

**(8) Deficit Fund Balances**

The Enterprise Fund, Sewer Utility Account had a deficit balance of \$64,124 at June 30, 2009. The City had a rate study and increased rates effective November 2007. This rate increase should eventually return this account to a positive financial position.

**(9) Construction Commitment**

The City of Stratford has committed to a water improvement project for approximately \$1,140,000. As of June 30, 2009 \$280,000 has been paid towards this project. This project will be financed with the issuance of revenue bonds, a community development block grant and an increase in water rates.

**(10) Interim Financing**

The City of Stratford has authorized an interim financing loan for up to \$150,000 to finance the planning and design of their water improvement project. This interim loan has a zero percent interest rate and the outstanding balance at June 30, 2009 is \$89,837. The City has three years to pay back this interim loan or incorporate it with the project note.

## **Required Supplementary Information**

City of Stratford, Iowa

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 222,279	-
Other city tax	57,354	-
Licenses and permits	852	-
Use of money and property	3,233	-
Intergovernmental	96,005	-
Charges for service	79,626	824,372
Miscellaneous	53,596	60,530
Total receipts	<u>512,945</u>	<u>884,902</u>
Disbursements:		
Public safety	92,343	-
Public works	39,470	-
Health and social services	3,243	-
Culture and recreation	146,713	-
Community and economic development	14,184	-
General government	62,818	-
Debt service	49,608	-
Capital projects	-	-
Business type activities	-	877,202
Total disbursements	<u>408,379</u>	<u>877,202</u>
Excess (deficiency) of receipts over (under) disbursements	104,566	7,700
Other financing sources, net	<u>12,718</u>	<u>77,119</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	117,284	84,819
Balances beginning of year	<u>297,076</u>	<u>635,924</u>
Balances end of year	<u>\$ 414,360</u>	<u>720,743</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Original</u>	<u>Final</u>	Final to Net <u>Variance</u>
222,279	218,923	218,923	3,356
57,354	51,704	51,704	5,650
852	890	990	(138)
3,233	5,200	16,810	(13,577)
96,005	90,042	90,042	5,963
903,998	1,033,156	970,606	(66,608)
114,126	12,983	74,115	40,011
<u>1,397,847</u>	<u>1,412,898</u>	<u>1,423,190</u>	<u>(25,343)</u>
92,343	67,894	104,457	12,114
39,470	43,807	60,177	20,707
3,243	5,365	5,365	2,122
146,713	119,692	162,369	15,656
14,184	4,776	14,300	116
62,818	89,896	98,024	35,206
49,608	49,608	49,608	-
-	90,500	7,557	7,557
<u>877,202</u>	<u>858,077</u>	<u>953,577</u>	<u>76,375</u>
<u>1,285,581</u>	<u>1,329,615</u>	<u>1,455,434</u>	<u>162,296</u>
112,266	83,283	(32,244)	136,953
<u>89,837</u>	<u>-</u>	<u>101,355</u>	<u>(11,518)</u>
202,103	83,283	69,111	125,435
-	-	-	-
<u>933,000</u>	<u>828,480</u>	<u>828,480</u>	<u>104,520</u>
<u><u>1,135,103</u></u>	<u><u>911,763</u></u>	<u><u>897,591</u></u>	<u><u>229,955</u></u>

City of Stratford, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2009, one budget amendment increased budgeted disbursements by \$125,819, budgeted receipts by \$10,292, and other financing sources by \$101,355.

## **Other Supplementary Information**

City of Stratford, Iowa

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Special			
	Road <u>Use</u>	Trust & <u>Agency</u>	<u>Emergency</u>	LOST <u>Streets</u>
Receipts:				
Property tax	\$ -	19,842	3,809	-
Tax increment financing	-	-	-	-
Other city tax	-	-	-	28,677
Use of money and property	-	-	-	-
Intergovernmental	61,895	-	-	-
Charges for service	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>61,895</u>	<u>19,842</u>	<u>3,809</u>	<u>28,677</u>
Disbursements:				
Operating:				
Public safety	-	3,871	-	-
Public works	27,494	2,026	-	-
Health and social services	-	430	-	-
Culture and recreation	-	14,117	-	-
General government	-	5,353	-	-
Debt service	-	-	-	-
Total disbursements	<u>27,494</u>	<u>25,797</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>34,401</u>	<u>(5,955)</u>	<u>3,809</u>	<u>28,677</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	(4,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>
Net change in cash balances	34,401	(5,955)	(191)	28,677
Cash balances beginning of year	19,265	9,198	317	57,349
Cash balances end of year	<u>\$ 53,666</u>	<u>3,243</u>	<u>126</u>	<u>86,026</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
Special revenue funds	53,666	3,243	126	86,026
Capital project funds	-	-	-	-
Total cash basis fund balances	<u>\$ 53,666</u>	<u>3,243</u>	<u>126</u>	<u>86,026</u>

See accompanying independent auditor's report.

Revenue						
<u>LOST Pool</u>	<u>Library Trust</u>	<u>Community Disaster</u>	<u>TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
-	-	-	-	50,400	-	74,051
-	-	-	-	-	-	-
28,677	-	-	-	-	-	57,354
-	-	-	-	-	-	-
-	3,082	5,804	-	-	-	70,781
-	-	-	-	-	-	-
-	5,008	-	-	-	-	5,008
<u>28,677</u>	<u>8,090</u>	<u>5,804</u>	<u>-</u>	<u>50,400</u>	<u>-</u>	<u>207,194</u>
-	-	-	-	-	-	3,871
-	-	-	-	-	-	29,520
-	-	-	-	-	-	430
4,190	-	-	-	-	-	18,307
-	-	-	-	-	-	5,353
-	-	-	-	49,608	-	49,608
<u>4,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,608</u>	<u>-</u>	<u>107,089</u>
<u>24,487</u>	<u>8,090</u>	<u>5,804</u>	<u>-</u>	<u>792</u>	<u>-</u>	<u>100,105</u>
-	-	-	-	7,927	17,538	25,465
-	(13,450)	-	(881)	-	(7,484)	(25,815)
-	(13,450)	-	(881)	7,927	10,054	(350)
24,487	(5,360)	5,804	(881)	8,719	10,054	99,755
57,359	18,145	-	881	(7,103)	40,817	196,228
<u>81,846</u>	<u>12,785</u>	<u>5,804</u>	<u>-</u>	<u>1,616</u>	<u>50,871</u>	<u>295,983</u>
-	-	-	-	1,616	-	1,616
81,846	12,785	5,804	-	-	-	243,496
-	-	-	-	-	50,871	50,871
<u>81,846</u>	<u>12,785</u>	<u>5,804</u>	<u>-</u>	<u>1,616</u>	<u>50,871</u>	<u>295,983</u>

City of Stratford, Iowa  
 Schedule of Indebtedness  
 Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Swimming pool	May 1, 2004	1.75-4.20 %	\$ 400,000
Total			
Revenue bonds:			
Sewer	Jun 1, 1992	4.90 %	\$ 350,000
Water	Oct 24, 2007	3.00 %	\$ 315,000
Total			

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
255,000	-	40,000	215,000	9,608	-
<u>\$ 255,000</u>	<u>-</u>	<u>40,000</u>	<u>215,000</u>	<u>9,608</u>	<u>-</u>
\$ 98,000	-	23,000	75,000	2,940	-
<u>288,000</u>	<u>-</u>	<u>28,000</u>	<u>260,000</u>	<u>15,114</u>	<u>-</u>
<u>\$ 386,000</u>	<u>-</u>	<u>51,000</u>	<u>335,000</u>	<u>18,054</u>	<u>-</u>

Bond and Note Maturities

June 30, 2009

Year Ending <u>June 30,</u>	Revenue Bonds					
	Sewer			Water		
	Issued June 1, 1992			Issued October 24, 2007		
	Interest		Interest			
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>	
2010	4.90 %	24,000	3.00 %	29,000	53,000	
2011	4.90	25,000	3.00	30,000	55,000	
2012	4.90	26,000	3.00	31,000	57,000	
2013		-	3.00	32,000	32,000	
2014		-	3.00	33,000	33,000	
2015		-	3.00	34,000	34,000	
2016		-	3.00	35,000	35,000	
2017		-	3.00	36,000	36,000	
Total		<u>\$ 75,000</u>		<u>\$ 260,000</u>	<u>335,000</u>	

(continued)

Bond and Note Maturities

June 30, 2009

Year Ending <u>June 30,</u>	<u>General Obligation Notes</u>	
	<u>Swimming Pool</u>	
	<u>Issued May 1, 2004</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2010	3.45 %	40,000
2011	3.70	40,000
2012	3.90	45,000
2013	4.05	45,000
2014	4.20	<u>45,000</u>
Total		<u>\$ 215,000</u>

See accompanying independent auditor's report.

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Five Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:					
Property tax	\$222,279	\$191,707	195,734	169,558	180,707
Tax increment financing collections	-	19,949	30,369	56,344	30,156
Other city tax	57,354	53,900	60,808	50,711	49,108
Licenses and permits	852	1,356	1,137	980	1,135
Use of money and property	3,233	6,741	14,477	37,814	19,149
Intergovernmental	96,005	93,699	107,879	86,766	99,355
Charges for service	79,626	77,112	216,285	15,144	13,839
Miscellaneous	<u>53,596</u>	<u>38,087</u>	<u>53,996</u>	<u>17,729</u>	<u>6,653</u>
 Total	 <u>\$512,945</u>	 <u>\$482,551</u>	 <u>680,685</u>	 <u>435,046</u>	 <u>400,102</u>
Disbursements:					
Operating:					
Public safety	\$ 92,343	\$ 79,166	201,417	80,342	76,195
Public works	39,470	75,672	26,480	77,875	69,353
Health and social services	3,243	2,702	6,793	1,110	3,324
Culture and recreation	146,713	138,220	135,208	102,864	71,218
Community and economic development	14,184	4,529	750	52,469	1,175
General government	62,818	81,081	71,292	109,257	93,911
Debt service	49,608	68,698	166,923	143,357	77,247
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,233</u>	<u>435,196</u>
 Total	 <u>\$408,379</u>	 <u>\$450,068</u>	 <u>608,863</u>	 <u>640,507</u>	 <u>827,619</u>

See accompanying independent auditor's report.

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

To the Honorable Mayor and  
Members of the City Council:

We have audited 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 Stratford, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 15, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Stratford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Stratford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Stratford's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Stratford's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Stratford's financial statements that is more than inconsequential will not be prevented or detected by the City of Stratford's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Stratford's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Stratford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Stratford's responses and, accordingly, we express no opinion on them.

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

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

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

October 15, 2009

City of Stratford, Iowa

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-09 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. We noted that one employee handles almost all of the financial duties, including reconciling accounts and recording financial data.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

I-B-09 Preparation of Financial Statements, Including Disclosures to Financial Statements  
- As is common with an entity of this size, the City has engaged the auditing firm to prepare the financial statements, including disclosures. The Auditing Standards Board requires us to notify you this is considered a significant deficiency.

Recommendation - The City's personnel should continue to review the preliminary draft of the audit report before issuance.

Response - We will continue to do this.

Conclusion - Response accepted.

City of Stratford, Iowa

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- II-B-09 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-09 Business Transactions – Business transactions between the City and City officials are detailed as follows:
- The City of Stratford purchases its commercial insurance from EMC Insurance of which Rick Woodard, council member, is the agent. Total premiums paid for this coverage was \$37,715 for the year ended June 30, 2009. This does not appear to be a conflict of interest as insurance is a service and falls outside the items that are normally bid on.
- Brian Wilde, council member, owns Wilde Repair. The City of Stratford spent \$698 with Wilde Repair for maintenance during the fiscal year ended June 30, 2009. This does not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.
- II-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Stratford, Iowa

Schedule of Findings

Year ended June 30, 2009

II-H-09 Revenue Bonds – The City had a deficit unreserved balance in the Sewer Utility Account at June 30, 2009.

Recommendation – City officials should monitor this account closely to return it to a positive balance. City officials should also consult with the City attorney to see if this deficit balance is a violation of the bond resolution.

Response – We have reviewed the situation and raised our sewer rates effective November 2007. We are confident this will resolve the problem.

Conclusion – Response accepted.