

CITY OF STRATFORD, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-9
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	13
Notes to Financial Statements		14-25
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	29-30
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	31
Schedule of Indebtedness	3	32-33
Bond and Note Maturities	4	34-35
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	36-37
Schedule of Expenditures of Federal Awards	6	38

Table of Contents (continued)

	<u>Page</u>
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 <u>Government Auditing Standards</u>	39-41
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133	42-43
Schedule of Findings and Questioned Costs	44-48

City of Stratford, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Nepereny	Mayor	Jan 2014
Rick Woodard	Mayor Pro Tem	Jan 2012
Aaron Bradley	Council Member	Jan 2012
Amber Shroyer	Council Member	Jan 2014
Julie Ehresmann	Council Member	Jan 2014
Brian Wilde	Council Member	Jan 2014
Rachel Cahill	Manager/Clerk	Indefinite
Alan C. Schroeder	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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, 2011, 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, 2011, 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 21, 2011 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 on 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 26 through 28 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 six years ended June 30, 2010 (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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

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

October 21, 2011

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, 2011. Readers are encouraged to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

* Revenues of the City's governmental activities increased 3.24%, or \$17,257, from fiscal 2010 to fiscal 2011. Property tax and charges for services receipts decreased, but were offset by donations and grants for park bathhouse renovation, Build with Bags, plus receipts for CDBG housing rehabilitation and downtown revitalization projects.

* Disbursements from the City's governmental activities increased by 15% or \$71,210. The disbursements for general government, culture and recreation purposes increased by a total of 14.65%, or \$27,045, primarily due to monies paid from Local Option Sales & Service Tax funds for pool pump house renovations and painting; plus expenses for the CDBG housing rehabilitation and downtown revitalization projects. The Community and Economic Development function was over budget due to a function correction of the Housing Rehabilitation and Downtown Revitalization project budgets which were previously in Capital Projects. This situation also occurred for the Water Plant project. The Water Plant project was fully budgeted under Capital Projects; however, it should have been under Business type activities. Because of this oversight, the Business type activities are over budget. The city's overall budget did allow for all the projects.

* The City's total cash basis net assets increased 2.6%, or \$33,967, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$6,153 and the assets of the business type activities increased by \$27,814.

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 and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, Local Option Sales & Service Tax, Library Trust, Employee Benefit, 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 non major 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,	
	2010	2011
Receipts and transfers:		
Program Receipts:		
Charges for service	\$ 76,427	\$ 89,530
Operating grants, contributions and restricted interest	110,623	130,752
Capital grants, contributions and restricted interest	---	---
General receipts:		
Property tax	219,740	213,856
Local option sales tax	54,434	54,118
Unrestricted interest on investments	1,971	1,151
Other general receipts	59,336	33,833
Transfers, net	<u>10,385</u>	<u>26,933</u>
Total receipts and transfers	<u>532,916</u>	<u>550,173</u>
Disbursements:		
Public safety	98,896	104,616
Public works	126,917	158,328
Health and social services	5,647	3,640
Culture and recreation	130,831	159,818
Community and economic development	8,525	18,945
General government	53,667	51,725

Debt service	48,327	46,948
Capital projects	-	-
Total disbursements	<u>472,810</u>	<u>544,020</u>
Increase (decrease) in cash basis net assets	60,106	6,153
Cash basis net assets beginning of year	<u>414,360</u>	<u>474,466</u>
Cash basis net assets end of year	<u>\$ 474,466</u>	<u>\$ 480,619</u>

The City's total receipts for governmental activities increased by 3.24% or \$17,257. The increase in receipts was primarily the result of grant funding received from Build with Bags, Fire Forestry and Trees Forever grants, local donations and grants received for park bathhouse renovations; plus receipts for CDBG housing rehabilitation and downtown revitalization projects.

The City's total expenditures for governmental activities increased by 15% or \$71,210. This is primarily due to monies paid from Local Option Sales & Service Tax funds for asphaltting and for pool pump house renovations and painting; plus expenses for the CDBG housing rehabilitation and downtown revitalization projects.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2010	2011
Receipts:		
Program Receipts:		
Charges for services:		
Water	\$137,668	\$173,988
Electric	591,106	626,277
Garbage and Landfill	104,768	105,429
Sewer	91,049	97,326
Miscellaneous	79,616	358,524
Bond Proceeds	<u>88,035</u>	<u>512,458</u>
Total Receipts	<u>1,092,242</u>	<u>1,874,002</u>
Disbursements and transfers:		
Water	282,386	95,973
Electric	503,133	586,942
Garbage and Landfill	100,822	101,436
Sewer	88,913	57,922
Capital Projects	54,740	888,134
Debt Service	142,971	88,848
Transfers	<u>10,385</u>	<u>26,933</u>
Total disbursements	<u>1,183,350</u>	<u>1,846,188</u>
Increase (decrease) in cash balance	106,603	27,814
Cash basis net assets beginning of year	<u>720,743</u>	<u>827,346</u>
Cash basis net assets end of year	<u>\$ 827,346</u>	<u>\$ 855,160</u>

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The water fund cash balance showed an increase of \$27,712. This increase includes funding that will be used towards payments on the bonding for the drinking water treatment plant. The City has a new fully functional water plant that was financed at the end of Fiscal Year 2011 with a Community Development Block Grant of \$280,761, and \$308,000 financed with American Recovery and Reinvestment Act (ARRA) funds (Forgivable through SRF) and the balance of \$370,000 with revenue bonding financed through a State Revolving Loan Fund. The plant was operational in December of 2010. CDBG and the State Revolving Loan Fund are not finalized because the contractor has not completed the punch list. The city retained over \$500 in CDBG funds at the end of FY 2011. City returned \$20,121 in CDBG funding, in August, 2011, to IDED; to be re-requested when punch list is completed. The water fund will be monitored closely as the water plant project is finalized.

The electric fund cash balance showed an increase of \$41,852. This net change is largely due to strong efforts towards efficiency in operating costs which will need to continue since in June of 2010, Midland Power Cooperative informed the City of previous years billing errors; as a result the next fiscal year will reflect correct and increased billings to the City. Citizens were correctly billed by the City, Midland Power Cooperative overall under billed the City, but forgave the under billing. City is currently undergoing an in-depth rate analysis of the electric rates.

The wastewater fund cash balance showed a decrease of \$50,430. A monthly fee of \$4.00 per service aimed at reducing the wastewater fund negative balance was initiated in August of 2010 but the fund balance reflects a \$50,430 increase in the negative balance. There were two big reasons that this increase to the negative fund balance is showing: 1. there was \$42,965 in expenses that were all approved pre-application costs that will be recouped from the FEMA Hazard Mitigation grant that has been applied for which is to address sanitary sewer inflow and infiltration problems; and 2. the lift station that sits on Teneyck Avenue by the Care Center required renovation that cost \$52,371. Considering that these two items total \$90,336, the monthly fee for reducing service debt did do its job. This fund is closely monitored by the City.

The garbage and landfill fund cash balance showed an increase of \$8,680. This was primarily due to the fees collected for a landfill assessment. The City withdrew from the Hamilton County Solid Waste Commission (HCSWC) June 30, 2010. Garbage and the relating landfill assessment fees were taken directly to the Fort Dodge Landfill beginning in Fiscal Year 2011. Landfill assessment may be expected to increase since the Fort Dodge Landfill may have to put in a plastic liner. In Fiscal Year 2012, City Council is working towards the appropriation of the 4.95% of the pro-rata funds that are currently held in the HCSWC accounts.

BUDGETARY HIGHLIGHTS

The City will keep on monitoring all funds, particularly 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; however more closely analyzing what is a capital project and what is not; working with the auditor to assist in determining where programs should be budgeted.

Close fund monitoring of Federal Grant funds includes the finalization of the Drinking Water Plant project, the Housing Rehabilitation project, the Downtown Revitalization project and the Energy Efficiency Community Block Grant project. Since the City received over \$500,000 in federal funds in Fiscal Year 2011, a federally required Single Audit (A-133) has been completed.

A budgetary “lowlight” is the function misplacement of the Water Plant, Downtown Revitalization and Housing Rehabilitation projects. This has been corrected for the future.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$965,000 in outstanding debt; which includes \$135,000 in General Obligation bonds; \$26,000 in Sewer revenue bonds; \$126,000 in Water Infrastructure Project revenue bonds; and \$678,000 in estimated bonding towards the Drinking Water Treatment Plant project. The Water Plant Debt of \$678,000 includes \$308,000 in forgivable debt and \$370,000 in non-forgivable debt. *So, in reality, total outstanding debt is \$657,000.* Construction is done on the new water plant, but there a couple of items on the punch list so the Community Development Block Grant and State Revolving Fund revenue totals are not finalized.

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 2012 budget which includes the tax rates and fees that will be charged for various City activities. General fund fees remained the same; budgets within the General fund were reviewed extremely closely and had very few increases due to the economy and the likelihood of property tax decreases.

Council understands the need to continue to have segregated duties to prevent loss from employee error and maximize accuracy of City’s financial statements with the necessity of striving to be cost and energy efficient ever present.

Another factor taken into account was the need to take care of the fund deficits and the necessity to continue to analyze all utility funds frequently to make sure that the rates are adequate to repair deficits, pay for expenses and to allow for the building of reserves for maintenance and future improvements.

The City’s overall levy rate increased from \$16.52469 to \$16.88576 from fiscal 2011 to fiscal 2012.

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 50249-0218. Phone number is 515-838-2311. E-mail is 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, 2011

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 104,616	73,268	24,998	-
Public works	158,328	-	71,776	-
Health and social services	3,640	-	-	-
Culture and recreation	159,818	-	-	-
Community and economic development	18,945	13,753	8,159	9,478
General government	51,725	-	-	-
Debt service	46,948	-	-	-
Total governmental activities	544,020	87,021	104,933	9,478
Business type activities:				
Water	951,839	173,988	-	280,761
Electric	586,942	626,277	-	-
Garbage and landfill	101,436	105,429	-	-
Sewer	179,038	97,326	-	-
Total business type activities	1,819,255	1,003,020	-	280,761
Total	\$ 2,363,275	1,090,041	104,933	290,239

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:
Expendable:
Debt service
Streets
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
(6,350)	-	(6,350)
(86,552)	-	(86,552)
(3,640)	-	(3,640)
(159,818)	-	(159,818)
12,445	-	12,445
(51,725)	-	(51,725)
<u>(46,948)</u>	<u>-</u>	<u>(46,948)</u>
<u>(342,588)</u>	<u>-</u>	<u>(342,588)</u>
-	(497,090)	(497,090)
-	39,335	39,335
-	3,993	3,993
<u>-</u>	<u>(81,712)</u>	<u>(81,712)</u>
<u>-</u>	<u>(535,474)</u>	<u>(535,474)</u>
<u>(342,588)</u>	<u>(535,474)</u>	<u>(878,062)</u>
166,705	-	166,705
47,151	-	47,151
54,118	-	54,118
1,250	5,554	6,804
-	512,458	512,458
52,584	72,209	124,793
<u>26,933</u>	<u>(26,933)</u>	<u>-</u>
<u>348,741</u>	<u>563,288</u>	<u>912,029</u>
6,153	27,814	33,967
<u>474,466</u>	<u>827,346</u>	<u>1,301,812</u>
<u>\$ 480,619</u>	<u>855,160</u>	<u>1,335,779</u>
\$ 1,769	21,678	23,447
87,360	-	87,360
363,453	-	363,453
<u>28,037</u>	<u>833,482</u>	<u>861,519</u>
<u>\$ 480,619</u>	<u>855,160</u>	<u>1,335,779</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, 2011

Exhibit B

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 137,145	76,711	213,856
Other city tax	-	54,118	54,118
Licenses and permits	1,151	-	1,151
Use of money and property	1,122	1,058	2,180
Intergovernmental	34,598	96,154	130,752
Charges for service	17,413	72,117	89,530
Miscellaneous	29,097	2,556	31,653
Total receipts	220,526	302,714	523,240
Disbursements:			
Operating:			
Public safety	33,171	71,445	104,616
Public works	18,478	139,850	158,328
Health and social services	2,754	886	3,640
Culture and recreation	95,780	64,038	159,818
Community and economic development	5,828	13,117	18,945
General government	45,086	6,639	51,725
Debt service	-	46,948	46,948
Total disbursements	201,097	342,923	544,020
Excess (deficiency) of receipts over (under) disbursements	19,429	(40,209)	(20,780)
Other financing sources (uses):			
Operating transfers in	13,848	34,237	48,085
Operating transfers out	(17,515)	(3,637)	(21,152)
Total other financing sources (uses)	(3,667)	30,600	26,933
Net change in cash balances	15,762	(9,609)	6,153
Cash balances beginning of year	12,275	462,191	474,466
Cash balances end of year	\$ 28,037	452,582	480,619
Cash Basis Fund Balances			
Restricted:			
Debt service	\$ -	1,769	1,769
Streets	-	87,360	87,360
Other purposes	-	363,453	363,453
Unassigned	28,037	-	28,037
Total cash basis fund balances	\$ 28,037	452,582	480,619

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, 2011

	Enterprise Funds			
	Water Utility	Electric Utility	Nonmajor- Funds	Total
Operating receipts:				
Charges for service	\$ 173,988	626,277	202,755	1,003,020
Miscellaneous	<u>14,844</u>	<u>50,082</u>	<u>7,283</u>	<u>72,209</u>
Total operating receipts	<u>188,832</u>	<u>676,359</u>	<u>210,038</u>	<u>1,075,229</u>
Operating disbursements:				
Business type activities	<u>95,973</u>	<u>586,942</u>	<u>159,358</u>	<u>842,273</u>
Total operating disbursements	<u>95,973</u>	<u>586,942</u>	<u>159,358</u>	<u>842,273</u>
Excess of operating receipts over operating disbursements	<u>92,859</u>	<u>89,417</u>	<u>50,680</u>	<u>232,956</u>
Non-operating receipts (disbursements):				
Miscellaneous	280,761	5,554	-	286,315
Bond proceeds	512,458	-	-	512,458
Capital projects	(793,548)	-	(94,586)	(888,134)
Debt service	<u>(62,318)</u>	<u>-</u>	<u>(26,530)</u>	<u>(88,848)</u>
Total non-operating receipts (disbursements)	<u>(62,647)</u>	<u>5,554</u>	<u>(121,116)</u>	<u>(178,209)</u>
Excess (deficiency) of receipts over (under) disbursements	30,212	94,971	(70,436)	54,747
Operating transfers in (out)	<u>(2,500)</u>	<u>(53,119)</u>	<u>28,686</u>	<u>(26,933)</u>
Net change in cash balances	27,712	41,852	(41,750)	27,814
Cash balances beginning of year	<u>62,768</u>	<u>801,646</u>	<u>(37,068)</u>	<u>827,346</u>
Cash balances end of year	<u>\$ 90,480</u>	<u>843,498</u>	<u>(78,818)</u>	<u>855,160</u>
Cash Basis Fund Balances				
Restricted for debt service	5,822	-	15,856	21,678
Unrestricted	<u>84,658</u>	<u>843,498</u>	<u>(94,674)</u>	<u>833,482</u>
Total cash basis fund balances	<u>\$ 90,480</u>	<u>843,498</u>	<u>(78,818)</u>	<u>855,160</u>

See notes to financial statements.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

(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, 2011

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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable 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 categories. 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.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

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.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

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

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, 2011

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.

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

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

D. Governmental Cash Basis Fund Balances:

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

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

Unassigned – All amounts not included in other spendable classifications.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

E. 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, 2011 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.

The city had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$100,093 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – The city's investment in the Iowa Public Agency Investment Trust in unrated.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

(3) Bonds and Notes Payable

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

(including the forgivable loan)

Year Ending <u>June 30,</u>	General Obligation Notes		Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 45,000	5,467	85,000	18,054
2013	45,000	3,713	59,000	15,245
2014	45,000	1,890	62,000	13,137
2015	-	-	59,000	10,950
2016	-	-	31,000	8,910
2017-2021	-	-	165,000	35,160
2022-2026	-	-	195,000	17,700
2027-2028	-	-	<u>174,000</u>	<u>1,440</u>
Total	\$ 135,000	11,070	830,000	120,596
	=====	=====	=====	=====

Year Ending <u>June 30,</u>	Total	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 130,000	23,521
2013	104,000	18,958
2014	107,000	15,027
2015	59,000	10,950
2016	31,000	8,910
2017-2021	165,000	35,160
2022-2026	195,000	17,700
2027-2028	<u>174,000</u>	<u>1,440</u>
Total	\$ 965,000	131,666
	=====	=====

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

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 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 \$26,780. For the current year, principal and interest paid and total customer net receipts were \$26,530 and \$42,000, 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 2015. The total principal and interest remaining to be paid on the bonds is \$141,386. For the current year, principal and interest paid and total customer net receipts were \$37,628 and \$92,859.

The City also has pledged future water customer receipts, net of specified operating disbursements, to repay \$700,000 in water revenue bonds issued in February 2010. Proceeds from the notes provided financing for the construction of a new water plant. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$474,430 with future draws of \$5,000 to be taken in the next fiscal year. For the current year, principal and interest paid and total customer net receipts were \$24,690 and \$92,859.

Three hundred eight thousand of the total \$700,000 water revenue note is a forgivable loan. The \$308,000 is forgivable provided the City of Stratford completes the project in accordance with the note agreement. Not only is the principal forgiven, but the interest, servicing fee and initiation fees are also forgiven. As of the audit report date the City has not received written notification that this note has been forgiven. City officials anticipate this note will be forgiven by June 30, 2012.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

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.
- (e) The Water Revenue Fund must produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond issued in February 2010 due in any one year.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

(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 4.50% of their annual salary and the City is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$12,169, \$11,611, and \$11,218, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are four active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with TrueNorth. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The city currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$577 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$30,259 and plan members eligible for benefits contributed \$0 to the plan.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2011

(6) 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, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,200
	=====

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Risk Management

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

City of Stratford, Iowa
Notes to Financial Statements
June 30, 2011

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Emergency	\$ 3,637
	Enterprise: Electric	10,211
2010 Housing Rehab	Enterprise: Electric	5,222
2010 Downtown Facade	Enterprise: Electric	4,000
Library Trust	General	290
Capital Projects: Capital Improvement	General	17,225
	Enterprise: Water	2,500
	Electric	5,000
Sewer	Enterprise: Electric	<u>28,686</u>
Total		\$ 76,771 =====

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, 2011

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$45,632 during the year ended June 30, 2011.

(10) Deficit Fund Balances

The Enterprise Fund, Sewer Utility Account had a deficit balance of \$110,113 at June 30, 2011. The City had a rate study and increased rates effective August 2010. The City has also received a grant for \$43,000 to reimburse the Sewer Utility account for its hazard mitigation program. This rate increase should eventually return this account to a positive financial position.

(11) Commitments

The City of Stratford has committed to a water improvement project for approximately \$850,000. As of June 30, 2011, this project has been completed but final payment of roughly \$40,000 has not been made pending final approval of the project.

(12) Subsequent Events

The City has evaluated subsequent events through October 21, 2011, the date the financial statements were available to be issued. The City of Stratford has been approved for \$736,000 of federal grants that have not yet been expended or received.

(13) Contingency

The City of Stratford withdrew from the Hamilton County Solid Waste Commission during the year ended June 30, 2011. The City would still be liable for their share of the post closure costs, which as of June 30, 2010 was estimated to be approximately 2,300.

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 213,856	-
Other city tax	54,118	-
Licenses and permits	1,151	-
Use of money and property	2,180	-
Intergovernmental	130,752	-
Charges for service	89,530	1,003,020
Miscellaneous	31,653	358,524
Total receipts	<u>523,240</u>	<u>1,361,544</u>
Disbursements:		
Public safety	104,616	-
Public works	158,328	-
Health and social services	3,640	-
Culture and recreation	159,818	-
Community and economic development	18,945	-
General government	51,725	-
Debt service	46,948	-
Capital projects	-	-
Business type activities	-	1,819,255
Total disbursements	<u>544,020</u>	<u>1,819,255</u>
Excess (deficiency) of receipts over (under) disbursements	(20,780)	(457,711)
Other financing sources, net	<u>26,933</u>	<u>485,525</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,153	27,814
Balances beginning of year	<u>474,466</u>	<u>827,346</u>
Balances end of year	<u>\$ 480,619</u>	<u>855,160</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Original</u>	<u>Final</u>	Final to Net <u>Variance</u>
213,856	211,655	211,655	2,201
54,118	59,267	59,267	(5,149)
1,151	1,190	1,190	(39)
2,180	2,200	10,200	(8,020)
130,752	508,320	483,219	(352,467)
1,092,550	1,044,500	1,072,100	20,450
390,177	23,450	107,750	282,427
<u>1,884,784</u>	<u>1,850,582</u>	<u>1,945,381</u>	<u>(60,597)</u>
104,616	103,060	126,460	21,844
158,328	82,871	159,941	1,613
3,640	4,735	4,735	1,095
159,818	155,100	194,402	34,584
18,945	6,200	6,200	(12,745)
51,725	67,090	67,690	15,965
46,948	46,948	46,948	-
-	411,577	879,500	879,500
<u>1,819,255</u>	<u>916,234</u>	<u>1,092,744</u>	<u>(726,511)</u>
<u>2,363,275</u>	<u>1,793,815</u>	<u>2,578,620</u>	<u>215,345</u>
(478,491)	56,767	(633,239)	154,748
<u>512,458</u>	<u>-</u>	<u>509,105</u>	<u>3,353</u>
33,967	56,767	(124,134)	158,101
<u>1,301,812</u>	<u>1,232,033</u>	<u>1,232,033</u>	<u>69,779</u>
<u><u>1,335,779</u></u>	<u><u>1,288,800</u></u>	<u><u>1,107,899</u></u>	<u><u>227,880</u></u>

City of Stratford, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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. 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, 2011, one budget amendment increased budgeted disbursements by \$784,805, budgeted receipts by \$94,799, and other financing sources by \$509,105. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development and business type activities functions.

Other Supplementary Information

City of Stratford, Iowa

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

As of and for the year ended June 30, 2011

	Special					
	Road Use	Trust & Agency	Emergency	LOST Streets	LOST Pool	Library Trust
Receipts:						
Property tax	\$ -	26,098	3,462	-	-	-
Other city tax	-	-	-	27,059	27,059	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	67,812	-	-	-	-	6,740
Charges for service	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	374
Total receipts	<u>67,812</u>	<u>26,098</u>	<u>3,462</u>	<u>27,059</u>	<u>27,059</u>	<u>7,114</u>
Disbursements:						
Operating:						
Public safety	-	3,419	-	-	-	-
Public works	78,631	2,162	-	48,933	-	-
Health and social services	-	886	-	-	-	-
Culture and recreation	-	6,032	-	-	58,006	-
Community and economic developmen	-	-	-	-	-	-
General government	-	6,639	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	<u>78,631</u>	<u>19,138</u>	<u>-</u>	<u>48,933</u>	<u>58,006</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(10,819)</u>	<u>6,960</u>	<u>3,462</u>	<u>(21,874)</u>	<u>(30,947)</u>	<u>7,114</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	290
Operating transfers (out)	-	-	(3,637)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,637)</u>	<u>-</u>	<u>-</u>	<u>290</u>
Net change in cash balances	(10,819)	6,960	(175)	(21,874)	(30,947)	7,404
Cash balances beginning of year	98,179	6,950	175	48,933	109,063	22,586
Cash balances end of year	<u>\$ 87,360</u>	<u>13,910</u>	<u>-</u>	<u>27,059</u>	<u>78,116</u>	<u>29,990</u>
Cash Basis Fund Balances						
Restricted:						
Debt service	\$ -	-	-	-	-	-
Streets	87,360	-	-	-	-	-
Other purposes	-	13,910	-	27,059	78,116	29,990
Total cash basis fund balances	<u>\$ 87,360</u>	<u>13,910</u>	<u>-</u>	<u>27,059</u>	<u>78,116</u>	<u>29,990</u>
See accompanying independent auditor's report						

Revenue							
Community Disaster	I-Jobs Revenue	Rescue	2010 Housing Rehabilitation	2011 Downtown Facade	Debt Service	Capital Projects	Total
-	-	-	-	-	47,151	-	76,711
-	-	-	-	-	-	-	54,118
-	-	1,058	-	-	-	-	1,058
8,159	3,965	-	-	9,478	-	-	96,154
-	-	72,117	-	-	-	-	72,117
-	-	2,182	-	-	-	-	2,556
<u>8,159</u>	<u>3,965</u>	<u>75,357</u>	-	<u>9,478</u>	<u>47,151</u>	-	<u>302,714</u>
2,000	-	66,026	-	-	-	-	71,445
6,159	3,965	-	-	-	-	-	139,850
-	-	-	-	-	-	-	886
-	-	-	-	-	-	-	64,038
-	-	-	2,597	10,520	-	-	13,117
-	-	-	-	-	-	-	6,639
-	-	-	-	-	46,948	-	46,948
<u>8,159</u>	<u>3,965</u>	<u>66,026</u>	<u>2,597</u>	<u>10,520</u>	<u>46,948</u>	-	<u>342,923</u>
-	-	9,331	(2,597)	(1,042)	203	-	(40,209)
-	-	-	5,222	4,000	-	24,725	34,237
-	-	-	-	-	-	-	(3,637)
-	-	-	<u>5,222</u>	<u>4,000</u>	-	<u>24,725</u>	<u>30,600</u>
-	-	9,331	2,625	2,958	203	24,725	(9,609)
-	-	120,030	-	-	1,566	54,709	462,191
-	-	<u>129,361</u>	<u>2,625</u>	<u>2,958</u>	<u>1,769</u>	<u>79,434</u>	<u>452,582</u>
-	-	-	-	-	1,769	-	1,769
-	-	-	-	-	-	-	87,360
-	-	<u>129,361</u>	<u>2,625</u>	<u>2,958</u>	-	<u>79,434</u>	<u>363,453</u>
-	-	<u>129,361</u>	<u>2,625</u>	<u>2,958</u>	<u>1,769</u>	<u>79,434</u>	<u>452,582</u>

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2011

	<u>Sewer</u>	<u>Garbage & Landfill</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 97,326	105,429	202,755
Miscellaneous	<u>2,596</u>	<u>4,687</u>	<u>7,283</u>
Total operating receipts	<u>99,922</u>	<u>110,116</u>	<u>210,038</u>
Operating disbursements:			
Business type activities	<u>57,922</u>	<u>101,436</u>	<u>159,358</u>
Total operating disbursements	<u>57,922</u>	<u>101,436</u>	<u>159,358</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>42,000</u>	<u>8,680</u>	<u>50,680</u>
Non-operating receipts (disbursements):			
Miscellaneous	-	-	-
Capital projects	(94,586)	-	(94,586)
Debt service	<u>(26,530)</u>	<u>-</u>	<u>(26,530)</u>
Total non-operating receipts (disbursements)	<u>(121,116)</u>	<u>-</u>	<u>(121,116)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(79,116)</u>	<u>8,680</u>	<u>(70,436)</u>
Operating transfers in (out)	<u>28,686</u>	<u>-</u>	<u>28,686</u>
Net change in cash balances	(50,430)	8,680	(41,750)
Cash balances beginning of year	<u>(59,683)</u>	<u>22,615</u>	<u>(37,068)</u>
Cash balances end of year	<u>\$ (110,113)</u>	<u>31,295</u>	<u>(78,818)</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ 15,856	-	15,856
Unrestricted	<u>(125,969)</u>	<u>31,295</u>	<u>(94,674)</u>
Total cash basis fund balances	<u>\$ (110,113)</u>	<u>31,295</u>	<u>(78,818)</u>

See accompanying independent auditor's report.

City of Stratford, Iowa
Schedule of Indebtedness
Year ended June 30, 2011

<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	3.00 %	\$ 350,000
Water	Oct 24, 2007	4.90 %	315,000
Water - Forgivable	Feb 3, 2010	-	308,000
Water - Nonforgivable	Feb 3, 2010	3.00 %	392,000
Total			

See accompanying independent auditor's report.

Schedule 3

<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>
175,000	-	40,000	135,000	6,947	-
<u>\$ 175,000</u>	<u>-</u>	<u>40,000</u>	<u>135,000</u>	<u>6,947</u>	<u>-</u>
\$ 51,000	-	25,000	26,000	1,530	-
156,000	-	30,000	126,000	7,628	-
-	308,000	-	308,000	-	-
<u>182,542</u>	<u>204,458</u>	<u>17,000</u>	<u>370,000</u>	<u>7,690</u>	<u>-</u>
<u>\$ 389,542</u>	<u>512,458</u>	<u>72,000</u>	<u>830,000</u>	<u>16,848</u>	<u>-</u>

Bond and Note Maturities

June 30, 2011

Revenue Bonds				
Year Ending June 30,	Sewer		Water	
	Issued June 1, 1992		Issued October 24, 2007	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2012	3.00 %	\$ 26,000	4.90 %	\$ 31,000
2013		-	4.90	32,000
2014		-	4.90	33,000
2015		-	4.90	30,000
Total		<u>\$ 26,000</u>		<u>\$ 126,000</u>

Revenue Bonds					Total
Year Ending June 30,	Water - Forgivable		Water - Nonforgivable		
	Issued February 3, 2010		Issued February 3, 2010		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2012	-	\$ 13,000	3.00 %	\$ 15,000	85,000
2013	-	12,000	3.00	15,000	59,000
2014	-	13,000	3.00	16,000	62,000
2015	-	13,000	3.00	16,000	59,000
2016	-	14,000	3.00	17,000	31,000
2017	-	14,000	3.00	17,000	31,000
2018	-	14,000	3.00	18,000	32,000
2019	-	15,000	3.00	18,000	33,000
2020	-	15,000	3.00	19,000	34,000
2021	-	16,000	3.00	19,000	35,000
2022	-	16,000	3.00	20,000	36,000
2023	-	17,000	3.00	21,000	38,000
2024	-	18,000	3.00	21,000	39,000
2025	-	18,000	3.00	22,000	40,000
2026	-	19,000	3.00	23,000	42,000
2027	-	19,000	3.00	23,000	42,000
2028	-	20,000	3.00	24,000	44,000
2029	-	21,000	3.00	25,000	46,000
2030	-	21,000	3.00	21,000	42,000
Total		<u>\$ 308,000</u>		<u>\$ 370,000</u>	<u>830,000</u>

Bond and Note Maturities

June 30, 2011

Year Ending June 30,	<u>General Obligation Notes</u>	
	<u>Swimming Pool</u>	
	<u>Issued May 1, 2004</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2012	3.90 %	\$ 45,000
2013	4.05	45,000
2014	4.20	45,000
Total		<u>\$ 135,000</u>

See accompanying independent auditor's report.

City of Stratford, Iowa

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

For the Last Seven Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:				
Property tax	\$ 213,856	219,740	222,279	191,707
Tax increment financing collections	-	-	-	19,949
Other city tax	54,118	54,434	57,354	53,900
Licenses and permits	1,151	1,298	852	1,356
Use of money and property	2,180	2,681	3,233	6,741
Intergovernmental	130,752	113,623	96,005	93,699
Charges for service	89,530	75,129	79,626	77,112
Miscellaneous	<u>31,653</u>	<u>55,626</u>	<u>53,596</u>	<u>38,087</u>
Total	<u>\$ 523,240</u>	<u>522,531</u>	<u>512,945</u>	<u>482,551</u>
Disbursements:				
Operating:				
Public safety	\$ 104,616	98,896	92,343	79,166
Public works	158,328	126,917	39,470	75,672
Health and social services	3,640	5,647	3,243	2,702
Culture and recreation	159,818	130,831	146,713	138,220
Community and economic development	18,945	8,525	14,184	4,529
General government	51,725	53,667	62,818	81,081
Debt service	46,948	48,327	49,608	68,698
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 544,020</u>	<u>472,810</u>	<u>408,379</u>	<u>450,068</u>

See accompanying independent auditor's report.

Schedule 5

<u>2007</u>	<u>2006</u>	<u>2005</u>
195,734	169,558	180,707
30,369	56,344	30,156
60,808	50,711	49,108
1,137	980	1,135
14,477	37,814	19,149
107,879	86,766	99,355
216,285	15,144	13,839
<u>53,996</u>	<u>17,729</u>	<u>6,653</u>
<u><u>680,685</u></u>	<u><u>435,046</u></u>	<u><u>400,102</u></u>
201,417	80,342	76,195
26,480	77,875	69,353
6,793	1,110	3,324
135,208	102,864	71,218
750	52,469	1,175
71,292	109,257	93,911
166,923	143,357	77,247
<u>-</u>	<u>73,233</u>	<u>435,196</u>
<u><u>608,863</u></u>	<u><u>640,507</u></u>	<u><u>827,619</u></u>

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Energy:			
Energy Efficiency and Conservation Block Grant Program	81.128	FY 2011	\$ <u>2,639</u>
U.S. Department of Homeland Security:			
Hazard Mitigation	97.039	FY 2011	<u>1,300</u>
Total direct			<u>\$ 3,939</u>
Indirect:			
Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.468	FY 2011	<u>\$ 303,278</u>
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	09-WS-059 10-DIR-001	\$ 260,640 <u>9,478</u> <u>270,118</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance	97.036	FEMA-1930DRIA	<u>\$ 10,513</u>
Total indirect			<u>583,909</u>
Total			<u>\$ 587,848</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Stratford and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 21, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Stratford's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a significant deficiency.

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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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 and Questioned Costs. 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, and 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

October 21, 2011

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Honorable Mayor
Members of the City Council:

Compliance

We have audited the City of Stratford, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Stratford's major federal program for the year ended June 30, 2011. City of Stratford's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Stratford's management. Our responsibility is to express an opinion on the City of Stratford's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Stratford's compliance with those requirements and performing such other procedures as we considered necessary on the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Stratford's compliance with those requirements.

In our opinion, the City of Stratford complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-11 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the City of Stratford is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Stratford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Stratford's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency on internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-11 to be a material weakness.

The City of Stratford's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City'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 may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

October 21, 2011

City of Stratford

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements which 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.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office Of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.468-Capitalization of Grants for Drinking Water State Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Stratford did not qualify as a low-risk auditee.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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 two employees handle all of the financial duties, which does not allow for complete segregation of duties.

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 feel our duties are segregated to the greatest extent possible.
The Council will continue their review.

Conclusion - Response accepted.

II-B-11 Preparation of Financial Statements, Including Disclosures to Financial Statements-
Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Stratford does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, requires us to communicate this matter with those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Outsourcing of these services is not unusual in an organization of your size.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – We realize that obtaining the expertise to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

**CFDA Number 14.228: Community Development Block Grants/State’s Program
and Non-Entitlement Grants in Hawaii
Pass-Through Agency Number: 09-WS-059
Federal Award Year: 2011
U.S. Department of Housing and Urban Development
Passed Through the Iowa Department of Economic Development**

III-A-11 – Cash Management – It was noted that cash on hand as of June 30, 2011 was in excess of \$500.

Recommendation – The City should implement procedures where they will not draw down federal funds until needed.

Response and Corrective Action Planned – We plan to return the additional monies requested to the state agency and then request the funds when needed.

Conclusion – Response accepted.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 66.468: Capitalization Grant for Drinking Water State Revolving Funds

Federal Award Year: 2011

Environmental Protection Agency

Passed through the Iowa Finance Authority

III-B-11 Segregation of Duties – The City does not properly segregate record-keeping duties including those related to federal programs. See item II-A-11.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements for the year ended June 30, 2011 exceeded the amended budget amounts in the community and economic development and business type activities functions. Chapter 384.2 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-11 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.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-D-11 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 \$45,176 for the year ended June 30, 2011. 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 \$456 with Wilde Repair for maintenance during the fiscal year ended June 30, 2011. This does not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

IV-E-11 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.

IV-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-11 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.

IV-H-11 Revenue Bonds – The City had a deficit unreserved balance in the Sewer Utility Account at June 30, 2011.

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 August 2010. We are confident this will resolve the problem.

Conclusion – Response accepted.