

CITY OF STRATFORD, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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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 2016
Aaron Bradley	Council Member	(Resigned)
Brian Wilde	Council Member	Nov 2013
Amber Shroyer	Council Member	Jan 2014
Julie Ehresmann	Council Member	Jan 2014
Travis Sonksen	Council Member	Jan 2016
Rachel Cahill	Manager/Clerk	Indefinite
Alan C. Schroeder	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stratford, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stratford as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stratford's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 12 and 29 through 31 has not been subjected to the auditing procedures applied in the audit of the basic financials statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2013 on our consideration of the City of Stratford's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Stratford's internal control over financial reporting and compliance.

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

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

November 25, 2013

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, 2013. Readers are encouraged to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

* The City's total cash basis net assets which include governmental and business type activities increased \$549,772, from July 1, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased \$18,808 and the assets of the business type activities increased by \$530,964. It's important to review the revenue and expenditures analysis for the individual major governmental and business type funds later in this analysis.

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 position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The 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.

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds as well as the City's indebtedness.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the 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, and Employee Benefit, 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 statement for governmental funds includes 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 statement for proprietary funds includes 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 Position of Governmental Activities

	Year ended June 30,	
	2012	2013
Receipts and transfers:		
Program Receipts:		
Charges for service	\$101,629	\$ 83,464
Operating grants, contributions and restricted interest	113,599	123,083
Capital grants, contributions and restricted interest	30,802	
General receipts:		
Property tax	220,200	226,649
Local option sales tax	57,717	56,763
Unrestricted interest on investments	746	1,092
Other general receipts	44,813	49,109
Bond Proceeds		45,313
Transfers, net	<u>20,724</u>	<u>42,134</u>
<u>Total receipts and transfers in</u>	<u>590,230</u>	<u>627,607</u>
Disbursements:		
Public safety	95,054	238,337
Public works	115,026	76,869
Health and social services	5,069	4,103
Culture and recreation	121,400	113,070
Community and economic development	40,434	21,743
General government	60,457	60,277
Debt service	50,968	94,400
Capital projects	-	-
<u>Total disbursements</u>	<u>488,408</u>	<u>608,799</u>
Increase (decrease) in cash basis net position	101,822	18,808
Cash basis net position beginning of year	<u>480,619</u>	<u>582,441</u>
Cash basis net assets end of year	<u>\$582,441</u>	<u>\$601,249</u>

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30,	
	2012	2013
Receipts:		
Program Receipts:		
Charges for services:		
Water	\$170,081	\$ 169,374
Electric	593,368	623,814
Garbage and Landfill	100,105	97,448
Sewer	92,649	91,701
Capital grants, contributions and restricted interest	21,256	
Unrestricted interest on investments	-	2,362
Miscellaneous	80,863	70,921
Bond Proceeds	5,000	358,527
Refund Post Closure Costs	-	36,349
Loan proceeds	-	-
<u>Total Receipts and transfers in</u>	<u>1,063,322</u>	<u>1,450,496</u>
Disbursements and transfers out:		
Water	310,134	140,976
Electric	537,347	548,149
Garbage and Landfill	97,693	95,981
Sewer	95,500	66,492
Water Debt Service	-	25,800
Transfers	<u>20,724</u>	<u>42,134</u>
Total disbursements	<u>1,061,398</u>	<u>919,532</u>
Increase (decrease) in cash balance	1,924	530,964
Cash basis net position beginning of year	<u>855,160</u>	<u>857,084</u>
Cash basis net position end of year	<u><u>\$857,084</u></u>	<u><u>\$1,388,048</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

* Revenues of the City's governmental activities increased 6%, or \$37,377 from fiscal 2012 to fiscal 2013. Property tax revenue increased 2.93% or \$6,449 due to an increase in the net taxable valuations for fiscal year 2013. Increases in the total revenues were basically due to a transfers from utility funds to assist in paying for bunker gear for the fire department and from the electric fund to pay for energy efficient LED street lighting. Other changes in the charges for services are reflected as follows: Rescue Department charges for services decreased 18%; however revenue from a Rescue Certificate of Deposit was received to assist in paying for a new ambulance; the CDBG Downtown Revitalization Project expenses and revenue had stopped; Library Trust funds received increased 10% or \$1,111; LOSST funds decreased 1.66%; and Road Use Fund receipts increased about 1%.

* Disbursements from the City's total governmental activities increased by 24% or \$120,391. The Rescue Department ambulance and equipment costs totaled \$141,355. The overall disbursements reflected a decrease in the balance of expenditures at 4.30% or \$20,964. Reasons: A firm effort had been initiated to save Road Use Taxes for a Teneyck Avenue project being coordinated with Hamilton County; the CDBG Downtown Revitalization Project expenses

had stopped; park and pool expenses were down 6%; and General Government was down 1%. These four made the biggest impact in the decrease of disbursements; however there were increases in some areas as follows: Public Safety reflected an increase of 29% with \$18,763 due to the bunker gear expense; Public Works increase of 60% with \$38,930 was due to the new LED street lighting; and RAGBRAI incurred additional expenses in the Economic Development category. Due to an oversight in the refunding of the pool bond, there were two pool debt service payments in fiscal year 2013 and only one was budgeted for; thus the Debt Service category is over-budget.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

* The water fund cash balance showed an increase of \$375,549 which includes the 2013 Water Main Project General Obligation bonding proceeds of \$358,527. The City has continued efforts in operating costs efficiencies and realizes the importance of upgrading old water mains which aids in eliminating water leaks thus assisting saving in operating costs. The 2013 Water Main Project revenue is reflected in the cash balance and work on this project will be initiated in fiscal year 2014.

Cost for the water treatment plant (completed in December of 2010) are paid with water fund revenues. Water rates include a set fee of \$8.50 per month per service for Water Capital Project Improvements. At this point, this fee is strictly for the water treatment plant revenue bond loan from the State Revolving Loan Fund.

Council approved allocating \$2,500 of water utility funds towards the fire department bunker gear because the fire department also protects water utility infrastructure. Variable Frequency Drives were installed in the water plant with funding assistance of \$4,634 from an Energy Efficiency Community Block Grant.

Charges for services actually decreased .50% or \$707. Council needs to watch for continued decreases so that operating and maintenance expenses are met; and due to the water treatment plant State Revolving Loan mandates that the city shall charge to produce gross revenues in same fund at least sufficient to pay operating & maintenance expense and leave a net revenue equal to at least 110% of the principal of and interest on the note due in same fiscal year.

* The electric fund cash balance showed an increase of \$87,810. The City continues its strong efforts towards efficiency in operation and maintenance costs and to push towards encouraging energy efficiency.

The City received an Energy Efficiency Community Block Grant for \$9,432 which completed the city's work towards the installation of LED street lights in the entire town. In fiscal year 2013, the electric utility paid \$29,498 in energy efficiency efforts towards LED street lights.

The City had a rate analysis done by William Leung and the rates were adjusted based on that analysis in February of 2012. Those rate adjustments are continuing to be adequate for operating and maintenance costs.

* The wastewater fund negative cash balance showed a decrease of \$27,465. A monthly fee of \$4.00 (initiated in August of 2010) per service aimed at reducing the wastewater fund negative balance continues to aid in reducing this negative balance. Another factor in reducing the negative in this fund was that the city lagoon revenue bond was paid off in fiscal year 2012.

In fiscal year 2013 the City continued its work towards a FEMA Hazard Mitigation Grant for sanitary sewer inflow and infiltration problems. The City was awarded this grant in August, 2013. A project grant agreement between Iowa Homeland Security and Emergency Management Division and the City of Stratford was initiated in September of 2013. The total grant award is \$503,000; federal share shall not exceed \$377,250; state share shall be \$50,300; and city shall provide at least \$75,450 and council plans on using LOSST funds for their share. The city has already spent \$52,085 in pre-grant project costs that will be recouped through the grant. A 2012 Community Development Block Grant (CDBG) was denied with IEDA stating that the City project was not prepared enough. The City applied for the 2013 CDBG and in the August 2013 council meeting, it was voted to allocate \$150,000 as matching city funds towards the project using LOSST Funds for infrastructure and then use Electric Utility Funds if necessary.

Rates were not increased by the city council. This fund is closely monitored by the City.

* The garbage and landfill fund cash balance showed an increase of \$40,140. The City withdrew from the Hamilton County Solid Waste (HCSW) Commission June 30, 2010 and the financial portion of the withdrawal was completed in fiscal year 2013. \$36,349 was set aside in a restricted account just for any possible future payments towards requirements needed by the Iowa DNR towards a future HCSW landfill closure. Per Resolution 2012-30: That the payment to the City of Stratford shall be placed in a restricted fund designated for landfill and transfer station closure until both the real and personal property owned by the Hamilton County Solid Waste Commission is liquidated and sold. The City audit shall reflect that the funds placed in this special account are restricted and can only be used for such purpose with any balance after payment of said expenses, if any, transferred to the general fund.

City initiated a new five-year contract with Waste Management for pickup of garbage and recycling. Customer rates decreased through the contract; however each year a 2% increase will be added.

BUDGETARY OVERTONE

The City will keep on monitoring all funds, particularly the deficit sewer fund, making sure those rates for all the proprietary funds are adequate to cover needed revenue bonds, and expenses; building capital for the future and be conservative in order to keep citizens rates as low as possible. City will continue to be prudent in general fund expenditures in efforts to best spend tax payer dollars and be cautious about tax increases.

The City will continue to budget for capital projects; closely analyzing what is or is not a capital project. Closer function monitoring so the City does not go over budget will be a constant importance through a fiscal year. Due to Federal Grants that the City has received, it is important to monitor and identify when a federally required Single Audit (A-133) is needed.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$390,000 in outstanding debt which is a revenue bond for the Water Plant Project through the State Revolving Fund. In June of 2013, the City initiated a General Obligation Improvement and Refunding Bonds, Series 2013 with a total, after premiums and expenses, of \$403,839.95. This paid off the pool bond and are proceeds for the 2013 Water Main Project.

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 2014 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 valuation decreases; especially commercial properties due to Iowa Governor Terry Branstad signing into law in June of 2013 a measure aimed at reducing Iowa's commercial property taxes.

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 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 continues to encourage electric and water conservation; water and energy savings should be realized in production costs; however the utilities still require the employee time needed for the essential maintenance, reporting and research needed to stay current with required mandates. The ever present factor to take into account will be increases in transmission rates that have continued to affect costs of the electric utility and the future drought possibilities that could affect the water table and ultimately, the water utility.

The City's overall levy rate decreased from \$16.3428 to \$15.90196 from fiscal 2013 to fiscal 2014.

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/Clerk, 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, 2013

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Public safety	\$ 238,337	71,868	33,484	-
Public works	76,869	-	71,154	-
Health and social services	4,103	-	-	-
Culture and recreation	113,070	-	10,238	-
Community and economic development	21,743	14,203	-	14,191
General government	60,277	-	-	-
Debt service	94,400	-	-	-
Total governmental activities	608,799	86,071	114,876	14,191
Business type activities:				
Water	166,776	169,374	-	-
Electric	548,149	626,176	-	-
Garbage and landfill	95,981	97,448	-	-
Sewer	66,492	91,701	-	-
Total business type activities	877,398	984,699	-	-
Total	\$ 1,486,197	1,070,770	114,876	14,191

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 position
Cash basis net position beginning of year
Cash basis net position end of year

Cash Basis Net Assets

Restricted for:
Expendable:
Debt service
Streets
Ambulance operations
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
(132,985)	-	(132,985)
(5,715)	-	(5,715)
(4,103)	-	(4,103)
(102,832)	-	(102,832)
6,651	-	6,651
(60,277)	-	(60,277)
<u>(94,400)</u>	-	<u>(94,400)</u>
<u>(393,661)</u>	-	<u>(393,661)</u>
-	2,598	2,598
-	78,027	78,027
-	1,467	1,467
<u>-</u>	<u>25,209</u>	<u>25,209</u>
<u>-</u>	<u>107,301</u>	<u>107,301</u>
<u>(393,661)</u>	<u>107,301</u>	<u>(286,360)</u>
179,002	-	179,002
47,647	-	47,647
56,763	-	56,763
447	-	447
45,313	358,527	403,840
41,163	107,270	148,433
42,134	(42,134)	-
<u>412,469</u>	<u>423,663</u>	<u>836,132</u>
18,808	530,964	549,772
<u>582,441</u>	<u>857,084</u>	<u>1,439,525</u>
<u>\$ 601,249</u>	<u>1,388,048</u>	<u>1,989,297</u>
\$ 436	21,378	21,814
104,173	-	104,173
46,726	-	46,726
396,570	-	396,570
<u>53,344</u>	<u>1,366,670</u>	<u>1,420,014</u>
<u>\$ 601,249</u>	<u>1,388,048</u>	<u>1,989,297</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, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue Rescue</u>
Receipts:			
Property tax	\$ 148,239	47,647	-
Other city tax	-	-	-
Licenses and permits	2,607	-	-
Use of money and property	645	-	447
Intergovernmental	33,484	-	-
Charges for service	14,203	-	69,261
Miscellaneous	<u>40,518</u>	<u>-</u>	<u>-</u>
Total receipts	<u>239,696</u>	<u>47,647</u>	<u>69,708</u>
Disbursements:			
Operating:			
Public safety	50,849	-	184,906
Public works	44,693	-	-
Health and social services	3,139	-	-
Culture and recreation	102,431	-	-
Community and economic development	7,450	-	-
General government	52,548	-	-
Debt service	<u>-</u>	<u>94,400</u>	<u>-</u>
Total disbursements	<u>261,110</u>	<u>94,400</u>	<u>184,906</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(21,414)</u>	<u>(46,753)</u>	<u>(115,198)</u>
Other financing sources (uses):			
Bond Proceeds	-	45,313	-
Operating transfers in	50,178	-	-
Operating transfers out	<u>(21,768)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>28,410</u>	<u>45,313</u>	<u>-</u>
Change in cash balances	6,996	(1,440)	(115,198)
Cash balances beginning of year	<u>46,348</u>	<u>1,876</u>	<u>161,924</u>
Cash balances end of year	<u>\$ 53,344</u>	<u>436</u>	<u>46,726</u>
Cash Basis Fund Balances			
Restricted for:			
Debt service	-	436	-
Streets	-	-	-
Ambulance operations	-	-	46,726
Other purposes	-	-	-
Unassigned	<u>53,344</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 53,344</u>	<u>436</u>	<u>46,726</u>

See notes to financial statements.

Exhibit B

Nonmajor Governmental Funds	Total
30,763	226,649
56,763	56,763
-	2,607
-	1,092
89,599	123,083
-	83,464
<u>5,984</u>	<u>46,502</u>
<u>183,109</u>	<u>540,160</u>
2,582	238,337
32,176	76,869
964	4,103
10,639	113,070
14,293	21,743
7,729	60,277
-	94,400
<u>68,383</u>	<u>608,799</u>
<u>114,726</u>	<u>(68,639)</u>
-	45,313
29,268	79,446
<u>(15,544)</u>	<u>(37,312)</u>
<u>13,724</u>	<u>87,447</u>
128,450	18,808
<u>372,293</u>	<u>582,441</u>
<u>500,743</u>	<u>601,249</u>
-	436
104,173	104,173
-	46,726
396,570	396,570
-	53,344
<u>500,743</u>	<u>601,249</u>

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

As of and for the year ended June 30, 2013

	Enterprise Funds			
	Water Utility	Electric Utility	Nonmajor- Funds	Total
Operating receipts:				
Charges for service	\$ 169,374	623,814	189,149	982,337
Miscellaneous	<u>14,790</u>	<u>51,551</u>	<u>4,580</u>	<u>70,921</u>
Total operating receipts	<u>184,164</u>	<u>675,365</u>	<u>193,729</u>	<u>1,053,258</u>
Operating disbursements:				
Business type activities	<u>140,976</u>	<u>548,149</u>	<u>162,473</u>	<u>851,598</u>
Total operating disbursements	<u>140,976</u>	<u>548,149</u>	<u>162,473</u>	<u>851,598</u>
Excess of operating receipts over operating disbursements	<u>43,188</u>	<u>127,216</u>	<u>31,256</u>	<u>201,660</u>
Non-operating receipts (disbursements):				
Miscellaneous	-	2,362	-	2,362
Bond proceeds	358,527	-	-	358,527
Refund post closure costs	-	-	36,349	36,349
Debt service	<u>(25,800)</u>	<u>-</u>	<u>-</u>	<u>(25,800)</u>
Total non-operating receipts (disbursements)	<u>332,727</u>	<u>2,362</u>	<u>36,349</u>	<u>371,438</u>
Excess of receipts over disbursements	375,915	129,578	67,605	573,098
Transfers in (out)	<u>(366)</u>	<u>(41,768)</u>	<u>-</u>	<u>(42,134)</u>
Change in cash balances	375,549	87,810	67,605	530,964
Cash balances beginning of year	<u>84,261</u>	<u>847,033</u>	<u>(74,210)</u>	<u>857,084</u>
Cash balances end of year	<u>\$ 459,810</u>	<u>934,843</u>	<u>(6,605)</u>	<u>1,388,048</u>
Cash Basis Fund Balances				
Restricted for debt service	21,378	-	-	21,378
Unrestricted	<u>438,432</u>	<u>934,843</u>	<u>(6,605)</u>	<u>1,366,670</u>
Total cash basis fund balances	<u>\$ 459,810</u>	<u>934,843</u>	<u>(6,605)</u>	<u>1,388,048</u>

See notes to financial statements.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2013

(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 several jointly governed organizations that provide 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 boards and commissions: Hamilton County Joint E911 Service Board, Iowa Agency for Municipal Wind Board, Squaw Creek Watershed Management Authority, and North Central Iowa Regional Solid Waste Agency.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2013

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net assets are reported in the following categories/components:

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

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

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2013

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.

Special Revenue:

The Rescue Fund accounts for the operation of the City's ambulance services.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

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, 2013

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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

(2) **Cash**

The City's deposits in banks at June 30, 2013 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.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2013

(3) Bonds and Notes Payable

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

Year Ending	General Obligation Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest
June 30,				
2014	\$ 45,000	10,963	16,000	10,350
2015	20,000	10,230	16,000	9,870
2016	20,000	10,010	17,000	9,390
2017	20,000	9,790	17,000	8,880
2018	20,000	9,570	18,000	8,370
2019-2023	125,000	39,250	97,000	33,540
2024-2028	140,000	17,400	113,000	18,030
2029-2030	-	-	51,000	2,310
Total	\$ 390,000	107,213	345,000	100,740
	=====	=====	=====	=====

Year Ending	Total	
	Principal	Interest
June 30,		
2014	\$ 61,000	21,313
2015	36,000	20,100
2016	37,000	19,400
2017	37,000	18,670
2018	38,000	17,940
2019-2023	222,000	72,790
2024-2028	253,000	35,430
2029-2030	51,000	2,310
Total	\$ 735,000	207,953
	=====	=====

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2013

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$392,000 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 \$445,740. For the current year, principal and interest paid and total customer net receipts were \$25,800 and \$43,187.

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) 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, 2013

(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 5.78% of their annual salary and the City is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$15,248, \$14,346, and \$12,169, 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 \$555 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$24,197 and plan members eligible for benefits contributed \$0 to the plan.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2013

(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, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,700
	=====

This liability has been computed based on rates of pay in effect at June 30, 2013.

(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, 2013

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 3,700
	Library Trust	3,926
	Community Disaster Grant	2,756
	Capital:	
	Fire Department	5,162
	Enterprise:	
	Electric	31,998
	Water	2,500
	Project Share	136
2011 Downtown Façade	General	1,318
Capital Projects:		
Fire Department	General	17,950
Capital Equipment	General	2,500
	Enterprise:	
	Water	2,500
	Electric	5,000
Water	Enterprise:	
	Electric	<u>4,634</u>
Total		\$ 84,080 =====

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, 2013

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$48,448 during the year ended June 30, 2013.

(10) Deficit Fund Balances

The Enterprise Fund, Sewer Utility Account had a deficit balance of \$83,174 at June 30, 2013. The City had a rate study and increased rates effective August 2010. This rate increase should eventually return this account to a positive financial position.

(11) Subsequent Events

The City has evaluated subsequent events through November 25, 2013, the date the financial statements were available to be issued. The City has been awarded a grant from FEMA for sanitary sewer improvements for \$428,550. This grant requires a local match of \$75,450, which will be paid from LOSST Funds.

(12) Commitments

The City has committed to a water improvement project for approximately \$346,000 to be paid from bond proceeds issued during this fiscal year. The City has informally designated the balance in the road use fund for a joint road project with the Hamilton County. The City has also restricted approximately \$36,000 received from their withdrawal from Hamilton County Solid Waste Commission per resolution 2012-30: That the payment to the City of Stratford shall be placed in a restricted fund designated for landfill and transfer station closure until both the real and personal property owned by the Hamilton County Solid Waste Commission is liquidated and sold. The City audit shall reflect that the funds placed in this special account are restricted and can only be used for such purpose with any balance after payment of said expenses, if any, transferred to the general fund.

Other 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

Other Information

Year ended June 30, 2013

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 226,649	-
Other city tax	56,763	-
Licenses and permits	2,607	-
Use of money and property	1,092	-
Intergovernmental	123,083	-
Charges for service	83,464	982,337
Miscellaneous	<u>46,502</u>	<u>73,283</u>
Total receipts	<u>540,160</u>	<u>1,055,620</u>
Disbursements:		
Public safety	238,337	-
Public works	76,869	-
Health and social services	4,103	-
Culture and recreation	113,070	-
Community and economic development	21,743	-
General government	60,277	-
Debt service	94,400	-
Capital projects	-	-
Business type activities	-	841,049
Total disbursements	<u>608,799</u>	<u>841,049</u>
Excess (deficiency) of receipts over (under) disbursements	(68,639)	214,571
Other financing sources, net	<u>87,447</u>	<u>316,393</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	18,808	530,964
Balances beginning of year	<u>582,441</u>	<u>857,084</u>
Balances end of year	<u>\$ 601,249</u>	<u>1,388,048</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
226,649	233,031	233,031	(6,382)
56,763	55,747	55,747	1,016
2,607	1,450	1,450	1,157
1,092	3,300	7,500	(6,408)
123,083	767,916	768,440	(645,357)
1,065,801	1,145,800	1,150,000	(84,199)
119,785	237,871	243,780	(123,995)
<u>1,595,780</u>	<u>2,445,115</u>	<u>2,459,948</u>	<u>(864,168)</u>
238,337	270,644	275,644	37,307
76,869	126,120	161,120	84,251
4,103	5,865	6,065	1,962
113,070	106,384	127,793	14,723
21,743	639,262	642,462	620,719
60,277	72,775	75,375	15,098
94,400	49,213	49,213	(45,187)
-	-	-	-
841,049	932,390	1,408,910	567,861
<u>1,449,848</u>	<u>2,202,653</u>	<u>2,746,582</u>	<u>1,296,734</u>
145,932	242,462	(286,634)	432,566
<u>403,840</u>	<u>-</u>	<u>430,582</u>	<u>(26,742)</u>
549,772	242,462	143,948	405,824
-	-	-	-
<u>1,439,525</u>	<u>1,439,525</u>	<u>1,439,525</u>	<u>-</u>
<u>1,989,297</u>	<u>1,681,987</u>	<u>1,583,473</u>	<u>405,824</u>

City of Stratford, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2013

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, 2013, one budget amendment increased budgeted disbursements by \$543,929 and budgeted receipts by \$14,833 and other financing sources by \$430,582. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

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, 2013

	Special					
	Road Use	Trust & Agency	Emergency	LOST Infrastructure	LOST Pool	Library Trust
Receipts:						
Property tax	\$ -	27,058	3,705	-	-	-
Other city tax	-	-	-	42,572	14,191	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	71,154	-	-	-	-	4,254
Charges for service	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	5,984
Total receipts	<u>71,154</u>	<u>27,058</u>	<u>3,705</u>	<u>42,572</u>	<u>14,191</u>	<u>10,238</u>
Disbursements:						
Operating:						
Public safety	-	2,582	-	-	-	-
Public works	29,722	2,454	-	-	-	-
Health and social services	-	964	-	-	-	-
Culture and recreation	-	6,350	-	-	4,289	-
Community and economic development	-	-	-	-	-	-
General government	-	7,729	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	<u>29,722</u>	<u>20,079</u>	<u>-</u>	<u>-</u>	<u>4,289</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>41,432</u>	<u>6,979</u>	<u>3,705</u>	<u>42,572</u>	<u>9,902</u>	<u>10,238</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	(3,700)	-	-	(3,926)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,700)</u>	<u>-</u>	<u>-</u>	<u>(3,926)</u>
Change in cash balances	41,432	6,979	5	42,572	9,902	6,312
Cash balances beginning of year	<u>62,741</u>	<u>19,525</u>	<u>85</u>	<u>55,918</u>	<u>101,614</u>	<u>23,610</u>
Cash balances end of year	<u>\$ 104,173</u>	<u>26,504</u>	<u>90</u>	<u>98,490</u>	<u>111,516</u>	<u>29,922</u>
Cash Basis Fund Balances						
Restricted for:						
Streets	104,173	-	-	-	-	-
Other purposes	<u>-</u>	<u>26,504</u>	<u>90</u>	<u>98,490</u>	<u>111,516</u>	<u>29,922</u>
Total cash basis fund balances	<u>\$ 104,173</u>	<u>26,504</u>	<u>90</u>	<u>98,490</u>	<u>111,516</u>	<u>29,922</u>

See accompanying independent auditor's report.

Schedule 1

Revenue			Capital Projects		Total
Community Disaster	2010 Housing Rehabilitation	2011 Downtown Facade	Fire Department	Capital Equipment	
-	-	-	-	-	30,763
-	-	-	-	-	56,763
-	-	-	-	-	-
-	6,691	7,500	-	-	89,599
-	-	-	-	-	-
-	-	-	-	-	5,984
-	6,691	7,500	-	-	183,109
-	-	-	-	-	2,582
-	-	-	-	-	32,176
-	-	-	-	-	964
-	-	-	-	-	10,639
-	5,475	8,818	-	-	14,293
-	-	-	-	-	7,729
-	-	-	-	-	-
-	5,475	8,818	-	-	68,383
-	1,216	(1,318)	-	-	114,726
-	-	1,318	17,950	10,000	29,268
(2,756)	-	-	(5,162)	-	(15,544)
(2,756)	-	1,318	12,788	10,000	13,724
(2,756)	1,216	-	12,788	10,000	128,450
2,756	1,448	-	61,644	42,952	372,293
-	2,664	-	74,432	52,952	500,743
-	-	-	-	-	104,173
-	2,664	-	74,432	52,952	396,570
-	2,664	-	74,432	52,952	500,743

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

As of and for the year ended June 30, 2013

	<u>Sewer</u>	<u>Garbage & Landfill</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 91,701	97,448	189,149
Miscellaneous	<u>2,256</u>	<u>2,324</u>	<u>4,580</u>
Total operating receipts	<u>93,957</u>	<u>99,772</u>	<u>193,729</u>
Operating disbursements:			
Business type activities	<u>66,492</u>	<u>95,981</u>	<u>162,473</u>
Total operating disbursements	<u>66,492</u>	<u>95,981</u>	<u>162,473</u>
Excess of operating receipts over operating disbursements	<u>27,465</u>	<u>3,791</u>	<u>31,256</u>
Non-operating receipts (disbursements):			
Refund of post closure costs	-	36,349	36,349
Capital projects	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>-</u>	<u>36,349</u>	<u>36,349</u>
Excess of receipts over disbursements	<u>27,465</u>	<u>40,140</u>	<u>67,605</u>
Change in cash balances	27,465	40,140	67,605
Cash balances beginning of year	<u>(110,639)</u>	<u>36,429</u>	<u>(74,210)</u>
Cash balances end of year	<u>\$ (83,174)</u>	<u>76,569</u>	<u>(6,605)</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ -	-	-
Unrestricted	<u>(83,174)</u>	<u>76,569</u>	<u>(6,605)</u>
Total cash basis fund balances	<u>\$ (83,174)</u>	<u>76,569</u>	<u>(6,605)</u>

See accompanying independent auditor's report.

City of Stratford, Iowa
 Schedule of Indebtedness
 Year ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Swimming pool	May 1, 2004	1.75-4.20 %	\$ 400,000
Water improvement and refunding bonds	May 23, 2013	1.10-4.00 %	390,000.00
Total			
Revenue bonds:			
Water	Feb 3, 2010	3.00 %	\$ 392,000

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>
90,000	-	90,000	-	4,401	-
<u>-</u>	<u>390,000</u>	<u>-</u>	<u>390,000</u>	<u>-</u>	<u>-</u>
<u>\$ 90,000</u>	<u>390,000</u>	<u>90,000</u>	<u>390,000</u>	<u>4,401</u>	<u>-</u>
<u>360,000</u>	<u>-</u>	<u>15,000</u>	<u>345,000</u>	<u>10,800</u>	<u>-</u>

Bond and Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation		Revenue Bonds	
	Water & Refunding		Water	
	Issued May 23, 2013		Issued February 3, 2010	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2014	1.10	45,000	3.00	16,000
2015	1.10	20,000	3.00	16,000
2016	1.10	20,000	3.00	17,000
2017	1.10	20,000	3.00	17,000
2018	1.10	20,000	3.00	18,000
2019	3.00	25,000	3.00	18,000
2020	3.00	25,000	3.00	19,000
2021	3.00	25,000	3.00	19,000
2022	3.00	25,000	3.00	20,000
2023	3.00	25,000	3.00	21,000
2024	4.00	25,000	3.00	21,000
2025	4.00	25,000	3.00	22,000
2026	4.00	30,000	3.00	23,000
2027	4.00	30,000	3.00	23,000
2028	4.00	30,000	3.00	24,000
2029		-	3.00	25,000
2030		-	3.00	26,000
Total		<u>\$ 390,000</u>		<u>\$ 345,000</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 Nine Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property tax	\$ 226,649	\$220,200	213,856	219,740
Tax increment financing	-	-	-	-
Other city tax	56,763	57,717	54,118	54,434
Licenses and permits	2,607	1,414	1,151	1,298
Use of money and property	1,092	1,436	2,180	2,681
Intergovernmental	123,083	152,446	130,752	113,623
Charges for service	83,464	100,215	89,530	75,129
Miscellaneous	<u>46,502</u>	<u>36,078</u>	<u>31,653</u>	<u>55,626</u>
 Total	 <u>\$ 540,160</u>	 <u>569,506</u>	 <u>523,240</u>	 <u>522,531</u>
Disbursements:				
Operating:				
Public safety	\$ 238,337	95,054	104,616	98,896
Public works	76,869	115,026	158,328	126,917
Health and social services	4,103	5,069	3,640	5,647
Culture and recreation	113,070	121,400	159,818	130,831
Community and economic development	21,743	40,434	18,945	8,525
General government	60,277	60,457	51,725	53,667
Debt service	94,400	50,968	46,948	48,327
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 608,799</u>	 <u>488,408</u>	 <u>544,020</u>	 <u>472,810</u>

See accompanying independent auditor's report.

Schedule 5

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
222,279	191,707	195,734	169,558	180,707
-	19,949	30,369	56,344	30,156
57,354	53,900	60,808	50,711	49,108
852	1,356	1,137	980	1,135
3,233	6,741	14,477	37,814	19,149
96,005	93,699	107,879	86,766	99,355
79,626	77,112	216,285	15,144	13,839
<u>53,596</u>	<u>38,087</u>	<u>53,996</u>	<u>17,729</u>	<u>6,653</u>
<u>512,945</u>	<u>482,551</u>	<u>680,685</u>	<u>435,046</u>	<u>400,102</u>
92,343	79,166	201,417	80,342	76,195
39,470	75,672	26,480	77,875	69,353
3,243	2,702	6,793	1,110	3,324
146,713	138,220	135,208	102,864	71,218
14,184	4,529	750	52,469	1,175
62,818	81,081	71,292	109,257	93,911
49,608	68,698	166,923	143,357	77,247
-	-	-	73,233	435,196
<u>408,379</u>	<u>450,068</u>	<u>608,863</u>	<u>640,507</u>	<u>827,619</u>

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

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stratford, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Stratford's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Stratford's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Stratford's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-13 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 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, 2013 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

The City of Stratford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Stratford's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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

November 25, 2013

City of Stratford, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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.

I-B-13 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

Year ended June 30, 2013

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 II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget – Disbursements for the year ended June 30, 2013 exceeded the amended budget amounts in the debt service function. 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We refinanced some bonds in May of 2013, which was after the deadline for another budget amendment. We will amend the budget in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-13 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-13 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

Year ended June 30, 2013

- II-D-13 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 \$48,294 for the year ended June 30, 2013. 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 \$154 with Wilde Repair for maintenance during the fiscal year ended June 30, 2013. This does not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- II-E-13 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-13 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

- II-G-13 Deposits and Investments – We noted that the cash balance on hand as of June 30, 2013 exceeded the depository resolution authorized by the City.

Recommendation – The City should amend their depository resolution, so the funds on hand would not be in excess of the resolution.

Response – This was overlooked this year as bonds were issued in May of 2013, which will be spent when completing the water improvement project.

Conclusion – Response accepted.

- II-H-13 Revenue Bonds – No instances of non-compliance with the revenue bond and no resolutions were noted.

City of Stratford, Iowa

Schedule of Findings

Year ended June 30, 2013

II-I-13 Deficit Balance – The Enterprise fund, Sewer Utility account had a deficit balance of \$83,174 at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We have increased our rates, which in the coming years should reduce this deficit. We have already decreased the deficit approximately \$27,000 from the previous fiscal year.

Conclusion – Response accepted.