

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, 2014

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City of Stratford, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
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
(After January 2014)		
Mike Nepereny	Mayor	Jan 2018
Rick Woodard	Mayor Pro Tem	Jan 2016
Travis Sonksen	Council Member	Jan 2016
Chase Haman	Council Member	Jan 2018
Larry Runyan	Council Member	Jan 2018
Mark Scott	Council Member	Jan 2018
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, 2014, and the related Notes to 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, 2014, 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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified 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 December 3, 2014 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

December 3, 2014

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, 2014. Readers are encouraged to consider this information in conjunction with the City's financial statements, which follow.

2014 GOVERNMENTAL FINANCIAL HIGHLIGHTS

* Revenues of the City's governmental activities overall decreased 4.99%, or \$31,311 from fiscal 2013 to fiscal 2014. Property tax revenue increased 7% due to an increase in the January 1, 2012 net taxable valuations; Local Option Sales and Service Taxes increased 9%; Road Use Taxes increased 4%. The main reason an overall decrease is reflected in governmental activities while most tax receipts have increased, is due to fiscal 2013 reflected bond proceeds to pay off the pool note and fund 2013 Water Main Project. Also fiscal 2013 revenue included unusual items such as transfers to pay for the Fire Department tanker and LED street lighting.

* Disbursements from the City's total governmental activities overall decreased by 7.79% or \$47,428. The area of Community and Economic Development showed a large increase due to the Downtown Revitalization project getting revived and houses in the Housing Rehabilitation project were completed. Public Safety reflected a decrease because fiscal 2014 expenses for a Fire Department tanker were still less than fiscal 2013 expenses for the Rescue Department ambulance.

Council had approved using Road Use Taxes for street maintenance in fiscal 2014; however the work did not get done until fiscal 2015. That is why the Public Works function for fiscal 2014 shows a 60% decrease in expenses from the prior fiscal year.

* Due to the above the City's total cash basis net assets for governmental activities reflects an increase of 5.81% or \$34,925.

* The City's total cash basis net assets for business type activities decreased by less than 1% or \$60,639. It's important to review the revenue and expenditures analysis for the individual major business type funds which starts on page 4 of the management discussion and analysis.

* The City's total cash basis net assets which include governmental and business type activities decreased by 1.3% or \$25,714 from July 1, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two types of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Rescue, Road Use Tax, 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, Electric, and Sewer are considered to be major funds; Garbage/Landfill 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,	
	2014	2013
Receipts and transfers:		
Program Receipts:		
Charges for service	\$ 79,925	\$ 83,464
Intergovernmental	210,223	123,083
General receipts:		
Property tax	242,553	226,649
Local option sales tax	61,896	56,763
Unrestricted interest on investments	993	1,092
Other general receipts	28,782	49,109
Licenses and permits	1,585	
Bond Proceeds	0	45,313
Transfers, net	(29,661)	42,134

<u>Total receipts and transfers in</u>	<u>596,296</u>	<u>627,607</u>
Disbursements:		
Public safety	168,702	238,337
Public works	30,893	76,869
Health and social services	4,144	4,103
Culture and recreation	89,771	113,070
Community and economic development	148,942	21,743
General government	62,355	60,277
Debt service	56,564	94,400
Capital projects	-	-
Total disbursements	<u>561,371</u>	<u>608,799</u>
Increase (decrease) in cash basis net assets	34,925	18,808
Cash basis net assets beginning of year	<u>601,249</u>	<u>582,441</u>
Cash basis net assets end of year	<u><u>\$636,174</u></u>	<u><u>\$601,249</u></u>

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

* The **water fund** cash balance showed a decrease of \$305,057. The reason for this was the balance of the 2013 Water Main Project costs at \$322,748 were expended in fiscal year 2014. The funding was in fiscal 2013 with \$390,000 funded with General Obligation bonds. The bonds are for 15 years and payments are remitted to Bankers Trust. Change in cash balances not including the 2013 Water Main Project funding and expenses reflect an increase in cash balances at end of fiscal 2014 of \$17,691.

The City has continued efforts in operating cost efficiencies with operating and maintenance costs down 2.40% or \$3,377. There is a continued importance of leak detection and upgrading old water mains which also aids in eliminating water leaks; hopefully realizing a continued savings in operating costs.

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 and is adequate for those costs.

Charges for services increased 3.84% or \$6,942. Water service rates did not change in fiscal year 2014, the increase was due to additional usage by customers. However, residents are still working towards becoming more energy efficient. Council needs to watch for decreases in usage and ultimately water utility revenue so that operating and maintenance expenses are met; and due to the water treatment plant State Revolving Loan mandate 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 \$114,128. At the May 12, 2014 meeting, City Council approved and authorized mayor to sign the Brown Engineering Proposal for Professional Service for an estimated fee range of \$4,400 - \$6,250 with a not to exceed of

\$7,000, for the First Phase resulting in an interim report on current conditions of the existing municipal electrical power distribution system. The study would be to analyze the current Delta electrical system and look at the viability of changing to a Y electrical system plus other possible changes that would enhance or increase capacities of the city's electrical system. Costs for upgrading or changing any parts of the city electric system are extremely costly and should be analyzed thoroughly.

Charges for services decreased \$12,252 from fiscal 2013. The City continues its strong efforts towards energy efficiency with increasingly more citizens implementing energy efficient products to save energy and energy dollars.

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 and to build reserves for system upgrades.

In fiscal 2014 costs for operation and maintenance of the electric utility decreased 3.88% or \$21,271 as staff continually strives for operation and maintenance efficiencies.

* The **wastewater fund** cash balance reflects a positive balance of \$42,029 for the first time in over 20 years. This was due to two reasons: 1. lagoon was paid off in fiscal 2012, and; 2. a monthly fee of \$4.00 (initiated in August of 2010) per service aimed at reducing the wastewater fund negative balance. Both assisted in the positive fund cash balance at end of fiscal year 2014.

Council will need to address the continuance of this fee. Is the desire to carry on with this fee to aim at building a fund balance that will have at least 25% of the yearly operating and maintenance and then build a sewer reserve for future projects?

Sewer charges for services increased 4% or \$3,958. Usage rates were not increased by the city council. However when a residents' water usage increases, it is directly related to their sewer usage charges going up.

Operating and maintenance expenses decreased by 5.13% or \$3,408. As in the other business funds, City staff continues to strive for efficiencies in purchases needed for operating and maintenance needs.

In fiscal year 2014 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, in part, be recouped through the grant. The work is expected to be done in 2014 but no later than 2015.

A 2013 Community Development Block Grant (CDBG) was approved by Iowa Economic Development Authority (IEDA). At the July 14, 2014 meeting, the City Council authorized the mayor to sign the IEDA Contract No. 14-WS-014 for sanitary sewer improvements consisting of cured-in-place pipe lining and other retrofits to assist in eliminating the inundation of storm water into the sanitary sewer. The grant is for \$300,000 with a local match of \$150,000. During the October 14, 2013 council meeting public hearing for the proposed activities, it was noted to fund the city match with Local Option Sales Tax (LOST) receipts. If LOST receipts continue to be around the same dollar amount, the council will need to decide where the estimated difference of approximately \$38,000 is to come from.

* The **garbage and landfill fund** cash balance showed a decrease of 4.30% or \$4,182. Two reasons for the decrease: 1. there are fewer commercial garbage customers in fiscal 2014 and other commercial customers started using smaller containers, and, 2. customer rates decreased with a new contract in progress in fiscal 2013 with Waste Management.

January 1, 2013, the City initiated a new five-year contract with Waste Management for pickup of garbage and recycling. Customer rates decreased with this new contract; however each year a 2% increase is added per the contract.

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 designated for any possible future payments towards requirements needed by the Iowa DNR towards a future HCSW landfill closure.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2014	2013
Receipts:		
Program Receipts:		
Charges for services:		
Water	\$175,866	\$ 169,374
Electric	611,562	623,814
Garbage and Landfill	93,266	97,448
Sewer	95,659	91,701
Intergovernmental	77,798	-
Capital grants, contributions and restricted interest	-	-
Unrestricted interest on investments	3,068	2,362
Miscellaneous	59,240	70,921
Bond Proceeds	-	358,527
Refund Post Closure Costs	-	36,349
Loan proceeds	-	-
Transfers in	<u>52,085</u>	-
Total Receipts	<u>1,168,544</u>	<u>1,450,496</u>
Disbursements and transfers out:		
Water	137,599	140,976
Electric	526,878	548,149
Garbage and Landfill	90,519	95,981
Sewer	63,084	66,492
Water Revenue Debt Service	26,350	25,800
Capital Projects	362,329	-
Transfers out	<u>22,424</u>	<u>42,134</u>
Total disbursements	<u>1,229,183</u>	<u>919,532</u>

Increase (decrease) in cash balance	(60,639)	530,964
Cash basis net assets beginning of year	<u>1,388,048</u>	<u>857,084</u>
Cash basis net assets end of year	<u><u>\$1,327,409</u></u>	<u><u>\$1,388,048</u></u>

BUDGETARY OVERTONE

The City will continue monitoring all funds; making sure the 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 utility 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; at this point in time a Single Audit is expected for fiscal year 2015.

DEBT ADMINISTRATION

On June 30, 2014, the City has \$674,000 in outstanding debt: \$345,000 is in a Revenue Bond for the Water Plant Project through the State Revolving Fund and \$329,000 is in a General Obligation Improvement and Refunding (paid off pool bond) Bond, Series 2013, for the 2013 Water Main Project. The general obligation debt limit for the City of Stratford is \$1,259,518. At the end of fiscal 2014 the city is at 27% of that statutory debt limit. Revenue bonds do not count against use of the state mandated debt limit; however State Revolving Loan fund 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 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 2015 budget which includes the tax rates and fees that will be charged for various City activities and the City's proprietary funds. General fund fees for usage of city amenities such as park and pool and proprietary fund user rates remained the same.

Budgets within the General fund were reviewed extremely closely and had very few increases due to the economy and the commercial property tax rollbacks plus other measures that are expected to be in the near future. These measures are aimed at reducing Iowa's property taxes

and are due to Iowa Governor Terry Branstad Property Tax Reform signed into law in June of 2013.

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 continue to analyze all utility funds frequently to make sure that the rates are adequate to fund revenue bonds and their mandates, pay for operation and maintenance and to allow for the building of reserves for future improvements.

The City continues to encourage electric and water conservation; water and energy savings should be realized in production costs; however these utilities still require the employee time needed for the essential operation and maintenance, reporting and research needed to stay current with required state and federal mandates. The ever present factor to take into account will be increases in electricity 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 \$15.90196 to \$14.98450 from fiscal 2014 to fiscal 2015.

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 Position - Cash Basis
As of and for the year ended June 30, 2014

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 168,702	68,758	42,412	-
Public works	30,893	-	74,191	-
Health and social services	4,144	-	-	-
Culture and recreation	89,771	-	8,782	-
Community and economic development	148,942	12,751	-	93,515
General government	62,355	-	-	-
Debt service	56,564	-	-	-
Total governmental activities	561,371	81,509	125,385	93,515
Business type activities:				
Water	486,697	175,866	-	-
Electric	526,878	614,630	-	-
Garbage and landfill	90,519	93,266	-	-
Sewer	102,665	95,660	-	77,798
Total business type activities	1,206,759	979,422	-	77,798
Total	\$ 1,768,130	1,060,931	125,385	171,313

General Receipts:

 Property and other city tax levied for:

 General purposes

 Debt service

 Local option sales tax

 Unrestricted interest on investments

 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 Position

 Restricted for:

 Expendable:

 Debt service

 Streets

 Ambulance operations

 Other purposes

 Unrestricted

Total cash basis net position

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(57,532)	-	(57,532)
43,298	-	43,298
(4,144)	-	(4,144)
(80,989)	-	(80,989)
(42,676)	-	(42,676)
(62,355)	-	(62,355)
<u>(56,564)</u>	<u>-</u>	<u>(56,564)</u>
<u>(260,962)</u>	<u>-</u>	<u>(260,962)</u>
-	(310,831)	(310,831)
-	87,752	87,752
-	2,747	2,747
-	70,793	70,793
<u>-</u>	<u>(149,539)</u>	<u>(149,539)</u>
<u>(260,962)</u>	<u>(149,539)</u>	<u>(410,501)</u>
195,389	-	195,389
47,163	-	47,163
61,896	-	61,896
93	-	93
21,007	59,239	80,246
<u>(29,661)</u>	<u>29,661</u>	<u>-</u>
<u>295,887</u>	<u>88,900</u>	<u>384,787</u>
34,925	(60,639)	(25,714)
<u>601,249</u>	<u>1,388,048</u>	<u>1,989,297</u>
<u>\$ 636,174</u>	<u>1,327,409</u>	<u>1,963,583</u>
\$ 959	28,158	29,117
152,397	-	152,397
64,056	-	64,056
370,446	-	370,446
48,316	1,299,251	1,347,567
<u>\$ 636,174</u>	<u>1,327,409</u>	<u>1,963,583</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, 2014

Exhibit B

	<u>General</u>	<u>2010 Housing Rehabilitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receipts:				
Property tax	\$ 163,459	\$ -	79,094	242,553
Other city tax	-	-	61,896	61,896
Licenses and permits	1,585	-	-	1,585
Use of money and property	911	-	82	993
Intergovernmental	38,312	76,816	95,095	210,223
Charges for service	12,751	-	67,174	79,925
Miscellaneous	19,473	-	9,309	28,782
Total receipts	<u>236,491</u>	<u>76,816</u>	<u>312,650</u>	<u>625,957</u>
Disbursements:				
Operating:				
Public safety	114,919	-	53,783	168,702
Public works	3,191	-	27,702	30,893
Health and social services	2,846	-	1,298	4,144
Culture and recreation	81,867	-	7,904	89,771
Community and economic development	5,090	124,643	19,209	148,942
General government	54,795	-	7,560	62,355
Debt service	-	-	56,564	56,564
Total disbursements	<u>262,708</u>	<u>124,643</u>	<u>174,020</u>	<u>561,371</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(26,217)</u>	<u>(47,827)</u>	<u>138,630</u>	<u>64,586</u>
Other financing sources (uses):				
Operating transfers in	85,498	-	34,061	119,559
Operating transfers out	(16,637)	-	(132,583)	(149,220)
Total other financing sources (uses)	<u>68,861</u>	<u>-</u>	<u>(98,522)</u>	<u>(29,661)</u>
Change in cash balances	42,644	(47,827)	40,108	34,925
Cash balances beginning of year	53,344	2,664	545,241	601,249
Cash balances end of year	<u>\$ 95,988</u>	<u>(45,163)</u>	<u>585,349</u>	<u>636,174</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	-	-	959	959
Streets	-	-	152,397	152,397
Ambulance operations	-	-	64,056	64,056
Other purposes	-	-	370,446	370,446
Unassigned	95,988	(45,163)	(2,509)	48,316
Total cash basis fund balances	<u>\$ 95,988</u>	<u>(45,163)</u>	<u>585,349</u>	<u>636,174</u>

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, 2014

	Enterprise Funds				Total
	Water Utility	Electric Utility	Sewer	Nonmajor- Funds	
Operating receipts:					
Charges for service	\$ 175,866	611,562	95,659	93,266	976,353
Miscellaneous	16,598	37,976	2,326	2,340	59,240
Total operating receipts	<u>192,464</u>	<u>649,538</u>	<u>97,985</u>	<u>95,606</u>	<u>1,035,593</u>
Operating disbursements:					
Business type activities	<u>137,599</u>	<u>526,878</u>	<u>63,084</u>	<u>90,519</u>	<u>818,080</u>
Total operating disbursements	<u>137,599</u>	<u>526,878</u>	<u>63,084</u>	<u>90,519</u>	<u>818,080</u>
Excess of operating receipts over operating disbursements	<u>54,865</u>	<u>122,660</u>	<u>34,901</u>	<u>5,087</u>	<u>217,513</u>
Non-operating receipts (disbursements):					
Miscellaneous	-	3,068	-	-	3,068
Intergovernmental	-	-	77,798	-	77,798
Capital projects	(322,748)	-	(39,581)	-	(362,329)
Debt service	<u>(26,350)</u>	-	-	-	<u>(26,350)</u>
Total non-operating receipts (disbursements)	<u>(349,098)</u>	<u>3,068</u>	<u>38,217</u>	<u>-</u>	<u>(307,813)</u>
Excess of receipts over disbursements	(294,233)	125,728	73,118	5,087	(90,300)
Transfers in (out)	<u>(10,824)</u>	<u>(11,600)</u>	<u>52,085</u>	<u>-</u>	<u>29,661</u>
Change in cash balances	(305,057)	114,128	125,203	5,087	(60,639)
Cash balances beginning of year	<u>459,810</u>	<u>934,843</u>	<u>(83,174)</u>	<u>76,569</u>	<u>1,388,048</u>
Cash balances end of year	<u>\$ 154,753</u>	<u>1,048,971</u>	<u>42,029</u>	<u>81,656</u>	<u>1,327,409</u>
Cash Basis Fund Balances					
Restricted for debt service	28,158	-	-	-	28,158
Unrestricted	<u>126,595</u>	<u>1,048,971</u>	<u>42,029</u>	<u>81,656</u>	<u>1,299,251</u>
Total cash basis fund balances	<u>\$ 154,753</u>	<u>1,048,971</u>	<u>42,029</u>	<u>81,656</u>	<u>1,327,409</u>

See notes to financial statements.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2014

(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, 2014

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position 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 position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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, 2014

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:

2010 Housing Rehabilitation Fund accounts for the proceeds of federal grants restricted for improvements to personal residences for low and middle income individuals.

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.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sewer 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, 2014

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 the preceding classifications.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2014

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 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 improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$100,005 pursuant the Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2014

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest
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	\$ 345,000	96,250	329,000	90,390

Year Ending June 30,	Total	
	Principal	Interest
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	\$ 674,000	186,640

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2014

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$392,000 of water revenue bonds issued in February 2010. Proceeds from the notes provided financing for the construction of a new water plant. The bonds 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 \$419,390. For the current year, principal and interest paid and total customer net receipts were \$26,350 and \$54,865, respectively.

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, 2014

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$14,357, \$15,248, and \$14,346, 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, 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 \$478 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$25,064 and plan members eligible for benefits contributed \$0 to the plan.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2014

(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, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,400

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$52,636 during the year ended June 30, 2014.

(8) 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, 2014

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Emergency	\$ 4,083
	Library Trust	2,415
	Capital: Fire Department	74,000
	Enterprise: Electric	5,000
Debt Service	Water	9,924
Capital Equipment	General	2,500
	Enterprise: Water	2,500
	Electric	5,000
Fire Department	General	14,137
Water	Electric	1,600
Sewer	LOST	<u>52,085</u>
Total		<u>\$ 173,244</u>

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, 2014

(10) Deficit Fund Balances

The Special Revenue Fund, 2010 Housing Rehabilitation account had a deficit balance of \$45,163 at June 30, 2014. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant proceeds.

(11) Subsequent Events

The City has evaluated subsequent events through December 3, 2014, the date the financial statements were available to be issued. The City has been awarded a CDBG grant for \$300,000 and \$150,000 local match for sanitary sewer inflow and outflow project.

(12) Commitments

The City has committed to a façade project for \$221,000 and sewer project for \$503,000. These projects will be paid by combination of grants and local option sales tax funds. The City has committed to pay \$16,000 over five years to Hamilton County for road improvements. The City has also committed \$56,000 to pay for road repairs from the Road Use Fund. 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.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2014

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No.68 Accounting and Reporting for Pensions- an amendment of GASB No. 67. This Statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 242,553	-
Other city tax	61,896	-
Licenses and permits	1,585	-
Use of money and property	993	-
Intergovernmental	210,223	77,798
Charges for service	79,925	976,353
Miscellaneous	28,782	62,308
Total receipts	<u>625,957</u>	<u>1,116,459</u>
Disbursements:		
Public safety	168,702	-
Public works	30,893	-
Health and social services	4,144	-
Culture and recreation	89,771	-
Community and economic development	148,942	-
General government	62,355	-
Debt service	56,564	-
Capital projects	-	-
Business type activities	-	1,206,759
Total disbursements	<u>561,371</u>	<u>1,206,759</u>
Excess (deficiency) of receipts over (under) disbursements	64,586	(90,300)
Other financing sources, net	<u>(29,661)</u>	<u>29,661</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	34,925	(60,639)
Balances beginning of year	<u>601,249</u>	<u>1,388,048</u>
Balances end of year	<u>\$ 636,174</u>	<u>1,327,409</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>	
242,553	242,726	242,726	(173)
61,896	56,989	56,989	4,907
1,585	1,650	1,650	(65)
993	3,200	3,200	(2,207)
288,021	397,466	1,058,816	(770,795)
1,056,278	1,157,600	1,157,600	(101,322)
91,090	36,921	44,656	46,434
<u>1,742,416</u>	<u>1,896,552</u>	<u>2,565,637</u>	<u>(823,221)</u>
168,702	123,744	208,644	39,942
30,893	118,060	167,660	136,767
4,144	6,420	7,120	2,976
89,771	107,953	123,563	33,792
148,942	301,355	537,283	388,341
62,355	85,675	87,775	25,420
56,564	47,390	56,565	1
-	-	-	-
1,206,759	1,001,095	1,934,780	728,021
<u>1,768,130</u>	<u>1,791,692</u>	<u>3,123,390</u>	<u>1,355,260</u>
(25,714)	104,860	(557,753)	532,039
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(25,714)	104,860	(557,753)	532,039
1,989,297	1,989,297	1,989,297	-
<u>1,963,583</u>	<u>2,094,157</u>	<u>1,431,544</u>	<u>532,039</u>

City of Stratford, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented 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, one budget amendment increased budgeted disbursements by \$1,331,698 and budgeted receipts by \$669,085. The budget amendments are reflected in the final budgeted amounts.

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, 2014

	Special					
	Road Use	Trust & Agency	Emergency	LOST Infrastructure	LOST Pool	Library Trust
Receipts:						
Property tax	\$ -	27,855	4,076	-	-	-
Other city tax	-	-	-	46,422	15,474	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	74,192	-	-	-	-	4,203
Charges for service	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	4,579
Total receipts	<u>74,192</u>	<u>27,855</u>	<u>4,076</u>	<u>46,422</u>	<u>15,474</u>	<u>8,782</u>
Disbursements:						
Operating:						
Public safety	-	3,227	-	-	-	-
Public works	25,968	1,734	-	-	-	-
Health and social services	-	1,298	-	-	-	-
Culture and recreation	-	5,886	-	-	2,018	-
Community and economic development	-	-	-	-	-	-
General government	-	7,560	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	<u>25,968</u>	<u>19,705</u>	<u>-</u>	<u>-</u>	<u>2,018</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>48,224</u>	<u>8,150</u>	<u>4,076</u>	<u>46,422</u>	<u>13,456</u>	<u>8,782</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	(4,083)	(52,085)	-	(2,415)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,083)</u>	<u>(52,085)</u>	<u>-</u>	<u>(2,415)</u>
Change in cash balances	48,224	8,150	(7)	(5,663)	13,456	6,367
Cash balances beginning of year	104,173	26,504	90	98,490	111,516	29,922
Cash balances end of year	<u>\$ 152,397</u>	<u>34,654</u>	<u>83</u>	<u>92,827</u>	<u>124,972</u>	<u>36,289</u>
Cash Basis Fund Balances						
Restricted for:						
Debt Service	-	-	-	-	-	-
Streets	152,397	-	-	-	-	-
Ambulance Operations	-	-	-	-	-	-
Other purposes	-	34,654	83	92,827	124,972	36,289
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 152,397</u>	<u>34,654</u>	<u>83</u>	<u>92,827</u>	<u>124,972</u>	<u>36,289</u>

See accompanying independent auditor's report.

Schedule 1

<u>Rescue</u>	<u>2011 Downtown Facade</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total</u>
			<u>Fire Department</u>	<u>Capital Equipment</u>	
-	-	47,163	-	-	79,094
-	-	-	-	-	61,896
82	-	-	-	-	82
-	16,700	-	-	-	95,095
67,174	-	-	-	-	67,174
630	-	-	4,100	-	9,309
<u>67,886</u>	<u>16,700</u>	<u>47,163</u>	<u>4,100</u>	<u>-</u>	<u>312,650</u>
50,556	-	-	-	-	53,783
-	-	-	-	-	27,702
-	-	-	-	-	1,298
-	-	-	-	-	7,904
-	19,209	-	-	-	19,209
-	-	-	-	-	7,560
-	-	56,564	-	-	56,564
<u>50,556</u>	<u>19,209</u>	<u>56,564</u>	<u>-</u>	<u>-</u>	<u>174,020</u>
<u>17,330</u>	<u>(2,509)</u>	<u>(9,401)</u>	<u>4,100</u>	<u>-</u>	<u>138,630</u>
-	-	9,924	14,137	10,000	34,061
-	-	-	(74,000)	-	(132,583)
-	-	9,924	(59,863)	10,000	(98,522)
17,330	(2,509)	523	(55,763)	10,000	40,108
46,726	-	436	74,432	52,952	545,241
<u>64,056</u>	<u>(2,509)</u>	<u>959</u>	<u>18,669</u>	<u>62,952</u>	<u>585,349</u>
-	-	959	-	-	959
-	-	-	-	-	152,397
64,056	-	-	-	-	64,056
-	-	-	18,669	62,952	370,446
-	(2,509)	-	-	-	(2,509)
<u>64,056</u>	<u>(2,509)</u>	<u>959</u>	<u>18,669</u>	<u>62,952</u>	<u>585,349</u>

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

As of and for the year ended June 30, 2014

	Garbage & <u>Landfill</u>	<u>Total</u>
Operating receipts:		
Charges for service	\$ 93,266	93,266
Miscellaneous	2,340	2,340
Total operating receipts	<u>95,606</u>	<u>95,606</u>
Operating disbursements:		
Business type activities	<u>90,519</u>	<u>90,519</u>
Total operating disbursements	<u>90,519</u>	<u>90,519</u>
Excess of operating receipts over operating disbursements	<u>5,087</u>	<u>5,087</u>
Non-operating receipts (disbursements):		
Intergovernmental	-	-
Capital projects	-	-
Debt service	-	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	<u>5,087</u>	<u>5,087</u>
Change in cash balances	5,087	5,087
Cash balances beginning of year	<u>76,569</u>	<u>76,569</u>
Cash balances end of year	<u>\$ 81,656</u>	<u>81,656</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ -	-
Unrestricted	<u>81,656</u>	<u>81,656</u>
Total cash basis fund balances	<u>\$ 81,656</u>	<u>81,656</u>

See accompanying independent auditor's report.

City of Stratford, Iowa
 Schedule of Indebtedness
 Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
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>
390,000	-	45,000	345,000	10,964	-
<u>\$ 390,000</u>	<u>-</u>	<u>45,000</u>	<u>345,000</u>	<u>10,964</u>	<u>-</u>
<u>345,000</u>	<u>-</u>	<u>16,000</u>	<u>329,000</u>	<u>10,350</u>	<u>-</u>

Bond and Note Maturities

June 30, 2014

Year Ending <u>June 30,</u>	<u>General Obligation</u>		<u>Revenue Bonds</u>	
	<u>Water & Refunding</u>		<u>Water</u>	
	<u>Issued May 23, 2013</u>		<u>Issued February 3, 2010</u>	
	Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
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>\$ 345,000</u>		<u>\$ 329,000</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 Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 242,553	226,649	\$220,200	213,856
Tax increment financing	-		-	-
Other city tax	61,896	56,763	57,717	54,118
Licenses and permits	1,585	2,607	1,414	1,151
Use of money and property	993	1,092	1,436	2,180
Intergovernmental	210,223	123,083	152,446	130,752
Charges for service	79,925	83,464	100,215	89,530
Miscellaneous	<u>28,782</u>	<u>46,502</u>	<u>36,078</u>	<u>31,653</u>
 Total	 <u>\$ 625,957</u>	 <u>540,160</u>	 <u>569,506</u>	 <u>523,240</u>
Disbursements:				
Operating:				
Public safety	\$ 168,702	238,337	95,054	104,616
Public works	30,893	76,869	115,026	158,328
Health and social services	4,144	4,103	5,069	3,640
Culture and recreation	89,771	113,070	121,400	159,818
Community and economic development	148,942	21,743	40,434	18,945
General government	62,355	60,277	60,457	51,725
Debt service	56,564	94,400	50,968	46,948
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 561,371</u>	 <u>608,799</u>	 <u>488,408</u>	 <u>544,020</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
219,740	222,279	191,707	195,734	169,558	180,707
-	-	19,949	30,369	56,344	30,156
54,434	57,354	53,900	60,808	50,711	49,108
1,298	852	1,356	1,137	980	1,135
2,681	3,233	6,741	14,477	37,814	19,149
113,623	96,005	93,699	107,879	86,766	99,355
75,129	79,626	77,112	216,285	15,144	13,839
<u>55,626</u>	<u>53,596</u>	<u>38,087</u>	<u>53,996</u>	<u>17,729</u>	<u>6,653</u>
<u>522,531</u>	<u>512,945</u>	<u>482,551</u>	<u>680,685</u>	<u>435,046</u>	<u>400,102</u>
98,896	92,343	79,166	201,417	80,342	76,195
126,917	39,470	75,672	26,480	77,875	69,353
5,647	3,243	2,702	6,793	1,110	3,324
130,831	146,713	138,220	135,208	102,864	71,218
8,525	14,184	4,529	750	52,469	1,175
53,667	62,818	81,081	71,292	109,257	93,911
48,327	49,608	68,698	166,923	143,357	77,247
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,233</u>	<u>435,196</u>
<u>472,810</u>	<u>408,379</u>	<u>450,068</u>	<u>608,863</u>	<u>640,507</u>	<u>827,619</u>

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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 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, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2014. 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 that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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-14 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-14 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, 2014 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

December 3, 2014

City of Stratford, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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-14 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, 2014

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-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- II-B-14 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-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 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 \$52,636 for the year ended June 30, 2014. 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.

City of Stratford, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-E-14 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-14 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- II-G-14 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.
- II-H-14 Revenue Bonds – No instances of non-compliance with the revenue bond and no resolutions were noted.
- II-I-14 Deficit Balance – The Special Revenue Fund, 2010 Housing Rehabilitation account had a deficit balance of \$45,163 at June 30, 2014.

Recommendation – After receipt of grant funds the City should review this balance to make sure it is no longer in a deficit.

Response – We will so do.

Conclusion – Response accepted.