

CITY OF STRATFORD, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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

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City of Stratford, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2015, 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, 2015, 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 opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Stratford adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are 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, 2014 (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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City Contributions on page 35 and pages 36 through 37 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, 2015 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, 2015

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, 2015. Readers are encouraged to consider this information in conjunction with the City's financial statements, which follow.

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, increases 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 with general obligation or revenue bonding plus grants financing infrastructure projects.

Fund Financial Statements The City has two types of fund accounts:

- 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, 3) the Urban Renewal Tax Increment Fund, 4) 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 is a non-major fund of the City.

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

2015 GOVERNMENTAL FINANCIAL HIGHLIGHTS

* Overall revenues of the City's governmental activities increased by 37% or \$224,742; however this is misleading because the disbursements also increased by like amount. This difference is due to completion of the Community Development Block Grants for Downtown Façade Revitalization and for the Housing Rehabilitation projects.

* Revenues from property taxes decreased by 13% or \$32,685. Commercial and industrial property tax replacements were granted to cities due to rollback measures aimed at reducing Iowa's property taxes due to Iowa Governor Terry Branstad Property Tax Reform which was signed into law in June of 2013. In fiscal 2015 the City received \$2,090 in a grant to replace these lost taxes. Rollbacks are expected to continue; however this replacement grant will go away in fiscal 2017.

* Local Option Sales and Service Taxes (LOSST) increased by 5%. Allocations from LOSST revenue are designated as follows: 25% towards pool and 75% towards infrastructure. Council has

indicated that \$150,000 of the LOSST for infrastructure will be the matching funds for the Community Development Block Grant (CDBG) sanitary sewer project. Management suggests that pool allocations be saved for future pool renovations because the pool infrastructure continues to age; last renovation was in 2005.

* Road Use Tax revenue increased by 4%. Road Use Taxes just do not cover needed street maintenance needs even with the \$.10 Iowa gas tax increase put into effect in 2015. The \$160,287 increase in Public Works expense from the previous year is due to the Council approving using Road Use Taxes for street maintenance in fiscal 2014; however this work was expensed in fiscal 2015.

* Disbursements from the City's total governmental activities overall increased by 42% or \$236,371. Again, this is largely due to Community and Economic Development for Downtown Revitalization project and the Housing Rehabilitation project being completed. In efforts to keep costs down for city amenities, the Deputy City Clerk continues to work as the full-time pool manager.

* Due to the above, the City's total cash basis net assets for governmental activities reflects an increase of 3.67% or \$23,296.

* The City's total cash basis net assets for business type activities increased by 14% or \$190,886. 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 increased by 10% or \$214,182 from July 1, 2014 to June 30, 2015.

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	2015
General Receipts:		
Property tax	242,553	209,868
Other city tax / Local option sales tax	61,896	79,157
Licenses and permits	1,585	1,262
Use of money and property	993	657
Intergovernmental	210,223	429,341
Charges for service	79,925	82,173
Miscellaneous	28,782	32,175
Transfers, net	(29,661)	(13,595)
<u>Total receipts and transfers in (out)</u>	<u>596,296</u>	<u>821,038</u>
General Disbursements:		
Public safety	168,702	130,576
Public works	30,893	191,180
Health and social services	4,144	5,236
Culture and recreation	89,771	110,372
Community and economic development	148,942	268,101
General government	62,355	61,447
Debt service	56,564	30,830
<u>Total disbursements</u>	<u>561,371</u>	<u>797,742</u>
Increase (decrease) in cash basis net assets	34,925	23,296
Cash basis net assets beginning of year	601,249	636,174
Cash basis net assets end of year	<u>636,174</u>	<u>659,470</u>

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

* The **Water Fund** cash balance showed an increase of \$65,566 at the end of fiscal 2015. Charges for services decreased \$1,624 or less than 1%. Expenditures decreased by 31% or \$43,207. This was largely due to the costs for painting the water tower in fiscal 2014. The City has sustained efforts in operating cost efficiencies with the operating and maintenance expenses. There is a continued importance of leak detection and need to pursue upgrading old water mains which would also aid in eliminating water leaks; hopefully realizing a continued savings in operating costs.

A 2013 Water Main Project was funded in fiscal 2013 with \$390,000 with General Obligation bonds. The bonds are for 15 years and payments are remitted to Bankers Trust.

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. This fee continues to be strictly for the water treatment plant revenue bond loan through the State Revolving Loan Fund and is adequate for those costs.

Water service rates did not change in fiscal year 2015. Changes in charges for services are directly related to either a service rate change or in customers' usages. Residents are still working towards becoming more energy efficient. Council needs to watch for continued 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 12% or \$125,865. Charges for services decreased 3.74% or \$22,868 from fiscal 2014. The City continues its strong efforts towards energy efficiency with increasingly more citizens implementing energy efficient products to save energy and energy dollars. In fiscal 2015 costs for operation and maintenance of the electric utility increased less than .2% or \$1,001 as staff continually strives for operation and maintenance efficiencies.

At the May 12, 2014 meeting, City Council authorized the mayor to sign the Brown Engineering Proposal for Professional Service which resulted in a First Phase Interim Report on current conditions of the existing municipal delta electrical distribution system plus an evaluation of the viability of changing to a wye electrical distribution system and other possible changes that would enhance or increase capacities of the city's electrical system. This Brown Engineering report confirmed what Midland Power Cooperative suggested for a project for the higher voltage needed due to the load that the United Cooperative's (Co-op) 2015 drying bin project was going to add to the existing substation transformers as well as the existing overhead circuits feeding that Commercial Street line. The option was to implement a 12.470 KV dedicated circuit tapped at the existing substation and feed services off Commercial Street west to the vicinity of the Co-op. Removing the Co-op load results in additional load margin at the existing substation 1500 KVA transformers which results in a larger load balance for the rest of the existing overhead circuits that feed the balance of the City. Brown Engineering's suggestion was that additional re-circuiting from a delta system to a wye system can take place to fit system needs in an orderly fashion.

On April 13, 2015, Council approved a cost estimate for the project at \$89,176.60; \$59,451.60 for Midland Power Cooperative for materials and labor plus \$29,725 for transformer costs paid by City of Stratford to the vendor. This project will be completed and paid for in fiscal year 2016.

Costs for upgrading or changing any parts of the city electric system are extremely costly and should continue to be analyzed thoroughly. Since upgrades and maintenance are costly expenses, maintaining a healthy balance in the electric fund provides a solid means of funding for replacement in case of a disaster or future planned upgrades.

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.

* The **Wastewater Fund** cash balance reflects a positive balance for the second year in a row since the previous 20 years. There is a 9% decrease in the fund balance or \$3,907.00.

Operating and maintenance expenses decreased by 4.79% or \$3,021. As in the other business funds, City staff continues to strive for efficiencies in purchases needed for operating and maintenance needs. One big reason for the decrease in expenditures was that property insurance re-allocated to more accurately reflect what was needed to insure wastewater properties.

Sewer charges for services decreased 1% or \$997. When a residents' water usage decreases, it is directly related to their sewer usage charges going down. Water usage decreased in fiscal 2015 by 1% as well. Usage rates were not increased by the city council in fiscal year 2015; however in fiscal year 2016 Council approved a 3% increase in the sewer usage rate which will take effect December 1, 2015.

A monthly fee of \$4.00 (initiated in August of 2010) per service aimed at reducing the wastewater fund negative balance and building capital is still in place to assist with 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.

On May 11, 2015 Council approved a \$7,989 upgrade to the lift station electrical panel. The City continues to wait for Department of Natural Resources (DNR) approval of the renewal of City's NPDES wastewater permit. The permit was applied for in August of 2011. DNR indicates that the wait is due to the time consuming rulemaking process at the federal and state level. Financial concerns could be in the picture if the DNR indicates that the City's wastewater permit will be approved only if a sanitary sewer upgrade is done. At this point in time, this is unknown; however building capital for long term upgrades at the sanitary sewer system is highly important.

In fiscal year 2015 the City finished a FEMA Hazard Mitigation Grant project aimed at reducing inflow and infiltration in the sanitary sewer. 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 project totaled \$430,804; federal grant share paid \$323,024; state grant share paid \$43,070; and city share was \$64,710. City used LOSST funds for their share.

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 receipts. This project will be completed by November, 2015, in fiscal 2016. The fund for this project was in the negative at the end of fiscal 2015 because IEDA had not yet released CDBG requisition #5 to the City of Stratford.

* The **Garbage and Landfill Fund** cash balance showed an increase of 4% or \$3,362. Garbage customer numbers fluctuant up and down minimally due to movement of property residents. Biggest reason for the increase is the Waste Management 2% contract increase effective January 1, 2015. Offsetting this contractual increase are the charges from Waste Management and the revenue received per Stratford Code of Ordinances §106.04(7)(B)(2) and City policy dated December 10, 2007, the City charges \$1.00 per residential and commercial unit in addition to the contractor’s fees. This charge is based on costs that the city incurs while administering the City’s contract for sanitation services.

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	2015
Business Operating Receipts:		
Charges for services:		
Water	\$175,866	\$ 174,242
Electric	611,562	588,694
Sewer	95,659	93,899
Garbage and Landfill	93,266	93,974
Miscellaneous	59,240	86,969
Business Non-Operating Receipts:		
Miscellaneous	3,068	4,802
Intergovernmental (FEMA & CDBG projects)	77,798	310,232
Transfers, net	29,661	13,595
<u>Total Receipts</u>	<u>1,146,120</u>	<u>1,366,407</u>
Business Operating Disbursements:		
Water	137,599	94,392
Electric	526,878	527,879
Sewer	63,084	60,063
Garbage and Landfill	90,519	92,971
Business Non-Operating Disbursements:		
Water Revenue Debt Service	26,350	25,870
Capital Projects (FY 15 Sewer-FEMA & CDBG)	362,329	374,346
Total disbursements	<u>1,229,183</u>	<u>1,175,521</u>
Increase (decrease) in cash balance	(60,639)	190,886
Cash basis net assets beginning of year	<u>1,388,048</u>	<u>1,327,409</u>
Cash basis net assets end of year	<u>\$1,327,409</u>	<u>\$1,518,295</u>

BUDGETARY OVERTONE

The City should 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.

Rates for City amenities such as the pool and park may need to be increased as property taxes continue to decrease. Decreasing property taxes also impact other services such as mosquito spraying, street cleaning, and storm drains, etc. A note on storm drains: if the need becomes apparent that more dollars need to be spent on storm drains, it will be highly advisable to create a storm drain utility; however this would generate another charge for the citizens. The City should continue to be prudent in general fund expenditures in efforts to best spend tax payer dollars and be cautious about rate or tax increases.

The City must 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 of 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; a Single Audit was done in fiscal 2015 but is not expected for fiscal 2016.

DEBT ADMINISTRATION

On June 30, 2015, the City has \$638,000 in outstanding debt: \$313,000 is in a Revenue Bond for the Water Plant Project through the State Revolving Fund and \$325,000 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 \$1,306,631 with \$981,631 of available GO debt; at the end of fiscal 2015 the City is at 24% 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. If Tax Increment Financing debt is incurred, this debt does go against the City's statutory debt limit.

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 2016 budget which includes the tax rates and fees that will be charged, for various City amenities such as park and pool, and the City's proprietary funds.

Budgets within the General fund were reviewed extremely closely and had very few increases due to the local economy. Again the commercial and multi-residential property tax rollbacks 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; however these rollbacks will hugely impact City budgets.

The state backfill grant for the commercial rollback will go away in fiscal 2017 and there is no backfill for the multi-residential rollback.

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. Council should remain diligent in reviewing all financials.

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 and the sewer utilities.

The City's overall levy rate decreased from \$14.98450 to \$14.78656 from fiscal 2015 to fiscal 2016.

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, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 130,576	71,819	33,471	-
Public works	191,180	-	77,259	-
Health and social services	5,236	-	-	-
Culture and recreation	110,372	11,616	10,407	-
Community and economic development	268,101	-	311,694	-
General government	61,447	-	-	-
Debt service	30,830	-	-	-
Total governmental activities	<u>797,742</u>	<u>83,435</u>	<u>432,831</u>	<u>-</u>
Business type activities:				
Water	120,262	174,242	-	-
Electric	527,879	588,694	-	-
Garbage and landfill	92,971	93,974	-	-
Sewer	434,409	93,899	-	310,232
Total business type activities	<u>1,175,521</u>	<u>950,809</u>	<u>-</u>	<u>310,232</u>
Total	<u>\$ 1,973,263</u>	<u>1,034,244</u>	<u>432,831</u>	<u>310,232</u>

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:
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
(25,286)	-	(25,286)
(113,921)	-	(113,921)
(5,236)	-	(5,236)
(88,349)	-	(88,349)
43,593	-	43,593
(61,447)	-	(61,447)
<u>(30,830)</u>	<u>-</u>	<u>(30,830)</u>
<u>(281,476)</u>	<u>-</u>	<u>(281,476)</u>
-	53,980	53,980
-	60,815	60,815
-	1,003	1,003
-	<u>(30,278)</u>	<u>(30,278)</u>
-	<u>85,520</u>	<u>85,520</u>
<u>(281,476)</u>	<u>85,520</u>	<u>(195,956)</u>
195,389	-	195,389
31,410	-	31,410
65,143	-	65,143
72	5,004	5,076
26,353	86,767	113,120
<u>(13,595)</u>	<u>13,595</u>	<u>-</u>
<u>304,772</u>	<u>105,366</u>	<u>410,138</u>
23,296	190,886	214,182
<u>636,174</u>	<u>1,327,409</u>	<u>1,963,583</u>
<u>\$ 659,470</u>	<u>1,518,295</u>	<u>2,177,765</u>
1,539	35,226	36,765
52,073	-	52,073
77,933	-	77,933
433,174	-	433,174
<u>94,751</u>	<u>1,483,069</u>	<u>1,577,820</u>
<u>\$ 659,470</u>	<u>1,518,295</u>	<u>2,177,765</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, 2015

		<u>Special Revenue Road Use</u>	<u>Capital Projects</u>	
	<u>General</u>		<u>2010 Housing Rehabilitation</u>	<u>Downtown Façade</u>
Receipts:				
Property tax	\$ 147,261	-	-	-
Other city tax	13,666	-	-	-
Licenses and permits	1,262	-	-	-
Use of money and property	613	-	-	-
Intergovernmental	35,561	77,259	154,946	156,748
Charges for service	11,616	-	-	-
Miscellaneous	27,093	-	-	-
Total receipts	<u>237,072</u>	<u>77,259</u>	<u>154,946</u>	<u>156,748</u>
Disbursements:				
Operating:				
Public safety	63,341	-	-	-
Public works	8,583	180,513	-	-
Health and social services	4,366	-	-	-
Culture and recreation	101,228	-	-	-
Community and economic development	4,072	-	108,834	155,195
General government	51,570	-	-	-
Debt service	-	-	-	-
Total disbursements	<u>233,160</u>	<u>180,513</u>	<u>108,834</u>	<u>155,195</u>
Excess (deficiency) of receipts over (under) disbursements	<u>3,912</u>	<u>(103,254)</u>	<u>46,112</u>	<u>1,553</u>
Other financing sources (uses):				
Operating transfers in	8,711	2,930	-	956
Operating transfers out	(13,860)	-	(949)	-
Total other financing sources (uses)	<u>(5,149)</u>	<u>2,930</u>	<u>(949)</u>	<u>956</u>
Change in cash balances	(1,237)	(100,324)	45,163	2,509
Cash balances beginning of year	95,988	152,397	(45,163)	(2,509)
Cash balances end of year	<u>\$ 94,751</u>	<u>52,073</u>	<u>-</u>	<u>-</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	-	-	-	-
Streets	-	52,073	-	-
Ambulance operations	-	-	-	-
Other purposes	-	-	-	-
Unassigned	94,751	-	-	-
Total cash basis fund balances	<u>\$ 94,751</u>	<u>52,073</u>	<u>-</u>	<u>\$ -</u>

See notes to financial statements.

Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
62,607	209,868
65,491	79,157
-	1,262
44	657
4,827	429,341
70,557	82,173
5,082	32,175
<u>208,608</u>	<u>834,633</u>

67,235	130,576
2,084	191,180
870	5,236
9,144	110,372
-	268,101
9,877	61,447
30,830	30,830
<u>120,040</u>	<u>797,742</u>
<u>88,568</u>	<u>36,891</u>

21,353	33,950
<u>(32,736)</u>	<u>(47,545)</u>
<u>(11,383)</u>	<u>(13,595)</u>

77,185	23,296
435,461	636,174
<u>512,646</u>	<u>659,470</u>

1,539	1,539
-	52,073
77,933	77,933
433,174	433,174
-	94,751
<u>512,646</u>	<u>659,470</u>

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

As of and for the year ended June 30, 2015

	Enterprise Funds				Total
	Water Utility	Electric Utility	Sewer	Nonmajor- Funds	
Operating receipts:					
Charges for service	\$ 174,242	588,694	93,899	93,974	950,809
Miscellaneous	17,016	65,348	2,246	2,359	86,969
Total operating receipts	<u>191,258</u>	<u>654,042</u>	<u>96,145</u>	<u>96,333</u>	<u>1,037,778</u>
Operating disbursements:					
Business type activities	94,392	527,879	60,063	92,971	775,305
Total operating disbursements	<u>94,392</u>	<u>527,879</u>	<u>60,063</u>	<u>92,971</u>	<u>775,305</u>
Excess of operating receipts over operating disbursements	<u>96,866</u>	<u>126,163</u>	<u>36,082</u>	<u>3,362</u>	<u>262,473</u>
Non-operating receipts (disbursements):					
Miscellaneous	-	4,802	-	-	4,802
Intergovernmental	-	-	310,232	-	310,232
Capital projects	-	-	(374,346)	-	(374,346)
Debt service	(25,870)	-	-	-	(25,870)
Total non-operating receipts (disbursements)	<u>(25,870)</u>	<u>4,802</u>	<u>(64,114)</u>	<u>-</u>	<u>(85,182)</u>
Excess of receipts over disbursements	70,996	130,965	(28,032)	3,362	177,291
Transfers in (out)	<u>(5,430)</u>	<u>(5,100)</u>	<u>24,125</u>	<u>-</u>	<u>13,595</u>
Change in cash balances	65,566	125,865	(3,907)	3,362	190,886
Cash balances beginning 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 balances end of year	<u>\$ 220,319</u>	<u>1,174,836</u>	<u>38,122</u>	<u>85,018</u>	<u>1,518,295</u>
Cash Basis Fund Balances					
Restricted for debt service	35,226	-	-	-	35,226
Unrestricted	<u>185,093</u>	<u>1,174,836</u>	<u>38,122</u>	<u>85,018</u>	<u>1,483,069</u>
Total cash basis fund balances	<u>\$ 220,319</u>	<u>1,174,836</u>	<u>38,122</u>	<u>85,018</u>	<u>1,518,295</u>

See notes to financial statements.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

(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, 2015

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, 2015

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 Road Use Tax fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

Capital Projects:

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

Downtown Façade Fund accounts for the proceeds of federal grants restricted for improvements to downtown businesses storefronts.

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.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

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.

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.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

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.

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, 2015 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 \$75,000 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, 2015

(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		Revenue Bonds	
	Notes		Principal	Interest
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	25,000	9,350	18,000	7,830
2020	25,000	8,600	19,000	7,290
2021-2025	125,000	31,500	103,000	27,630
2026-2030	<u>90,000</u>	<u>7,200</u>	<u>121,000</u>	<u>11,130</u>
Total	\$ 325,000	86,020	313,000	80,520

Year Ending	Total	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	37,000	19,400
2017	37,000	18,670
2018	38,000	17,940
2019	43,000	17,180
2020	44,000	15,890
2021-2025	228,000	59,130
2026-2030	<u>211,000</u>	<u>18,330</u>
Total	\$ 638,000	166,540

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

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 \$393,520. For the current year, principal and interest paid and total customer net receipts were \$25,870 and \$96,866, 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.

(4) Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early- retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formulas used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30th, 2012, the highest three-year average salary as of the date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before July 1, 2012, the reduction is .025 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, one a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$14,702.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions

- At June 30, 2015, the City's liability for its proportionate share collective net pension liability totaled \$ 92,655. The collective net pension liability was measured as of June 30, 2014, and total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net position liability was based on the City's share of contributions to the pension plan relative to the contribution of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.00229 percent, which was a decrease of 0.000334 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$6,936, \$5,097 and \$35,340 respectively.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

Actuarial Assumptions – The total pension liability in June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5 percent, compounded annually, net investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Us Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net position liability calculated using discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$ 175,089	\$ 92,665	\$ 23,092

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(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.

City of Stratford, Iowa

Notes to Financial Statements

June 30, 2015

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 \$513 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$23,898 and plan members eligible for benefits contributed \$0 to the plan.

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, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,100
	=====

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$61,971 during the year ended June 30, 2015.

(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, 2015

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 3,900
	Library Trust	4,711
	Enterprise:	
	Electric	100
Special Revenue:	Enterprise:	
Road Use	Water	2,930
Special Revenue:		
Library Trust	General	120
Capital Projects:		
Capital Equipment	General	2,500
	Enterprise:	
	Water	2,500
	Electric	5,000
Fire Department	General	11,233
Downtown Façade	Housing Rehabilitation	949
	General	7
Enterprise:	Special Revenue:	
Sewer	LOST	<u>24,125</u>
Total		<u>\$ 58,075</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, 2015

(10) Subsequent Events

The City has evaluated subsequent events through November 25, 2015, the date the financial statements were available to be issued. There was major flooding in the City limits in August 2015. Management may anticipate additional out of pocket expenses relating to overtime, road and building repairs, storm water studies, and other possible related expenses, the total dollar amount at the time of issuance is unknown.

(11) Commitments

The City has committed to a sewer improvement project for approximately \$450,000. This project will be funded with a \$300,000 CDBG grant and the rest from the local option sales tax. The City is in the process of updating their electrical system to a 12.47 KVA Wye line feeding off the substation. This upgrade will be approximately \$90,000. Future electrical upgrades are also being considered. 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, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 209,868	-
Other city tax	79,157	-
Licenses and permits	1,262	-
Use of money and property	657	-
Intergovernmental	429,341	310,232
Charges for service	82,173	950,809
Miscellaneous	32,175	91,771
Total receipts	<u>834,633</u>	<u>1,352,812</u>
Disbursements:		
Public safety	130,576	-
Public works	191,180	-
Health and social services	5,236	-
Culture and recreation	110,372	-
Community and economic development	268,101	-
General government	61,447	-
Debt service	30,830	-
Capital projects	-	-
Business type activities	-	1,175,521
Total disbursements	<u>797,742</u>	<u>1,175,521</u>
Excess (deficiency) of receipts over (under) disbursements	36,891	177,291
Other financing sources, net	<u>(13,595)</u>	<u>13,595</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	23,296	190,886
Balances beginning of year	<u>636,174</u>	<u>1,327,409</u>
Balances end of year	<u>\$ 659,470</u>	<u>1,518,295</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
209,868	222,481	222,481	(12,613)
79,157	30,794	62,706	16,451
1,262	1,650	1,650	(388)
657	3,100	3,100	(2,443)
739,573	876,599	1,199,099	(459,526)
1,032,982	1,152,500	1,152,500	(119,518)
123,946	43,821	44,416	79,530
<u>2,187,445</u>	<u>2,330,945</u>	<u>2,685,952</u>	<u>(498,507)</u>
130,576	129,244	166,144	35,568
191,180	68,250	236,950	45,770
5,236	6,640	6,890	1,654
110,372	105,728	132,603	22,231
268,101	352,900	353,900	85,799
61,447	75,650	84,850	23,403
30,830	30,730	30,830	-
-	-	-	-
<u>1,175,521</u>	<u>1,498,570</u>	<u>1,996,670</u>	<u>821,149</u>
<u>1,973,263</u>	<u>2,267,712</u>	<u>3,008,837</u>	<u>1,035,574</u>
214,182	63,233	(322,885)	537,067
-	-	-	-
214,182	63,233	(322,885)	537,067
-	-	-	-
<u>1,963,583</u>	<u>1,963,583</u>	<u>1,963,583</u>	<u>-</u>
<u>2,177,765</u>	<u>2,026,816</u>	<u>1,640,698</u>	<u>537,067</u>

City of Stratford, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 \$741,725 and budgeted receipts by \$355,007. The budget amendments are reflected in the final budgeted amounts.

City of Stratford, Iowa

Schedule of City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Fiscal Year*

(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.229000%
City's proportionate share of the net pension liability	\$ 93
City's covered-employee payroll	\$ 194
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.94%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Stratford, Iowa
Schedule of City's Contributions

Iowa Public Employees' Retirement System
Last 9 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 14	14
Contributions in relation to the statutorily required contribution	<u>14</u>	<u>14</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
City's covered-employee payroll	\$ 194	191
Contributions as a percentage of covered-employee payroll	7.57%	7.37%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008	2007
15	14	12	11	6	5	4
15	14	12	11	6	5	4
0	0	0	0	0	0	0
205	213	175	206	171	155	128
7.42%	6.75%	6.95%	5.63%	3.74%	3.48%	3.19%

City of Stratford, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between ages 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date if the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result if a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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, 2015

	Special Revenue					
	Trust & Agency	Emergency	LOST Infrastructure	LOST Pool	Library Trust	Rescue
Receipts:						
Property tax	27,770	3,985	-	-	-	-
Other city tax	195	-	48,857	16,286	-	-
Use of money and property	-	-	-	-	-	44
Intergovernmental	369	53	-	-	4,000	-
Charges for service	-	-	-	-	-	70,557
Miscellaneous	-	-	-	-	4,772	310
Total receipts	<u>28,334</u>	<u>4,038</u>	<u>48,857</u>	<u>16,286</u>	<u>8,772</u>	<u>70,911</u>
Disbursements:						
Operating:						
Public safety	10,201	-	-	-	-	57,034
Public works	2,084	-	-	-	-	-
Health and social services	870	-	-	-	-	-
Culture and recreation	6,276	-	-	2,868	-	-
Community and economic development	-	-	-	-	-	-
General government	9,877	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	<u>29,308</u>	<u>-</u>	<u>-</u>	<u>2,868</u>	<u>-</u>	<u>57,034</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(974)</u>	<u>4,038</u>	<u>48,857</u>	<u>13,418</u>	<u>8,772</u>	<u>13,877</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	120	-
Operating transfers (out)	-	(3,900)	(24,124)	-	(4,712)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,900)</u>	<u>(24,124)</u>	<u>-</u>	<u>(4,592)</u>	<u>-</u>
Change in cash balances	(974)	138	24,733	13,418	4,180	13,877
Cash balances beginning of year	<u>34,654</u>	<u>83</u>	<u>92,827</u>	<u>124,972</u>	<u>36,289</u>	<u>64,056</u>
Cash balances end of year	<u>33,680</u>	<u>221</u>	<u>117,560</u>	<u>138,390</u>	<u>40,469</u>	<u>77,933</u>
Cash Basis Fund Balances						
Restricted for:						
Debt Service	-	-	-	-	-	-
Streets	-	-	-	-	-	-
Ambulance Operations	-	-	-	-	-	77,933
Other purposes	33,680	221	117,560	138,390	40,469	-
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	<u>33,680</u>	<u>221</u>	<u>117,560</u>	<u>138,390</u>	<u>40,469</u>	<u>77,933</u>

See accompanying independent auditor's report.

Schedule 1

Debt Service	Capital Projects		Total
	Fire Department	Capital Equipment	
30,852	-	-	62,607
153	-	-	65,491
-	-	-	44
405	-	-	4,827
-	-	-	70,557
-	-	-	5,082
<u>31,410</u>	<u>-</u>	<u>-</u>	<u>208,608</u>
-	-	-	67,235
-	-	-	2,084
-	-	-	870
-	-	-	9,144
-	-	-	-
-	-	-	9,877
<u>30,830</u>	<u>-</u>	<u>-</u>	<u>30,830</u>
<u>30,830</u>	<u>-</u>	<u>-</u>	<u>120,040</u>
<u>580</u>	<u>-</u>	<u>-</u>	<u>88,568</u>
-	11,233	10,000	21,353
-	-	-	(32,736)
<u>-</u>	<u>11,233</u>	<u>10,000</u>	<u>(11,383)</u>
580	11,233	10,000	77,185
959	18,669	62,952	435,461
<u>1,539</u>	<u>29,902</u>	<u>72,952</u>	<u>512,646</u>
1,539	-	-	1,539
-	-	-	-
-	-	-	77,933
-	29,902	72,952	433,174
-	-	-	-
<u>1,539</u>	<u>29,902</u>	<u>72,952</u>	<u>512,646</u>

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

As of and for the year ended June 30, 2015

		Garbage & <u>Landfill</u>	<u>Total</u>
Operating receipts:			
	Charges for service	\$ 93,974	93,974
	Miscellaneous	<u>2,359</u>	<u>2,359</u>
		<u>96,333</u>	<u>96,333</u>
Operating disbursements:			
	Business type activities	<u>92,971</u>	<u>92,971</u>
		<u>92,971</u>	<u>92,971</u>
Excess of operating receipts over operating disbursements		<u>3,362</u>	<u>3,362</u>
Non-operating receipts (disbursements):			
	Intergovernmental	-	-
	Capital projects	-	-
	Debt service	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Excess of receipts over disbursements		<u>3,362</u>	<u>3,362</u>
Change in cash balances		3,362	3,362
Cash balances beginning of year		<u>81,656</u>	<u>81,656</u>
Cash balances end of year		<u>\$ 85,018</u>	<u>85,018</u>
Cash Basis Fund Balances			
	Restricted for debt service	\$ -	-
	Unrestricted	<u>85,018</u>	<u>85,018</u>
		<u>\$ 85,018</u>	<u>85,018</u>

See accompanying independent auditor's report.

City of Stratford, Iowa
 Schedule of Indebtedness
 Year ended June 30, 2015

<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
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>
345,000	-	20,000	325,000	10,230	-
<u>\$ 345,000</u>	<u>-</u>	<u>20,000</u>	<u>325,000</u>	<u>10,230</u>	<u>-</u>
<u>329,000</u>	<u>-</u>	<u>16,000</u>	<u>313,000</u>	<u>9,870</u>	<u>-</u>

Bond and Note Maturities

June 30, 2015

Year Ending <u>June 30,</u>	<u>General Obligation</u> <u>Water & Refunding</u> <u>Issued May 23, 2013</u>		<u>Revenue Bonds</u> <u>Water</u> <u>Issued February 3, 2010</u>	
	Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
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>\$ 325,000</u>		<u>\$ 313,000</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 209,868	\$ 242,553	226,649	\$220,200
Tax increment financing	-	-	-	-
Other city tax	79,157	61,896	56,763	57,717
Licenses and permits	1,262	1,585	2,607	1,414
Use of money and property	657	993	1,092	1,436
Intergovernmental	429,341	210,223	123,083	152,446
Charges for service	82,173	79,925	83,464	100,215
Miscellaneous	32,175	28,782	46,502	36,078
	<u>\$ 834,633</u>	<u>625,957</u>	<u>540,160</u>	<u>569,506</u>
Total				
Disbursements:				
Operating:				
Public safety	\$ 130,576	\$ 168,702	238,337	95,054
Public works	191,180	30,893	76,869	115,026
Health and social services	5,236	4,144	4,103	5,069
Culture and recreation	110,372	89,771	113,070	121,400
Community and economic development	268,101	148,942	21,743	40,434
General government	61,447	62,355	60,277	60,457
Debt service	30,830	56,564	94,400	50,968
Capital projects	-	-	-	-
	<u>\$ 797,742</u>	<u>561,371</u>	<u>608,799</u>	<u>488,408</u>
Total				

See accompanying independent auditor's report.

Schedule 5

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
213,856	219,740	222,279	191,707	195,734	169,558
-	-	-	19,949	30,369	56,344
54,118	54,434	57,354	53,900	60,808	50,711
1,151	1,298	852	1,356	1,137	980
2,180	2,681	3,233	6,741	14,477	37,814
130,752	113,623	96,005	93,699	107,879	86,766
89,530	75,129	79,626	77,112	216,285	15,144
31,653	55,626	53,596	38,087	53,996	17,729
<u>523,240</u>	<u>522,531</u>	<u>512,945</u>	<u>482,551</u>	<u>680,685</u>	<u>435,046</u>
104,616	98,896	92,343	79,166	201,417	80,342
158,328	126,917	39,470	75,672	26,480	77,875
3,640	5,647	3,243	2,702	6,793	1,110
159,818	130,831	146,713	138,220	135,208	102,864
18,945	8,525	14,184	4,529	750	52,469
51,725	53,667	62,818	81,081	71,292	109,257
46,948	48,327	49,608	68,698	166,923	143,357
-	-	-	-	-	73,233
<u>544,020</u>	<u>472,810</u>	<u>408,379</u>	<u>450,068</u>	<u>608,863</u>	<u>640,507</u>

City of Stratford

Schedule 6

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Haw			
	14.228	14-WS-14	\$ 21,926
		10-DTR-001	154,239
		10-HSG-065	105,247
			<u>281,412</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and			
Emergency Management:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)			
	97.036	DR-1928-40-01	<u>254,379</u>
Total			<u><u>535,791</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Stratford and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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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, 2015, 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, 2014 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 and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 and II-C-15 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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, 2015

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

Certified Public Accountants

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Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Stratford, Iowa's compliance with the types of compliance Requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Stratford's major federal program for the year ended June 30, 2015. The City of Stratford's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Stratford's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Stratford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the

major federal program. However, our audit does not provide a legal determination of the City of Stratford's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Stratford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City of Stratford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Stratford's internal control over compliance.

A deficiency in internal control over compliance exists when the design or control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

November 25, 2015

City of Stratford, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Stratford did not qualify as a low-risk auditee.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. We noted that two employees handle all of the financial duties, which does not allow for complete segregation of duties.

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

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

Conclusion - Response accepted.

II-B-15 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.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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.

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.

II-C-15 Disbursement Approval - During the course of our audit, it was noted that one bill was approved between meetings orally by the mayor.

Recommendation – The City’s current policy requires approval by the mayor for any bills paid between meetings. The City should review this policy and see if it is adequate for the City’s needs.

Response – We will review our policy.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards

None noted.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 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 \$61,971 for the year ended June 30, 2015. 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.

IV-E-15 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.

City of Stratford, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-F-15 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, one month was not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish minutes as required.

Response – The minutes were only published one day late and we will watch closer to make sure they are published within 15 days in the future.

Conclusion – Response accepted.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-15 Revenue Bonds – No instances of non-compliance with the revenue bond resolution resolutions were noted.