

STRATFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Stratford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Julie Patterson	President	2013
Vance Cook	Vice President	2013
April Carlson	Board Member	2015
Toni Larson	Board Member	2013
Eric McGlynn	Board Member	2015
<b>School Officials</b>		
Sarah Binder	Superintendent	2013
Linda Swedlund	District Secretary/Treasurer	2013
Ahlers & Cooney	Attorney	2013

STRATFORD COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Stratford Community School District:**

**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 Stratford Community School District, Stratford, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 U.S. generally accepted accounting principles. 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 District'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 District'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 financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stratford Community School District's basic financial statements. Another auditor 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, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2014 on our consideration of Stratford Community School District'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 Stratford Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014  
Newton, Iowa

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

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Stratford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$2,000,502 in fiscal 2012 to \$1,845,288 in fiscal 2013, while General Fund expenditures and transfers out increased from \$1,729,567 in fiscal 2012 to \$1,741,783 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$996,338 in fiscal 2012 to a balance of \$1,099,843 in fiscal 2013, a 10.39% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and state sources in fiscal 2013. The increase in expenditures was due primarily to an increase in the instruction functional area.
- The District completed the third phase of its 10 year strategic plan which included an addition to the Early Learning Center (daycare) and asphaltting the parking lot. There is one major project left in the 10 year plan. All projects have been funded from Capital Projects.
- The District continues to write and receive grants to provide additional funding for projects.

### **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 District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Stratford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stratford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Stratford Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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 District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

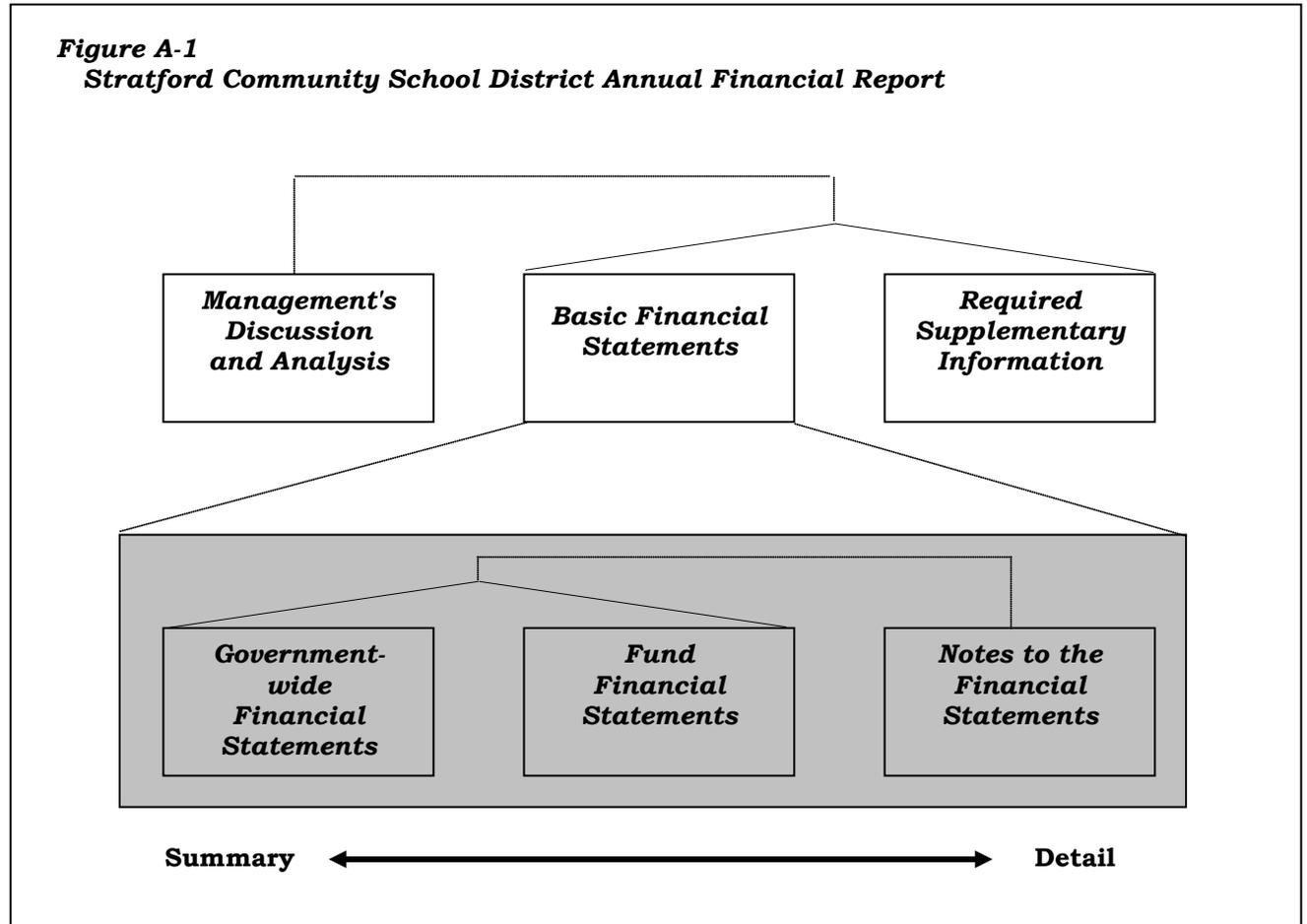


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net position and how they have changed. Net position – the difference between the District’s assets and liabilities – are one

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way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business Type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund, and Day Care Fund.

The required financial statements for the proprietary funds include a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 3,254,262	3,131,631	84,847	100,880	3,339,109	3,232,511	3.30%
Capital assets	1,797,496	1,595,029	359	716	1,797,855	1,595,745	12.67%
Total assets	5,051,758	4,726,660	85,206	101,596	5,136,964	4,828,256	6.39%
Long-term obligations	462,671	556,683	4,998	-	467,669	556,683	-15.99%
Other liabilities	1,275,235	1,157,788	781	-	1,276,016	1,157,788	10.21%
Total liabilities	1,737,906	1,714,471	5,779	-	1,743,685	1,714,471	1.70%
Net position:							
Invested in capital assets, net of related debt	1,362,496	1,060,029	359	716	1,362,855	1,060,745	28.48%
Restricted	817,042	901,781	-	-	817,042	901,781	-9.40%
Unrestricted	1,134,314	1,050,379	79,068	100,880	1,213,382	1,151,259	5.40%
Total net position	\$ 3,313,852	3,012,189	79,427	101,596	3,393,279	3,113,785	8.98%

The District's combined net position increased by 8.98%, or \$279,494, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$84,739, or 9.40% over the prior year. The decrease was a result of the decrease in the Capital Project Accounts.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$62,123, or 5.40%. This increase in unrestricted net position was primarily a result the District's increase in the General fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 149,416	112,111	132,331	127,028	281,747	239,139	17.82%
Operating grants and contributions and restricted interest	179,281	331,771	41,834	38,048	221,115	369,819	-40.21%
General revenues:							
Local taxes	1,035,665	982,823	-	-	1,035,665	982,823	5.38%
Income surtax	75,516	68,713	-	-	75,516	68,713	9.90%
Statewide sales, services and use tax	139,818	141,146	-	-	139,818	141,146	-0.94%
Unrestricted state grants	758,471	723,758	-	-	758,471	723,758	4.80%
Unrestricted investment earnings	6,426	4,367	-	-	6,426	4,367	47.15%
Other	8,337	10,673	249	-	8,586	10,673	-19.55%
Transfer	-	(20,000)	-	20,000	-	-	-100.00%
Total revenues	2,352,930	2,355,362	174,414	185,076	2,527,344	2,540,438	-0.52%
Program expenses:							
Governmental activities:							
Instructional	1,292,621	1,164,294	-	-	1,292,621	1,164,294	11.02%
Support services	587,411	561,017	275	-	587,686	561,017	4.75%
Non-instructional programs	-	-	196,308	192,834	196,308	192,834	1.80%
Other expenses	171,235	199,057	-	-	171,235	199,057	-13.98%
Total expenses	2,051,267	1,924,368	196,583	192,834	2,247,850	2,117,202	6.17%
Change in net position	301,663	430,994	(22,169)	(7,758)	279,494	423,236	-33.96%
Beginning net position	3,012,189	2,581,195	101,596	109,354	3,113,785	2,690,549	15.73%
Ending net position	\$ 3,313,852	3,012,189	79,427	101,596	3,393,279	3,113,785	8.98%

In fiscal 2013, local tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 85.40% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.86% of the revenue from business type activities.

The District's total revenues were \$2,527,344 of which \$2,352,930 was for governmental activities and \$174,414 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.52% decrease in revenues and a 6.17% increase in expenses. The increase in expenses related to an increase in the instructional expenses functional area.

### Governmental Activities

Revenues for governmental activities were \$2,352,930 and expenses were \$2,051,267.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 1,292,621	1,164,294	11.02%	1,039,961	802,482	29.59%
Support services	587,411	561,017	4.70%	587,411	556,888	5.48%
Other expenses	171,235	199,057	-13.98%	95,198	121,116	-21.40%
Totals	<u>\$ 2,051,267</u>	<u>1,924,368</u>	<u>6.59%</u>	<u>1,722,570</u>	<u>1,480,486</u>	<u>16.35%</u>

- The cost financed by users of the District’s programs was \$149,416.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$179,281.
- The net cost of governmental activities was financed with \$1,035,665 in local tax, \$75,516 in income surtax, \$139,818 in statewide sales, services and use tax, \$758,471 in unrestricted state grants, \$6,426 in unrestricted investment earnings, and \$8,337 in other general revenues.

**Business Type Activities**

Revenues of the District’s business type activities were \$174,414 and expenses were \$196,583. The District’s business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the Stratford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,907,625, above last year’s ending fund balances of \$1,899,648. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the General Fund balance.

**Governmental Fund Highlights**

- Overall, District revenues in the General Fund for fiscal 2013 decreased 7.76% or \$155,214, to \$1,845,288 compared to \$2,000,502 in fiscal 2012. The expenses and transfers increased by 0.71% or \$12,216, to \$1,741,783 compared to \$1,729,567 in fiscal 2012. The General Fund balance increased \$103,505.
- The Capital Projects Fund balance decreased from \$716,950 in fiscal 2012 to \$491,862 in fiscal 2013. The decrease was due to the construction costs incurred during the year.
- The Management Levy Fund balance increased from \$172,164 in fiscal 2012 to \$302,675 in fiscal 2013. The increase is due to an increase in local revenue sources received during the year.

## Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$15,568 at June 30, 2012 to \$4,754 at June 30, 2013, representing a decrease of 69.46%. The Day Care Fund net position decreased from \$86,028 at June 30, 2012 to \$74,673 at June 30, 2013, representing an decrease of 13.20%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$113,861 less than budgeted revenues, a variance of 4.31%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$1,797,855, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$135,983.

The original cost of the District's capital assets was \$3,042,762. Governmental funds account for \$3,033,785 with the remainder of \$8,977 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$188,189 at June 30, 2013, compared to \$0 reported at June 30, 2012. This increase resulted from the construction started during the year on the ELC expansion project.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Construction in progress	188,189	-	-	-	188,189	-	100.00%
Buildings and improvements	1,409,398	1,359,089	-	-	1,409,398	1,359,089	3.70%
Machinery and equipment	194,909	230,940	359	716	195,268	231,656	-15.71%
Total	\$ 1,797,496	1,595,029	359	716	1,797,855	1,595,745	12.67%

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## Long-Term Debt

At June 30, 2013, the District had \$467,669 in general obligation and other long-term debt outstanding. This represents a decrease of 15.99% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$435,000 at June 30, 2013.

The District had total outstanding other postemployment benefits payable of \$32,669 at June 30, 2013.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 435,000	535,000	-	-	435,000	535,000	-18.69%
Net OPEB liability	27,671	21,683	4,998	-	32,669	21,683	50.67%
Totals	\$ 462,671	556,683	4,998	-	467,669	556,683	-15.99%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment
- Increasing costs
- Whole Grade Sharing Agreement with Webster City
- 28e Agreements
- Proactive Allocation of Resources

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Swedlund, District Secretary, Stratford Community School District, 1000 Shakespeare Ave, Stratford, Iowa, 50249.

STRATFORD COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

STRATFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,041,600	83,757	2,125,357
Receivables:			
Property tax:			
Delinquent	11,551	-	11,551
Succeeding year	1,047,172	-	1,047,172
Income surtax	73,944	-	73,944
Accounts	233	421	654
Due from other governments	79,762	-	79,762
Inventories	-	669	669
Capital assets, net of accumulated depreciation	1,797,496	359	1,797,855
<b>TOTAL ASSETS</b>	<b>5,051,758</b>	<b>85,206</b>	<b>5,136,964</b>
<b>LIABILITIES</b>			
Accounts payable	127,220	248	127,468
Salaries and benefits payable	98,301	-	98,301
Interest payable	2,542	-	2,542
Deferred revenue:			
Succeeding year property tax	1,047,172	-	1,047,172
Unearned revenue	-	533	533
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	105,000	-	105,000
Portion due after one year:			
G.O. bonds payable	330,000	-	330,000
Net OPEB liability	27,671	4,998	32,669
<b>TOTAL LIABILITIES</b>	<b>1,737,906</b>	<b>5,779</b>	<b>1,743,685</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,362,496	359	1,362,855
Restricted for:			
Categorical funding	11,802	-	11,802
Debt service	6,269	-	6,269
Management levy purposes	302,675	-	302,675
Student activities	4,434	-	4,434
School infrastructure	398,621	-	398,621
Physical plant and equipment	93,241	-	93,241
Unrestricted	1,134,314	79,068	1,213,382
<b>TOTAL NET POSITION</b>	<b>\$ 3,313,852</b>	<b>79,427</b>	<b>3,393,279</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**STARTFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 893,034	89,194	25,638	(778,202)	-	(778,202)
Special	280,135	54,542	8,011	(217,582)	-	(217,582)
Other	119,452	5,680	69,595	(44,177)	-	(44,177)
	<u>1,292,621</u>	<u>149,416</u>	<u>103,244</u>	<u>(1,039,961)</u>	<u>-</u>	<u>(1,039,961)</u>
Support services:						
Student	2,008	-	-	(2,008)	-	(2,008)
Instructional staff	58,892	-	-	(58,892)	-	(58,892)
Administration	210,028	-	-	(210,028)	-	(210,028)
Operation and maintenance of plant	202,115	-	-	(202,115)	-	(202,115)
Transportation	114,368	-	-	(114,368)	-	(114,368)
	<u>587,411</u>	<u>-</u>	<u>-</u>	<u>(587,411)</u>	<u>-</u>	<u>(587,411)</u>
Other expenses:						
Long-term debt interest	19,763	-	-	(19,763)	-	(19,763)
AEA flowthrough	76,037	-	76,037	-	-	-
Depreciation(unallocated)*	75,435	-	-	(75,435)	-	(75,435)
	<u>171,235</u>	<u>-</u>	<u>76,037</u>	<u>(95,198)</u>	<u>-</u>	<u>(95,198)</u>
Total governmental activities	2,051,267	149,416	179,281	(1,722,570)	-	(1,722,570)
Business Type activities:						
Support services:						
Administration	275	-	-	-	(275)	(275)
Non-instructional programs:						
Nutrition services	75,939	37,384	27,767	-	(10,788)	(10,788)
Day care services	120,369	94,947	14,067	-	(11,355)	(11,355)
	<u>196,583</u>	<u>132,331</u>	<u>41,834</u>	<u>-</u>	<u>(22,418)</u>	<u>(22,418)</u>
Total	\$ 2,247,850	281,747	221,115	(1,722,570)	(22,418)	(1,744,988)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes			\$ 849,253	-		849,253
Debt service			117,943	-		117,943
Capital outlay			68,469	-		68,469
Income surtax			75,516	-		75,516
Statewide sales and services tax			139,818	-		139,818
Unrestricted state grants			758,471	-		758,471
Unrestricted investment earnings			6,426	-		6,426
Other general revenues			8,337	249		8,586
Total general revenues			<u>2,024,233</u>	<u>249</u>		<u>2,024,482</u>
Changes in net position			301,663	(22,169)		279,494
Net position beginning of year			<u>3,012,189</u>	<u>101,596</u>		<u>3,113,785</u>
Net position end of year			<u>\$ 3,313,852</u>	<u>79,427</u>		<u>3,393,279</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,229,261	300,738	499,672	11,929	2,041,600
Receivables:					
Property tax:					
Delinquent	7,535	1,937	763	1,316	11,551
Succeeding year	653,758	200,000	72,664	120,750	1,047,172
Income surtax	73,944	-	-	-	73,944
Accounts	233	-	-	-	233
Due from other governments	33,868	-	45,894	-	79,762
<b>TOTAL ASSETS</b>	<b>\$ 1,998,599</b>	<b>502,675</b>	<b>618,993</b>	<b>133,995</b>	<b>3,254,262</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 72,753	-	54,467	-	127,220
Salaries and benefits payable	98,301	-	-	-	98,301
Deferred revenue:					
Succeeding year property tax	653,758	200,000	72,664	120,750	1,047,172
Income surtax	73,944	-	-	-	73,944
<b>Total liabilities</b>	<b>898,756</b>	<b>200,000</b>	<b>127,131</b>	<b>120,750</b>	<b>1,346,637</b>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Categorical funding	11,802	-	-	-	11,802
Debt service	-	-	-	8,811	8,811
Management levy purposes	-	302,675	-	-	302,675
Student activities	-	-	-	4,434	4,434
School infrastructure	-	-	398,621	-	398,621
Physical plant and equipment	-	-	93,241	-	93,241
Unassigned:	1,088,041	-	-	-	1,088,041
<b>Total fund balances</b>	<b>1,099,843</b>	<b>302,675</b>	<b>491,862</b>	<b>13,245</b>	<b>1,907,625</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,998,599</b>	<b>502,675</b>	<b>618,993</b>	<b>133,995</b>	<b>3,254,262</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,907,625
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,797,496
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,542)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		73,944
Long-term liabilities, including bonds payable, and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(462,671)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>3,313,852</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

STARTFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 752,887	173,662	208,287	117,943	1,252,779
Tuition	140,434	-	-	-	140,434
Other	14,398	1,272	2,395	5,680	23,745
State sources	867,331	88	35	60	867,514
Federal sources	70,238	-	-	-	70,238
Total revenues	<u>1,845,288</u>	<u>175,022</u>	<u>210,717</u>	<u>123,683</u>	<u>2,354,710</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	852,906	-	-	-	852,906
Special	269,819	-	-	-	269,819
Other	105,209	-	-	5,884	111,093
	<u>1,227,934</u>	<u>-</u>	<u>-</u>	<u>5,884</u>	<u>1,233,818</u>
Support services:					
Student	1,945	-	-	-	1,945
Instructional staff	17,458	-	38,183	-	55,641
Administration	199,107	178	-	-	199,285
Operation and maintenance of plant	138,727	39,224	4,538	-	182,489
Transportation	80,575	5,109	21,097	-	106,781
	<u>437,812</u>	<u>44,511</u>	<u>63,818</u>	<u>-</u>	<u>546,141</u>
Capital outlay	-	-	371,987	-	371,987
Long-term debt:					
Principal	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	18,750	18,750
	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,750</u>	<u>118,750</u>
Other expenditures:					
AEA flowthrough	76,037	-	-	-	76,037
	<u>76,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,037</u>
Total expenditures	<u>1,741,783</u>	<u>44,511</u>	<u>435,805</u>	<u>124,634</u>	<u>2,346,733</u>
Change in fund balances	103,505	130,511	(225,088)	(951)	7,977
Fund balances beginning of year	996,338	172,164	716,950	14,196	1,899,648
Fund balances end of year	<u>\$ 1,099,843</u>	<u>302,675</u>	<u>491,862</u>	<u>13,245</u>	<u>1,907,625</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

**Net change in fund balances - total governmental funds(page 22)** \$ 7,977

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 290,772	
Depreciation expense	(88,305)	202,467

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Current year repayments exceeded issues, as follows:

Repaid		100,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(1,013)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(1,780)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Other postemployment benefits		(5,988)
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**Changes in net position of governmental activities(page 19)** \$ 301,663

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	School Nutrition	Day Care	Total
<u>ASSETS</u>			
Current assets:			
Cash and pooled investments	\$ 6,427	77,330	83,757
Receivables:			
Accounts	331	90	421
Inventories	669	-	669
Total current assets	<u>7,427</u>	<u>77,420</u>	<u>84,847</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	359	-	359
TOTAL ASSETS	<u>7,786</u>	<u>77,420</u>	<u>85,206</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	-	248	248
Unearned revenue	533	-	533
Total current liabilities	<u>533</u>	<u>248</u>	<u>781</u>
Long-term liabilities:			
Net OPEB liability	2,499	2,499	4,998
TOTAL LIABILITIES	<u>3,032</u>	<u>2,747</u>	<u>5,779</u>
<u>NET POSITION</u>			
Invested in capital assets	359	-	359
Unrestricted	4,395	74,673	79,068
Total net position	<u>\$ 4,754</u>	<u>74,673</u>	<u>79,427</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Day Care	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for service	\$ 37,384	94,947	132,331
Miscellaneous	249	-	249
Contributions	-	14,067	14,067
	<u>37,633</u>	<u>109,014</u>	<u>146,647</u>
<b>OPERATING EXPENSES:</b>			
Support services:			
Administration			
Services	275	-	275
Non-instructional programs:			
Food service operations:			
Salaries	25,163	-	25,163
Benefits	15,580	-	15,580
Supplies	34,839	-	34,839
Depreciation	357	-	357
	<u>75,939</u>	<u>-</u>	<u>75,939</u>
Community service operations:			
Salaries	-	90,552	90,552
Benefits	-	26,200	26,200
Supplies	-	3,617	3,617
	<u>-</u>	<u>120,369</u>	<u>120,369</u>
Total non-instructional programs	75,939	120,369	196,308
<b>TOTAL OPERATING EXPENSES</b>	<u>76,214</u>	<u>120,369</u>	<u>196,583</u>
<b>OPERATING LOSS</b>	<u>(38,581)</u>	<u>(11,355)</u>	<u>(49,936)</u>
<b>NON-OPERATING REVENUES:</b>			
State sources	418	-	418
Federal sources	27,349	-	27,349
<b>TOTAL NON-OPERATING REVENUES</b>	<u>27,767</u>	<u>-</u>	<u>27,767</u>
Changes in net position	(10,814)	(11,355)	(22,169)
Net position beginning of year	15,568	86,028	101,596
Net position end of year	<u>\$ 4,754</u>	<u>74,673</u>	<u>79,427</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 37,586	-	37,586
Cash received from miscellaneous sources	249	108,924	109,173
Cash payments to employees for services	(38,244)	(114,253)	(152,497)
Cash payments to suppliers for goods or services	(28,925)	(3,369)	(32,294)
Net cash used in operating activities	<u>(29,334)</u>	<u>(8,698)</u>	<u>(38,032)</u>
Cash flows from non-capital financing activities:			
State grants received	418	-	418
Federal grants received	20,932	-	20,932
Net cash provided by non-capital financing activities	<u>21,350</u>	<u>-</u>	<u>21,350</u>
Net decrease in cash and cash equivalents	(7,984)	(8,698)	(16,682)
Cash and cash equivalents at beginning of year	14,411	86,028	100,439
Cash and cash equivalents at end of year	<u>\$ 6,427</u>	<u>77,330</u>	<u>83,757</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (38,581)	(11,355)	(49,936)
Adjustments to reconcile operating loss to net used in operating activities:			
Commodities used	6,417	-	6,417
Depreciation	357	-	357
Increase in inventories	(228)	-	(228)
Increase in accounts receivable	(331)	(90)	(421)
Increase in accounts payable	-	248	248
Increase in unearned revenue	533	-	533
Increase in other postemployment benefits	2,499	2,499	4,998
Net cash used in operating activities	<u>\$ (29,334)</u>	<u>(8,698)</u>	<u>(38,032)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$6,417.

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
ASSETS	
Cash and pooled investments	\$ 2,961
LIABILITIES	-
NET POSITION	
Restricted for scholarships	<u>\$ 2,961</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,961
Deductions:	
Regular instruction:	
Scholarships awarded	<u>1,000</u>
Change in net position	2,961
Net position beginning of year	<u>-</u>
Net position end of year	<u>\$ 2,961</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

**Note 1. Summary of Significant Accounting Policies**

The Stratford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the city of Stratford, Iowa, and the predominantly agricultural territory in Boone, Hamilton and Webster Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Grades seven through twelve attend the Webster City Community School District as part of a one-way sharing agreement.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Stratford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District'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 District 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 District. The Stratford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone, Hamilton and Webster County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally 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 support.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are 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 expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District also reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund, and Day Care Funds. The School Nutrition Fund is a nonmajor fund used to account for the food service operations of the District. The Day Care Fund is a nonmajor fund used to account for the day care services of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements.

Cash, Pooled Investments and Cash Equivalents - The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purpose of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

Capital Assets - Capital assets, which include property, machinery and equipment, and intangibles are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings and improvements	1,000
Intangibles	75,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently is recorded as a liability in the government-wide statement of net assets. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the other expenditures functional area.

**Note 2. Deposits and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District 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 Board of Education; 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. As of June 30, 2013, the District had no investments.

**Note 3. Capital Assets**

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 8,977	-	-	8,977
Less accumulated depreciation	8,261	357	-	8,618
Business-type activities capital assets, net	<u>\$ 716</u>	<u>(357)</u>	<u>-</u>	<u>359</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Construction in progress	-	188,189	-	188,189
Total capital assets not being depreciated	5,000	188,189	-	193,189
Capital assets being depreciated:				
Buildings and improvements	2,180,550	125,744	-	2,306,294
Machinery and equipment	557,463	24,160	47,321	534,302
Total capital assets being depreciated	2,738,013	149,904	47,321	2,840,596
Less accumulated depreciation for:				
Buildings and improvements	821,461	75,435	-	896,896
Machinery and equipment	326,523	60,191	47,321	339,393
Total accumulated depreciation	1,147,984	135,626	47,321	1,236,289
Total capital assets being depreciated, net	1,590,029	14,278	-	1,604,307
Governmental activities capital assets, net	\$ 1,595,029	202,467	-	1,797,496

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 12,146
Other	3,135

Support services:

Instructional staff	1,268
Administration	2,543
Operation and maintenance of plant	19,645
Transportation	21,454

Unallocated depreciation

60,191  
75,435

Total governmental activities depreciation expense

\$ 135,626

Business Type activities:

Food services	\$ 357
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#### **Note 4. Long-Term Debt**

All Long-Term Debt listed is related to governmental activities. A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 535,000	-	100,000	435,000	105,000
Net OPEB liability	21,683	5,988	-	27,671	-
Total	\$ 556,683	5,988	100,000	462,671	105,000

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Business Type Activities:</u>					
Net OPEB liability	\$ -	4,998	-	4,998	-

#### General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of 2008				
	Interest Rate	Principal	Interest	Total	
2014	3.25 %	\$ 105,000	15,250	120,250	
2015	3.45	105,000	11,838	116,838	
2016	3.60	110,000	8,215	118,215	
2017	3.70	115,000	4,255	119,255	
Total		\$ 435,000	39,558	474,558	

#### **Note 5. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 13 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 3,374
Interest on net OPEB obligation	1,305
Adjustment to annual required contribution	6,307
Annual OPEB cost	10,986
Contributions made	-
Increase in net OPEB obligation	10,986
Net OPEB obligation beginning of year	21,683
Net OPEB obligation end of year	\$ 32,669

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 13,325	45.0 %	\$ 14,325
2012	13,358	44.9	21,683
2013	10,986	0.0	32,669

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$35,299, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,299. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$923,185, and the ratio of the UAAL to covered payroll was 3.8%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5.0%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$77,883, \$70,934, and \$73,212 respectively, equal to the required contributions for each year.

**Note 7. Risk Management**

Stratford Community School District 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 District 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$76,037 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 9. Construction Commitments**

The District has entered into a construction project totaling \$293,174. The project included the expansion of the Early Learning Center. As of June 30, 2013, costs of \$188,189 had been incurred against the contracts. The balance of \$89,811 will be paid as work progresses. The total cost of the improvements will be added to the District’s capital asset listing upon completion.

**Note 10. Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 11,802

**Note 11. Operating Lease Commitment**

The District entered into a five year contract to lease copiers during fiscal year 2013. The payments the District will make over the next 5 years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2014	\$ 5,007
2015	5,007
2016	5,007
2017	5,007
2018	4,172
	<u>\$ 24,200</u>

**Note 12. Budget Over Expenditure**

During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amounts budgeted.

**Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service Fund	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	8,811	1,088,041
Capital assets	1,797,496	-	-
General obligation bond capitalized indebtedness	(435,000)	-	-
Income surtax	-	-	73,944
Accrued interest payable	-	(2,542)	-
Net OPEB liability	-	-	(27,671)
Net position (Exhibit A)	<u>\$ 1,362,496</u>	<u>6,269</u>	<u>1,134,314</u>

REQUIRED SUPPLEMENTARY INFORMATION

STRATFORD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types - Actual	Fund Types - Actual		Original	Final	
Revenues:						
Local sources	\$ 1,416,958	146,647	1,563,605	1,608,805	1,608,805	(45,200)
State appropriations	867,514	418	867,932	941,180	941,180	(73,248)
Federal appropriations	70,238	27,349	97,587	93,000	93,000	4,587
Total revenues	<u>2,354,710</u>	<u>174,414</u>	<u>2,529,124</u>	<u>2,642,985</u>	<u>2,642,985</u>	<u>(113,861)</u>
Expenditures/expenses:						
Instruction	1,233,818	-	1,233,818	2,054,803	2,054,803	820,985
Support services	546,141	275	546,416	1,013,193	1,013,193	466,777
Non-instructional programs	-	196,308	196,308	458,795	458,795	262,487
Other expenditures/expenses	566,774	-	566,774	457,836	457,836	(108,938)
Total expenditures/expenses	<u>2,346,733</u>	<u>196,583</u>	<u>2,543,316</u>	<u>3,984,627</u>	<u>3,984,627</u>	<u>1,441,311</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	7,977	(22,169)	(14,192)	(1,341,642)	(1,341,642)	1,327,450
Balance beginning of year	<u>1,899,648</u>	<u>101,596</u>	<u>2,001,244</u>	<u>1,431,035</u>	<u>1,431,035</u>	<u>570,209</u>
Balance end of year	<u>\$ 1,907,625</u>	<u>79,427</u>	<u>1,987,052</u>	<u>89,393</u>	<u>89,393</u>	<u>1,897,659</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as function, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amounts budgeted.

STRATFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 105,000	105,000	0.0%	\$ 996,000	10.5%
2011	July 1, 2009	-	105,000	105,000	0.0%	1,061,000	9.9%
2012	July 1, 2009	-	105,000	105,000	0.0%	923,000	11.4%
2013	July 1, 2012	-	35,299	35,299	0.0%	923,185	3.8%

See Note 5 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

STRATFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	<u>Special Revenue Funds</u>		
	Student Activity	Debt Service	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,434	7,495	11,929
Receivables:			
Property tax:			
Delinquent	-	1,316	1,316
Succeeding year	-	120,750	120,750
<b>TOTAL ASSETS</b>	<u>\$ 4,434</u>	<u>129,561</u>	<u>133,995</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	120,750	120,750
Fund balances:			
Restricted for:			
Management levy purposes	-	8,811	8,811
Student activities	4,434	-	4,434
Total fund balances	<u>4,434</u>	<u>8,811</u>	<u>13,245</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 4,434</u>	<u>129,561</u>	<u>133,995</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds		
	Student Activity	Debt Service	Total
REVENUES:			
Local sources:			
Local tax	\$ -	117,943	117,943
Other	5,680	-	5,680
State sources	-	60	60
Total revenues	5,680	118,003	123,683
EXPENDITURES:			
Current:			
Instruction:			
Other	5,884	-	5,884
Long-term Debt:			
Principal	-	100,000	100,000
Interest and fiscal charges	-	18,750	18,750
Total expenditures	5,884	118,750	124,634
Change in fund balances	(204)	(747)	(951)
Fund balances beginning of year	4,638	9,558	14,196
Fund balances end of year	\$ 4,434	8,811	13,245

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 407,194	92,478	499,672
Receivables:			
Property tax:			
Delinquent	-	763	763
Succeeding year	-	72,664	72,664
Due from other governments	45,894	-	45,894
<b>TOTAL ASSETS</b>	<b>\$ 453,088</b>	<b>165,905</b>	<b>618,993</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 54,467	-	54,467
Succeeding year property tax	-	72,664	72,664
<b>Total liabilities</b>	<b>54,467</b>	<b>72,664</b>	<b>127,131</b>
Fund balances:			
Restricted for:			
School infrastructure	398,621	-	398,621
Physical plant and equipment levy	-	93,241	93,241
<b>Total fund balances</b>	<b>398,621</b>	<b>93,241</b>	<b>491,862</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 453,088</b>	<b>165,905</b>	<b>618,993</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 139,818	68,469	208,287
Other	2,395	-	2,395
State sources	-	35	35
Total revenues	<u>142,213</u>	<u>68,504</u>	<u>210,717</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	38,183	38,183
Operation and maintenance of plant	-	4,538	4,538
Transportation	-	21,097	21,097
Capital outlay	356,312	15,675	371,987
Total expenditures	<u>356,312</u>	<u>79,493</u>	<u>435,805</u>
Change in fund balances	(214,099)	(10,989)	(225,088)
Fund balance beginning of year	<u>612,720</u>	<u>104,230</u>	<u>716,950</u>
Fund balance end of year	<u>\$ 398,621</u>	<u>93,241</u>	<u>491,862</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Book Club	\$ 1,111	1,109	1,375	845
Miscellaneous	1,298	4,137	4,060	1,375
Music	-	254	254	-
Extra activities	2,229	180	195	2,214
TOTAL	<u>\$ 4,638</u>	<u>5,680</u>	<u>5,884</u>	<u>4,434</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**STRATFORD COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,252,779	1,197,913	1,200,503	1,101,132	1,081,485	980,073	937,818	936,353	843,902	826,900
Tuition	140,434	112,111	77,197	46,806	94,377	106,675	122,493	90,181	45,413	50,833
Other	23,745	24,098	86,421	38,784	51,100	61,390	58,544	244,763	66,143	35,060
State sources	867,514	966,858	1,004,714	884,216	1,076,069	1,202,815	1,074,155	1,071,636	964,485	804,756
Federal sources	70,238	79,613	163,087	203,592	105,830	69,361	59,728	70,315	49,073	52,880
<b>Total</b>	<b>\$ 2,354,710</b>	<b>2,380,593</b>	<b>2,531,922</b>	<b>2,274,530</b>	<b>2,408,861</b>	<b>2,420,314</b>	<b>2,252,738</b>	<b>2,413,248</b>	<b>1,969,016</b>	<b>1,770,429</b>
Expenditures:										
Instruction:										
Regular	\$ 852,906	785,325	965,121	1,074,045	1,139,586	1,051,695	1,040,895	970,395	904,952	754,418
Special	269,819	287,072	272,789	234,724	266,271	290,758	284,566	251,479	234,519	195,508
Other	111,093	134,539	158,732	134,033	66,923	74,123	61,625	69,664	64,966	54,159
Support services:										
Student	1,945	2,491	3,764	3,238	1,805	2,085	1,542	7,739	7,239	8,171
Instructional staff	55,641	37,449	46,680	114,849	36,914	20,126	11,363	9,074	13,239	10,871
Administration	199,285	252,826	203,929	215,834	181,804	179,298	172,388	160,063	147,002	185,224
Operation and maintenance of plant	182,489	169,802	168,160	166,650	163,288	159,097	150,189	160,882	146,667	126,804
Transportation	106,781	85,743	178,696	115,502	131,187	120,060	253,574	123,764	107,691	88,935
Non-instructional programs	-	-	20,000	15,000	10,000	20,000	20,000	10,000	20,875	2,205
Other expenditures:										
Capital outlays	371,987	22,411	36,633	121,422	55,515	63,542	98,578	252,857	174,086	19,481
Long-term debt:										
Principal	100,000	100,000	95,000	95,000	90,000	95,000	75,000	70,000	65,000	65,000
Interest and other charges	18,750	21,700	24,312	26,735	28,940	45,985	49,630	53,980	57,580	61,480
AEA flow-through	76,037	76,708	86,858	87,408	81,015	80,743	75,959	73,288	65,464	61,314
<b>Total</b>	<b>\$ 2,346,733</b>	<b>1,976,066</b>	<b>2,260,674</b>	<b>2,404,440</b>	<b>2,253,248</b>	<b>2,202,512</b>	<b>2,295,309</b>	<b>2,213,185</b>	<b>2,009,280</b>	<b>1,633,570</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**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 Board of Education of the Stratford Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Stratford Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Stratford Community School District'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 Stratford Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Stratford Community School District'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 the 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 District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

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 as items I-C-13 through I-E-13 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. 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.

## **Stratford Community School District's Responses to Findings**

Stratford Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Stratford Community School District'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 District'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 District'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 Stratford Community School District 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.



NOLTE, CORMAN & JOHNSON, P.C.

March 11, 2014  
Newton, Iowa

STRATFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - We continue to look at ways to segregate duties, utilizing current personnel and elected officials. We review and make changes to job descriptions to segregate duties as much as possible and build in safeguards.

Conclusion - Response accepted.

I-B-13 Subsidiary Record Keeping - We noted that the Student Activity Fund Fund's financial records are being maintained using paper ledger cards. It appeared that the District was not reconciling the Student Activity Fund subsidiary records to the District's Uniform Financial Accounting system in a timely manner.

Recommendation - The District needs to integrate the financial transactions of the Student Activity Fund on the District's Uniform Financial Accounting system. District personnel should receive additional training on how to properly maintain the official records on the District's Uniform Financial Accounting system.

The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, the records must be reconciled to the official records monthly.

Response - Financial transactions of the Student Activity Fund are maintained on the District's Uniform Financial Accounting system. Records are reconciled to the official records monthly.

Conclusion - Response accepted.

I-C-13 Purchase Orders - We noted during our audit that the District does not require a purchase order for purchases using the District's credit card.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - Purchase orders are now utilized for all purchases. All disbursements, utilizing purchase orders, are approved by the appropriate administrator before ordering of supplies takes place.

Conclusion - Response accepted.

I-D-13 Employee Reimbursements - We noted during our audit that employees purchase supplies for the District and turn the receipts into the central office for reimbursement. When the District makes the reimbursements to the employees, the District reimburses the full amount of the receipt including the sales tax.

Recommendation - If employees are allowed to make purchases of District supplies, an administrator should sign off on the purchases. If the District would have made the purchases, sales tax is not applicable because of the District's tax exempt status. Therefore, when the District reimburses employees, the reimbursement should not include sales tax.

Response - Purchase orders are now utilized for all purchases. All disbursements, utilizing purchase orders, are approved by the appropriate administrator before ordering of supplies takes place. That includes purchases an employee may make. The administrator has approved it prior to the employee making the purchase. If sales tax is included, the employee is not reimbursed for sales tax.

Conclusion - Response accepted.

I-E-13 Supporting Documentation - We noted instances of checks being written to vendors in the Student Activity Fund without an invoice or statement for supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - Purchase orders are now utilized for all purchases. All disbursements, utilizing purchase orders are approved by the appropriate administrator before ordering of supplies takes place. The vendor is asked to submit an invoice or provide supporting documentation prior to payment.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the amount budgeted in the other expenditures functional category.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will amend the budget in accordance with Chapter 24.9 of the Code of Iowa before expenditures are allowed to exceed the budget.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - We noted during our audit that one teacher who was coded to Talented and Gifted did not have the necessary TAG certification on their teaching license. Since the teacher does not have the necessary certification we question the expenses in the amount of \$11,802. The following shows the adjustment made by the District to the ending restricted balance for the talented and gifted program:

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
Allowable growth for returning talented and gifted program	\$ -	\$ 11,802	\$ 11,802

Recommendation - The District should review their procedures to ensure that all teachers coded to Talented and Gifted have the proper certifications on their teaching licenses. The District should also notify the Department of Education to amend the certified annual report.

Response - The District has reviewed its procedures to ensure that all teachers coded to TAG have the proper certifications on their teaching licenses. The District will notify the Department of Education to amend the certified annual report.

Conclusion - Response accepted.

- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$ 612,720
Revenues:		
Sales tax revenues	\$ 139,818	
Other local revenue	2,395	142,213
		<u>754,933</u>
Expenditures:		
School infrastructure construction	\$ 308,532	
Equipment	2,900	
Other	44,880	356,312
		<u>356,312</u>
Ending balance		<u>\$ 398,621</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-N-13 Contracts - We noted during our audit that the Board President did not sign the copier lease entered into by the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

II-O-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

**Questionable Account:** We noted a Book Club and Extra Activities account in the Student Activity Fund. The revenues and expenditures related to the Book Club account appear to be for instructional items and therefore, would be more appropriately handled in the General Fund. The revenues and expenditures related to the Extra Activities account appear to be used for faculty apparel resale items, and would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Book Club and Extra Activities accounts appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - Revenues and expenditures that are for instructional items, like Book Club and faculty apparel, will be handled in the General Fund.

Conclusion - Response accepted.