

STRATFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Stratford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Julie Patterson	President	2013
Vance Cook	Vice President	2013
April Carlson	Board Member	2015
Toni Larson	Board Member	2013
Eric McGlynn	Board Member	2015

(After September 2013 Election)

Julie Patterson	President	2017
April Carlson	Vice President	2015
Chad Smith	Board Member	2017
Alison Weidemann	Board Member	2017
Eric McGlynn	Board Member	2015
	(Resigned June 25, 2014)	
Christina Bauer	Board Member	2015
	(Appointed June 25, 2014)	

School Officials

Sarah Binder	Superintendent	2014
Linda Swedlund	District Secretary/Treasurer	2014
Ahlers & Cooney	Attorney	2014

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, 2014, 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, 2014, 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those 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 eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified 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 23, 2015 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 23, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,845,288 in fiscal 2013 to \$1,756,999 in fiscal 2014, while General Fund expenditures increased from \$1,741,783 in fiscal 2013 to \$1,838,596 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,099,843 at June 30, 2013 to a balance of \$1,018,246 at June 30, 2014, a 7.42% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and state sources in fiscal 2014. The increase in expenditures was due primarily to an increase in the support services functional area.
- 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.

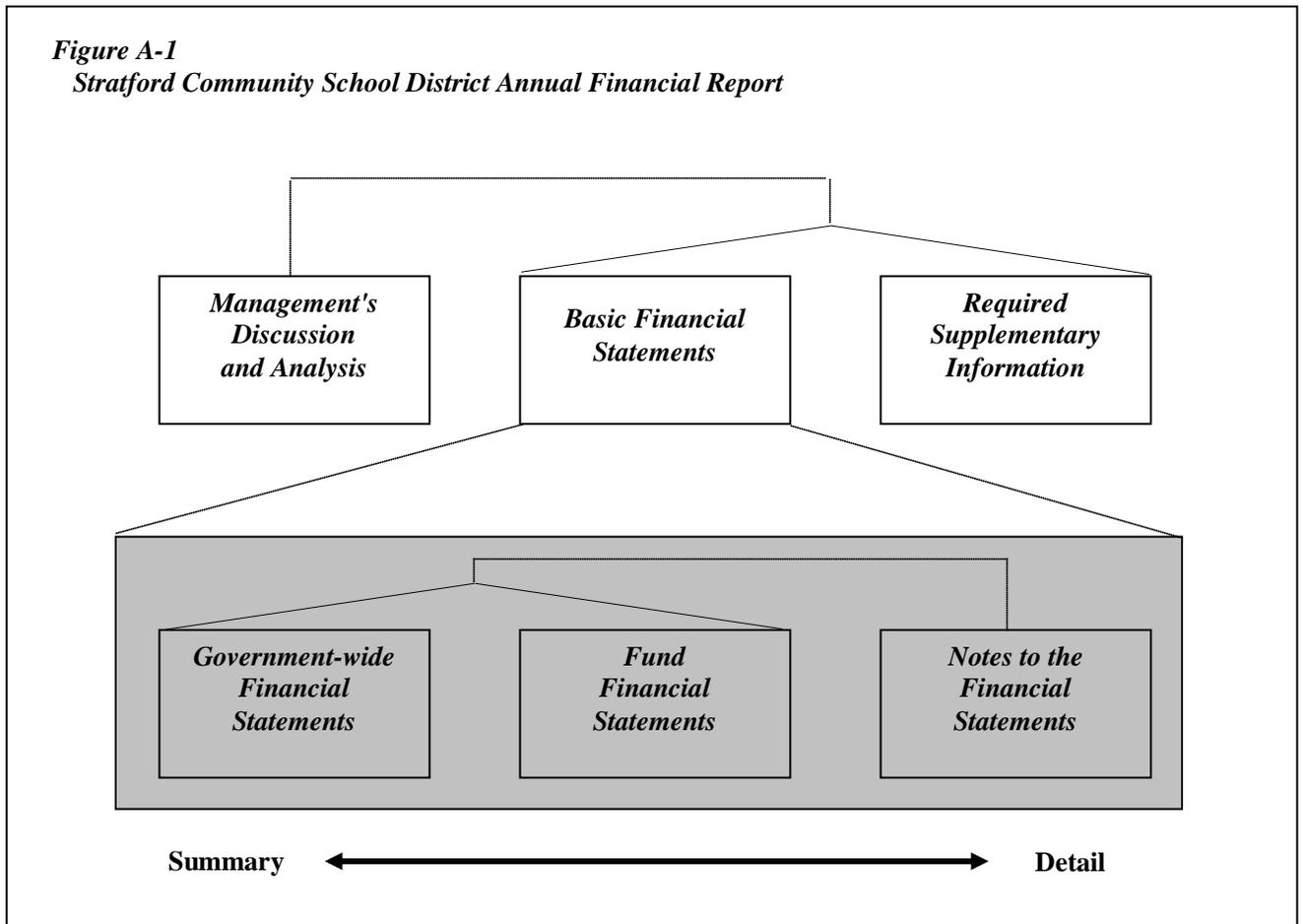


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 3,164,249	3,254,262	61,579	84,847	3,225,828	3,339,109	-3.39%
Capital assets	1,927,655	1,797,496	180	359	1,927,835	1,797,855	7.23%
Total assets	5,091,904	5,051,758	61,759	85,206	5,153,663	5,136,964	0.33%
Long-term liabilities	357,671	462,671	4,998	4,998	362,669	467,669	-22.45%
Other liabilities	159,959	228,063	1,434	781	161,393	228,844	-29.47%
Total liabilities	517,630	690,734	6,432	5,779	524,062	696,513	-24.76%
Deferred inflows of resources	1,043,753	1,047,172	-	-	1,043,753	1,047,172	-0.33%
Net position:							
Net investment in capital assets	1,597,655	1,362,496	180	359	1,597,835	1,362,855	17.24%
Restricted	877,431	817,042	-	-	877,431	817,042	7.39%
Unrestricted	1,055,436	1,134,314	55,147	79,068	1,110,582	1,213,382	-8.47%
Total net position	\$ 3,530,522	3,313,852	55,327	79,427	3,585,848	3,393,279	5.68%

The District's combined net position increased by 5.68%, or \$192,569, 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 increased \$60,389, or 7.39% over the prior year. The increase in restricted net position was a result of the increase in the Management Levy Fund balance as compared to the previous year.

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 - decreased \$102,800, or 8.47%. This decrease in unrestricted net position was primarily a result the District's decrease in the General Fund balance as compared to the previous year.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 122,782	149,416	138,290	132,331	261,072	281,747	-7.34%
Operating grants and contributions and restricted interest	171,187	179,281	48,481	41,834	219,668	221,115	-0.65%
Capital grants and contributions and restricted interest	5,154	-	-	-	5,154	-	100.00%
General revenues:							
Local tax	1,037,679	1,035,665	-	-	1,037,679	1,035,665	0.19%
Income surtax	88,742	75,516	-	-	88,742	75,516	17.51%
Statewide sales, services and use tax	140,513	139,818	-	-	140,513	139,818	0.50%
Unrestricted state grants	729,107	758,471	-	-	729,107	758,471	-3.87%
Unrestricted investment earnings	1,719	6,426	-	-	1,719	6,426	-73.25%
Other	4,215	8,337	62	249	4,277	8,586	-50.19%
Total revenues	2,301,098	2,352,930	186,833	174,414	2,487,931	2,527,344	-1.56%
Program expenses:							
Governmental activities:							
Instructional	1,311,863	1,292,621	-	-	1,311,863	1,292,621	1.49%
Support services	630,408	587,411	-	275	630,408	587,686	7.27%
Non-instructional programs	-	-	210,933	196,308	210,933	196,308	7.45%
Other expenses	142,157	171,235	-	-	142,157	171,235	-16.98%
Total expenses	2,084,428	2,051,267	210,933	196,583	2,295,361	2,247,850	2.11%
Change in net position	216,670	301,663	(24,100)	(22,169)	192,570	279,494	-31.10%
Beginning net position	3,313,852	3,012,189	79,427	101,596	3,393,279	3,113,785	8.98%
Ending net position	\$ 3,530,522	3,313,852	55,327	79,427	3,585,849	3,393,279	5.68%

In fiscal 2014, local tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 88.74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.97% of the revenue from business type activities.

The District's total revenues were \$2,487,931 of which \$2,301,098 was for governmental activities and \$186,833 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.56% decrease in revenues and a 2.11% increase in expenses. The increase in expenses related to an increase in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$2,301,098 and expenses were \$2,084,428.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 1,311,863	1,292,621	1.49%	1,098,291	1,039,961	5.61%
Support services	630,408	587,411	7.32%	622,485	587,411	5.97%
Other expenses	142,157	171,235	-16.98%	64,529	95,198	-32.22%
Totals	\$ 2,084,428	2,051,267	1.62%	1,785,305	1,722,570	3.64%

- The cost financed by users of the District’s programs was \$122,782.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$176,341.
- The net cost of governmental activities was financed with \$1,037,679 in local tax, \$88,742 in income surtax, \$140,513 in statewide sales, services and use tax, \$729,107 in unrestricted state grants, \$1,719 in unrestricted investment earnings, and \$4,215 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$186,833 and expenses were \$210,933. 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 \$1,885,217, above last year’s ending fund balances of \$1,907,625. The primary reason for the increase in combined fund balances in fiscal 2014 is due to the increase in fund balance of the Management Levy Fund as compared to the previous year.

Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2014 decreased 4.78% or \$88,289, to \$1,756,999 compared to \$1,845,288 in fiscal 2013. The expenses increased by 5.56% or \$96,813, to \$1,838,596 compared to \$1,741,783 in fiscal 2013. The General Fund balance decreased \$81,597 during the course of the year.
- The Capital Projects Fund balance decreased from \$491,862 in fiscal 2013 to \$394,402 in fiscal 2014. The decrease was due to the construction costs incurred during the year.
- The Management Levy Fund balance increased from \$302,675 in fiscal 2013 to \$458,982 in fiscal 2014. 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 \$4,754 at June 30, 2013 to \$3,031 at June 30, 2014, representing a decrease of 36.24%. The Day Care Fund net position decreased from \$74,673 at June 30, 2013 to \$52,296 at June 30, 2014, representing a decrease of 29.97%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$82,180 less than budgeted revenues, a variance of 3.20%. The most significant variance resulted from the District receiving less in local 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, 2014, the District had invested \$1,927,835, 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 4 to the financial statements. Depreciation expense for the year was \$94,033.

The original cost of the District's capital assets was \$3,264,212. Governmental funds account for \$3,255,235 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 \$0 at June 30, 2014, compared to \$188,189 reported at June 30, 2013. This decrease resulted from the construction completed 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,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Construction in progress	-	188,189	-	-	-	188,189	100.00%
Buildings and improvements	1,772,152	1,409,398	-	-	1,772,152	1,409,398	25.74%
Machinery and equipment	150,503	194,909	180	359	150,683	195,268	-22.83%
Total	\$ 1,927,655	1,797,496	180	359	1,927,835	1,797,855	7.23%

Long-Term Debt

At June 30, 2014, the District had \$362,669 in general obligation and other long-term debt outstanding. This represents a decrease of 22.45% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 3 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$330,000 at June 30, 2014.

The District had total outstanding other postemployment benefits payable of \$32,669 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 330,000	435,000	-	-	330,000	435,000	-24.14%
Net OPEB liability	27,671	27,671	4,998	4,998	32,669	32,669	0.00%
Totals	\$ 357,671	462,671	4,998	4,998	362,669	467,669	-22.45%

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:

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

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, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,947,600	56,296	2,003,896
Receivables:			
Property tax:			
Delinquent	10,555	-	10,555
Succeeding year	1,043,753	-	1,043,753
Income surtax	77,294	-	77,294
Accounts	-	1,064	1,064
Due from other governments	85,048	3,437	88,485
Inventories	-	782	782
Capital assets, net of accumulated depreciation	1,927,655	180	1,927,835
TOTAL ASSETS	5,091,905	61,759	5,153,664
LIABILITIES			
Accounts payable	55,404	1,338	56,742
Salaries and benefits payable	102,582	-	102,582
Interest payable	1,973	-	1,973
Unearned revenue	-	96	96
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	105,000	-	105,000
Portion due after one year:			
General obligation bonds payable	225,000	-	225,000
Net OPEB liability	27,671	4,998	32,669
TOTAL LIABILITIES	517,630	6,432	524,062
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,043,753	-	1,043,753
NET POSITION			
Net investment in capital assets	1,597,655	180	1,597,835
Restricted for:			
Categorical funding	12,433	-	12,433
Debt service	7,049	-	7,049
Management levy purposes	458,983	-	458,983
Student activities	4,564	-	4,564
School infrastructure	286,579	-	286,579
Physical plant and equipment	107,823	-	107,823
Unrestricted	1,055,436	55,147	1,110,583
TOTAL NET POSITION	\$ 3,530,522	55,327	3,585,849

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants,	Capital Grants,	Governmental Activities	Business Type Activities	
			Contributions and Restricted Interest	Contributions and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 919,120	90,627	17,435	-	(811,058)	-	(811,058)
Special	281,287	27,493	7,135	-	(246,659)	-	(246,659)
Other	111,456	1,893	68,989	-	(40,574)	-	(40,574)
	<u>1,311,863</u>	<u>120,013</u>	<u>93,559</u>	<u>-</u>	<u>(1,098,291)</u>	<u>-</u>	<u>(1,098,291)</u>
Support services:							
Student	2,452	-	-	-	(2,452)	-	(2,452)
Instructional staff	81,274	-	-	-	(81,274)	-	(81,274)
Administration	216,137	-	-	-	(216,137)	-	(216,137)
Operation and maintenance of plant	230,217	-	-	5,154	(225,063)	-	(225,063)
Transportation	100,328	2,769	-	-	(97,559)	-	(97,559)
	<u>630,408</u>	<u>2,769</u>	<u>-</u>	<u>5,154</u>	<u>(622,485)</u>	<u>-</u>	<u>(622,485)</u>
Long-term debt interest	15,081	-	-	-	(15,081)	-	(15,081)
Other expenses:							
AEA flowthrough	77,628	-	77,628	-	-	-	-
Depreciation(unallocated)*	49,448	-	-	-	(49,448)	-	(49,448)
	<u>127,076</u>	<u>-</u>	<u>77,628</u>	<u>-</u>	<u>(49,448)</u>	<u>-</u>	<u>(49,448)</u>
Total governmental activities	2,084,428	122,782	171,187	5,154	(1,785,305)	-	(1,785,305)
Business type activities:							
Non-instructional programs:							
Nutrition services	72,310	38,733	31,792	-	-	(1,785)	(1,785)
Day care services	138,623	99,557	16,689	-	-	(22,377)	(22,377)
	<u>210,933</u>	<u>138,290</u>	<u>48,481</u>	<u>-</u>	<u>-</u>	<u>(24,162)</u>	<u>(24,162)</u>
Total	\$ 2,295,361	261,072	219,668	5,154	(1,785,305)	(24,162)	(1,809,467)
General Revenues:							
Property tax levied for:							
General purposes					\$ 844,175	-	844,175
Debt service					120,806	-	120,806
Capital outlay					72,698	-	72,698
Income surtax					88,742	-	88,742
Statewide sales and services tax					140,513	-	140,513
Unrestricted state grants					729,107	-	729,107
Unrestricted investment earnings					1,719	-	1,719
Other general revenues					4,215	62	4,277
Total general revenues					<u>2,001,975</u>	<u>62</u>	<u>2,002,037</u>
Change in net position					216,670	(24,100)	192,570
Net position beginning of year					<u>3,313,852</u>	<u>79,427</u>	<u>3,393,279</u>
Net position end of year					<u>\$ 3,530,522</u>	<u>55,327</u>	<u>3,585,849</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, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,134,591	456,947	343,705	12,357	1,947,600
Receivables:					
Property tax:					
Delinquent	6,551	2,036	739	1,229	10,555
Succeeding year	623,751	230,000	72,664	117,338	1,043,753
Income surtax	77,294	-	-	-	77,294
Due from other governments	34,044	-	51,004	-	85,048
TOTAL ASSETS	\$ 1,876,231	688,983	468,112	130,924	3,164,250
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 54,358	-	1,046	-	55,404
Salaries and benefits payable	102,582	-	-	-	102,582
Total liabilities	156,940	-	1,046	-	157,986
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	623,751	230,000	72,664	117,338	1,043,753
Income surtax	77,294	-	-	-	77,294
Total deferred inflows of resources	701,045	230,000	72,664	117,338	1,121,047
Fund balances:					
Restricted for:					
Categorical funding	12,433	-	-	-	12,433
Debt service	-	-	-	9,022	9,022
Management levy purposes	-	458,983	-	-	458,983
Student activities	-	-	-	4,564	4,564
School infrastructure	-	-	286,579	-	286,579
Physical plant and equipment	-	-	107,823	-	107,823
Unassigned	1,005,813	-	-	-	1,005,813
Total fund balances	1,018,246	458,983	394,402	13,586	1,885,217
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,876,231	688,983	468,112	130,924	3,164,250

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	1,885,217
 <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.		1,927,655
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.		(1,973)
Income surtax receivable are not available to pay current year expenditures and, therefore, are recognized as defered inflows of resources in the governmental funds.		77,294
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>(357,671)</u>
Net position of governmental activities(page 18)	\$	<u><u>3,530,522</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 729,472	200,094	72,698	120,806	1,123,070
Tuition	113,908	-	-	-	113,908
Other	10,747	1,781	5,542	1,893	19,963
State sources	846,343	91	140,546	55	987,035
Federal sources	53,772	-	-	-	53,772
Total revenues	<u>1,754,242</u>	<u>201,966</u>	<u>218,786</u>	<u>122,754</u>	<u>2,297,748</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	881,402	-	-	-	881,402
Special	273,641	-	-	-	273,641
Other	103,613	-	-	1,763	105,376
	<u>1,258,656</u>	<u>-</u>	<u>-</u>	<u>1,763</u>	<u>1,260,419</u>
Support services:					
Student	2,385	-	-	-	2,385
Instructional staff	50,702	-	27,129	-	77,831
Administration	207,787	-	-	-	207,787
Operation and maintenance of plant	159,310	40,958	7,262	-	207,530
Transportation	82,128	4,700	6,176	-	93,004
	<u>502,312</u>	<u>45,658</u>	<u>40,567</u>	<u>-</u>	<u>588,537</u>
Capital outlay	-	-	275,679	-	275,679
Long-term debt:					
Principal	-	-	-	105,000	105,000
Interest and fiscal charges	-	-	-	15,650	15,650
	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,650</u>	<u>120,650</u>
Other expenditures:					
AEA flowthrough	77,628	-	-	-	77,628
Total expenditures	<u>1,838,596</u>	<u>45,658</u>	<u>316,246</u>	<u>122,413</u>	<u>2,322,913</u>
Excess(Deficiency) of revenues over(under) expenditures	(84,354)	156,308	(97,460)	341	(25,165)
Other financing sources:					
Sale of equipment	2,757	-	-	-	2,757
Change in fund balances	(81,597)	156,308	(97,460)	341	(22,408)
Fund balances beginning of year	<u>1,099,843</u>	<u>302,675</u>	<u>491,862</u>	<u>13,245</u>	<u>1,907,625</u>
Fund balances end of year	<u>\$ 1,018,246</u>	<u>458,983</u>	<u>394,402</u>	<u>13,586</u>	<u>1,885,217</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, 2014

Change in fund balances - total governmental funds(page 22) \$ (22,408)

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

Capital outlay 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 outlay and depreciation expense in the year are as follows:

Capital outlay	\$ 221,450	
Depreciation expense	<u>(91,291)</u>	130,159

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 are as follows:

Repaid		105,000
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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.

569

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.

3,350

Change in net position of governmental activities(page 19) \$ 216,670

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 3,279	53,017	56,296
Accounts receivable	331	733	1,064
Due from other governments	1,054	2,383	3,437
Inventories	782	-	782
Total current assets	<u>5,446</u>	<u>56,133</u>	<u>61,579</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	180	-	180
TOTAL ASSETS	<u>5,626</u>	<u>56,133</u>	<u>61,759</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	1,338	1,338
Unearned revenue	96	-	96
Total current liabilities	<u>96</u>	<u>1,338</u>	<u>1,434</u>
Long-term liabilities:			
Net OPEB liability	2,499	2,499	4,998
TOTAL LIABILITIES	<u>2,595</u>	<u>3,837</u>	<u>6,432</u>
NET POSITION			
Net investment in capital assets	180	-	180
Unrestricted	2,851	52,296	55,147
TOTAL NET POSITION	<u>\$ 3,031</u>	<u>52,296</u>	<u>55,327</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, 2014

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 38,733	99,557	138,290
Miscellaneous	62	-	62
Donations	-	4,418	4,418
TOTAL OPERATING REVENUE	38,795	103,975	142,770
OPERATING EXPENSES:			
Support services:			
Non-instructional programs:			
Food service operations:			
Salaries	26,414	-	26,414
Benefits	9,647	-	9,647
Supplies	36,070	-	36,070
Depreciation	179	-	179
	72,310	-	72,310
Community service operations:			
Salaries	-	96,064	96,064
Benefits	-	15,802	15,802
Supplies	-	26,757	26,757
	-	138,623	138,623
Total non-instructional programs	72,310	138,623	210,933
TOTAL OPERATING EXPENSES	72,310	138,623	210,933
OPERATING LOSS	(33,515)	(34,648)	(68,163)
NON-OPERATING REVENUES:			
Intermediate sources	-	2,720	2,720
State sources	431	9,551	9,982
Federal sources	31,361	-	31,361
TOTAL NON-OPERATING REVENUES	31,792	12,271	44,063
Change in net position	(1,723)	(22,377)	(24,100)
Net position beginning of year	4,754	74,673	79,427
Net position end of year	\$ 3,031	52,296	55,327

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2014

	School		
	Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 37,573	-	37,573
Cash received from daycare operating activities	-	98,914	98,914
Cash received from donations	-	4,418	4,418
Cash received from miscellaneous sources	62	-	62
Cash payments to employees for services	(36,061)	(111,866)	(147,927)
Cash payments to suppliers for goods or services	(29,083)	(25,667)	(54,750)
Net cash used in operating activities	<u>(27,509)</u>	<u>(34,201)</u>	<u>(61,710)</u>
Cash flows from non-capital financing activities:			
Intermediate source revenues received	-	2,720	2,720
State source revenues received	431	7,168	7,599
Federal source revenues received	23,930	-	23,930
Net cash provided by non-capital financing activities	<u>24,361</u>	<u>9,888</u>	<u>34,249</u>
Net decrease in cash and cash equivalents	(3,148)	(24,313)	(27,461)
Cash and cash equivalents at beginning of year	6,427	77,330	83,757
Cash and cash equivalents at end of year	<u>\$ 3,279</u>	<u>53,017</u>	<u>56,296</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (33,515)	(34,648)	(68,163)
Adjustments to reconcile operating loss to net used in operating activities:			
Commodities used	7,100	-	7,100
Depreciation	179	-	179
Increase in inventories	(113)	-	(113)
Increase in accounts receivable	(723)	(643)	(1,366)
Increase in accounts payable	-	1,090	1,090
Decrease in unearned revenue	(437)	-	(437)
Net cash used in operating activities	<u>\$ (27,509)</u>	<u>(34,201)</u>	<u>(61,710)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$7,100.

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship Fund</u>
ASSETS	
Cash and pooled investments	<u>\$ 1,961</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u><u>\$ 1,961</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014

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

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted net position.

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, Deferred Inflows of Resources and Fund Balances

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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 2014, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2014.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 inflows of resources consist of succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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.

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 Position.

Fund Balances - 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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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, 2014, the District had no investments.

Note 3. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 435,000	-	105,000	330,000	105,000
Net OPEB liability	27,671	-	-	27,671	-
Total	<u>\$ 462,671</u>	<u>-</u>	<u>105,000</u>	<u>357,671</u>	<u>105,000</u>
Business Type Activities:					
Net OPEB liability	\$ 4,998	-	-	4,998	-

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of 2008				
	Interest Rate	Principal	Interest	Total	
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		<u>\$ 330,000</u>	<u>24,308</u>	<u>354,308</u>	

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	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	159,279	347,468	-
Total capital assets not being depreciated	<u>193,189</u>	<u>159,279</u>	<u>347,468</u>	<u>5,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,306,294	412,202	-	2,718,496
Machinery and equipment	534,302	-	2,563	531,739
Total capital assets being depreciated	<u>2,840,596</u>	<u>412,202</u>	<u>2,563</u>	<u>3,250,235</u>
Less accumulated depreciation for:				
Buildings and improvements	896,896	49,448	-	946,344
Machinery and equipment	339,393	44,406	2,563	381,236
Total accumulated depreciation	<u>1,236,289</u>	<u>93,854</u>	<u>2,563</u>	<u>1,327,580</u>
Total capital assets being depreciated, net	<u>1,604,307</u>	<u>318,348</u>	<u>-</u>	<u>1,922,655</u>
Governmental activities capital assets, net	<u>\$ 1,797,496</u>	<u>477,627</u>	<u>347,468</u>	<u>1,927,655</u>
Business Type Activities:				
Machinery and equipment	\$ 8,977	-	-	8,977
Less accumulated depreciation	8,618	179	-	8,797
Business-type activities capital assets, net	<u>\$ 359</u>	<u>(179)</u>	<u>-</u>	<u>180</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 13,089
Other	3,135

Support services:

Instructional staff	1,268
Administration	2,544
Operation and maintenance of plant	19,645
Transportation	4,725

Unallocated depreciation

Total governmental activities depreciation expense

Business Type activities:

Food services	<u>\$ 179</u>
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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. Retired 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.

GASB Statement No. 45 allows Districts with fewer than 100 employees included on the District's health plan to use the Alternative Measurement Method to determine the net OPEB liability. Those Districts with fewer than 100 members are required to get new actuarial valuations every three years barring a substantial change in the plan. Under the Alternative Measurement Method, the net OPEB liability remains the same until the District is required to renew their actuarial valuation. The net OPEB liability as of the most recent valuation is \$32,669. The District is scheduled to need a new valuation for fiscal year 2016.

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, 2014.

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, 2014 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 13,358	44.9 %	\$ 21,683
2013	10,986	0.0	32,669
2014	-	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, 2013 through June 30, 2014, 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 \$957,055, and the ratio of the UAAL to covered payroll was 3.7%. As of June 30, 2014, 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$85,180, \$77,883, and \$70,934 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 \$77,628 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Operating Lease Commitment

The District entered into a five year contract to lease copiers during fiscal year 2013. The District will make monthly payments of \$417.21 through April 2018.

Note 10. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 8,531
Teacher leadership grants	3,902
Total	<u>\$ 12,433</u>

Note 11. 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:

	<u>Net Investment in Capital Assets</u>	<u>Debt Service Fund</u>	<u>Unassigned/ Restricted Balances</u>
Fund Balance (Exhibit C)	\$ -	9,022	1,005,813
Capital assets, net of accumulated depreciation	1,927,655	-	-
General obligation bond capitalized indebtedness	(330,000)	-	-
Income surtax	-	-	77,294
Accrued interest payable	-	(1,973)	-
Net OPEB liability	-	-	(27,671)
Net position (Exhibit A)	<u>\$ 1,597,655</u>	<u>7,049</u>	<u>1,055,436</u>

Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

STRATFORD COMMUNITY SCHOOL DISTRICT

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, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 1,256,941	142,770	1,399,711	1,561,472	1,561,472	(161,761)
Intermediate sources	-	2,720	2,720	25,000	25,000	(22,280)
State appropriations	987,035	9,982	997,017	915,289	915,289	81,728
Federal appropriations	53,772	31,361	85,133	65,000	65,000	20,133
Total revenues	<u>2,297,748</u>	<u>186,833</u>	<u>2,484,581</u>	<u>2,566,761</u>	<u>2,566,761</u>	<u>(82,180)</u>
Expenditures/expenses:						
Instruction	1,260,419	-	1,260,419	1,785,000	1,785,000	524,581
Support services	588,537	-	588,537	919,000	919,000	330,463
Non-instructional programs	-	210,933	210,933	255,000	255,000	44,067
Other expenditures/expenses	473,957	-	473,957	604,681	604,681	130,724
Total expenditures/expenses	<u>2,322,913</u>	<u>210,933</u>	<u>2,533,846</u>	<u>3,563,681</u>	<u>3,563,681</u>	<u>1,029,835</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(25,165)	(24,100)	(49,265)	(996,920)	(996,920)	947,655
Other financing sources, net	<u>2,757</u>	-	<u>2,757</u>	-	-	<u>2,757</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(22,408)	(24,100)	(46,508)	(996,920)	(996,920)	950,412
Balance beginning of year	<u>1,907,625</u>	<u>79,427</u>	<u>1,987,052</u>	<u>1,615,483</u>	<u>1,615,483</u>	<u>371,569</u>
Balance end of year	<u>\$ 1,885,217</u>	<u>55,327</u>	<u>1,940,544</u>	<u>618,563</u>	<u>618,563</u>	<u>1,321,981</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2014	July 1, 2012	-	35,299	35,299	0.0%	957,055	3.7%

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, 2014

	Special Revenue		
	Student Activity	Debt Service	Total
ASSETS			
Cash and pooled investments	\$ 4,564	7,793	12,357
Receivables:			
Property tax:			
Delinquent	-	1,229	1,229
Succeeding year	-	117,338	117,338
TOTAL ASSETS	\$ 4,564	126,360	130,924
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	-	117,338	117,338
Fund balances:			
Restricted for:			
Debt service	-	9,022	9,022
Student activities	4,564	-	4,564
Total fund balances	4,564	9,022	13,586
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,564	126,360	130,924

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, 2014

	Special Revenue		
	Student Activity	Debt Service	Total
REVENUES:			
Local sources:			
Local tax	\$ -	120,806	120,806
Other	1,893	-	1,893
State sources	-	55	55
Total revenues	1,893	120,861	122,754
EXPENDITURES:			
Current:			
Instruction:			
Other	1,763	-	1,763
Long-term debt:			
Principal	-	105,000	105,000
Interest and fiscal charges	-	15,650	15,650
Total expenditures	1,763	120,650	122,413
Change in fund balances	130	211	341
Fund balances beginning of year	4,434	8,811	13,245
Fund balances end of year	\$ 4,564	9,022	13,586

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 236,621	107,084	343,705
Receivables:			
Property tax:			
Delinquent	-	739	739
Succeeding year	-	72,664	72,664
Due from other governments	51,004	-	51,004
TOTAL ASSETS	\$ 287,625	180,487	468,112
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,046	-	1,046
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	-	72,664	72,664
Fund balances:			
Restricted for:			
School infrastructure	286,579	-	286,579
Physical plant and equipment levy	-	107,823	107,823
Total fund balances	286,579	107,823	394,402
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 287,625	180,487	468,112

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	72,698	72,698
Other	5,542	-	5,542
State sources	140,513	33	140,546
Total revenues	<u>146,055</u>	<u>72,731</u>	<u>218,786</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	27,129	27,129
Operation and maintenance of plant	-	7,262	7,262
Transportation	-	6,176	6,176
Capital outlay	258,097	17,582	275,679
Total expenditures	<u>258,097</u>	<u>58,149</u>	<u>316,246</u>
Change in fund balances	(112,042)	14,582	(97,460)
Fund balance beginning of year	<u>398,621</u>	<u>93,241</u>	<u>491,862</u>
Fund balance end of year	<u>\$ 286,579</u>	<u>107,823</u>	<u>394,402</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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Book Club	\$ 845	-	845	-
Miscellaneous	1,375	1,893	918	2,350
Extra activities	2,214	-	-	2,214
TOTAL	\$ 4,434	1,893	1,763	4,564

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,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:											
Local sources:											
Local tax	\$ 1,123,070	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	113,908	140,434	112,111	77,197	46,806	94,377	106,675	122,493	90,181	45,413	50,833
Other	19,963	23,745	24,098	86,421	38,784	51,100	61,390	58,544	244,763	66,143	35,060
State sources	987,035	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	53,772	70,238	79,613	163,087	203,592	105,830	69,361	59,728	70,315	49,073	52,880
Total	\$ 2,297,748	2,354,710	2,380,593	2,531,922	2,274,530	2,408,861	2,420,314	2,252,738	2,413,248	1,969,016	1,770,429
Expenditures:											
Instruction:											
Regular	\$ 881,402	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	273,641	269,819	287,072	272,789	234,724	266,271	290,758	284,566	251,479	234,519	195,508
Other	105,376	111,093	134,539	158,732	134,033	66,923	74,123	61,625	69,664	64,966	54,159
Support services:											
Student	2,385	1,945	2,491	3,764	3,238	1,805	2,085	1,542	7,739	7,239	8,171
Instructional staff	77,831	55,641	37,449	46,680	114,849	36,914	20,126	11,363	9,074	13,239	10,871
Administration	207,787	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	207,530	182,489	169,802	168,160	166,650	163,288	159,097	150,189	160,882	146,667	126,804
Transportation	93,004	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	275,679	371,987	22,411	36,633	121,422	55,515	63,542	98,578	252,857	174,086	19,481
Long-term debt:											
Principal	105,000	100,000	100,000	95,000	95,000	90,000	95,000	75,000	70,000	65,000	65,000
Interest and other charges	15,650	18,750	21,700	24,312	26,735	28,940	45,985	49,630	53,980	57,580	61,480
AEA flow-through	77,628	76,037	76,708	86,858	87,408	81,015	80,743	75,959	73,288	65,464	61,314
Total	\$ 2,322,913	2,346,733	1,976,066	2,260,674	2,404,440	2,253,248	2,202,512	2,295,309	2,213,185	2,009,280	1,633,570

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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2015.

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.

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 deficiency described in Part I of the accompanying Schedule of Findings as items I-A-14 to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no deficiencies in internal control over financial reporting that we consider 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, 2014 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 23, 2015
Newton, Iowa

STRATFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - 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 - With retirements, we are restructuring and initiating a shared School Business Official with Webster City and Northeast Hamilton.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the amount budgeted.
- II-B-14 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-14 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-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 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, 2014, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$	398,621
Revenues:			
Sales tax revenues	\$	140,513	
Other local revenue		5,542	146,055
		<u> </u>	<u>544,676</u>
Expenditures:			
School infrastructure construction	\$	240,294	
Equipment		6,360	
Other		11,443	258,097
		<u> </u>	<u>258,097</u>
Ending balance		\$	<u>286,579</u>

For the year ended June 30, 2014, 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-M-14 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 an Extra Activities account in the Student Activity 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 Extra Activities accounts appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - We decided that the Activity account was not needed and have since closed it. All transactions now go through the General Fund.

Conclusion - Response accepted.