

STRATFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Stratford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Julie Patterson	President	2017
April Carlson	Vice President	2015
Chad Smith	Board Member	2017
Alison Weidemann	Board Member	2017
Christina Bauer	Board Member	2015
School Officials		
Sarah Binder	Superintendent	2015
Linda Swedlund	District Secretary/Treasurer	2015
Ahlers & Cooney	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of 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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Stratford Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 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 two years ended June 30, 2014 (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 seven 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 28, 2016 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive style with a large, stylized "N" and "J".

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,756,999 in fiscal year 2014 to \$1,800,944 in year fiscal year 2015, while General Fund expenditures increased from \$1,838,596 in fiscal year 2014 to \$1,926,303 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$1,018,246 at June 30, 2014 to a balance of \$892,887 at June 30, 2015, a 12.31% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources received in fiscal year 2015. The increase in expenditures was due primarily to an increase in expenses incurred in the instruction functional area as compared to the previous fiscal year.
- 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 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

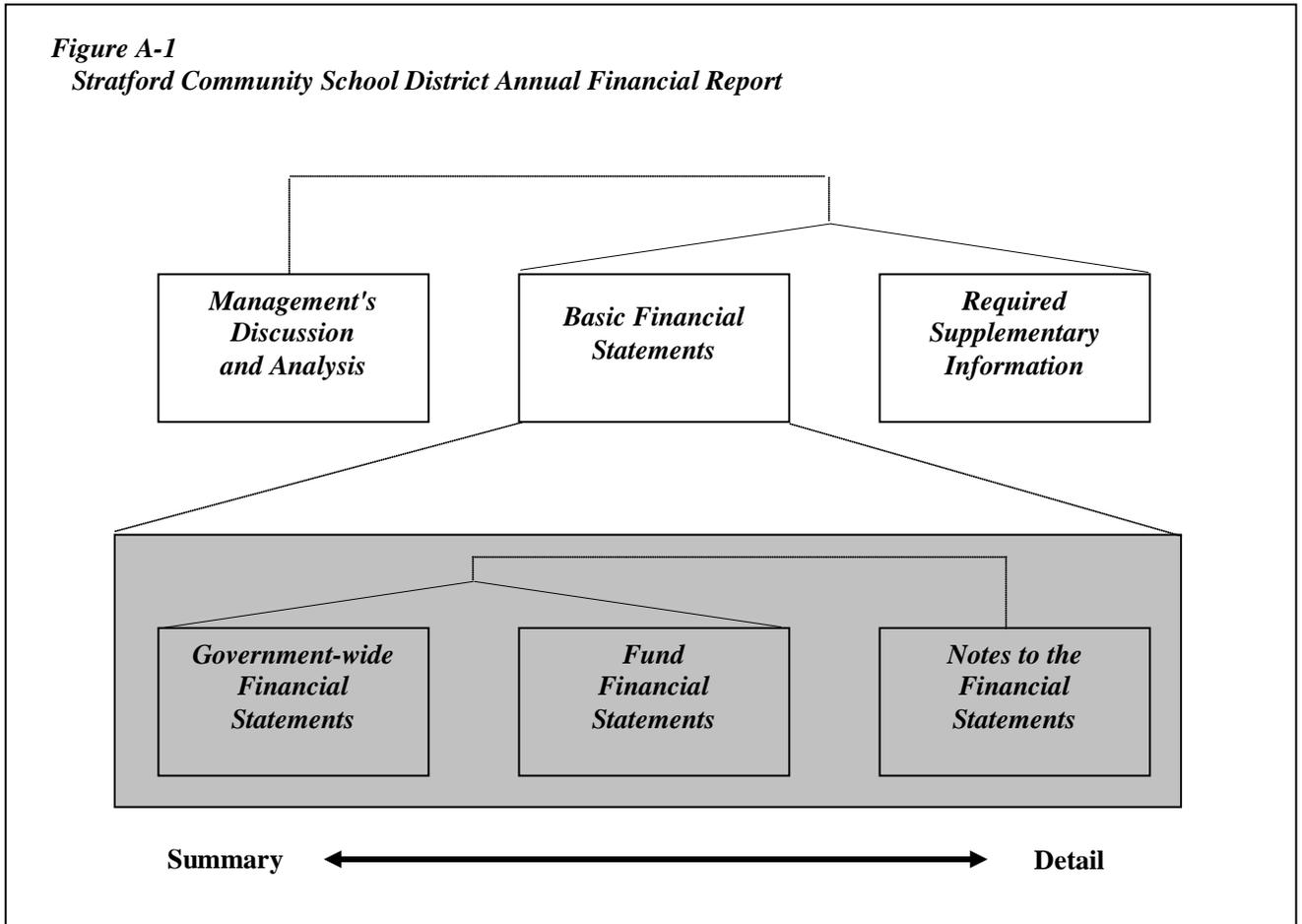


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period.
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 it has 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 and day care programs are 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 Net Position, Statement of Revenues, Expenses and Changes in Fund 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, 2015 compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 3,328,281	3,164,249	32,760	61,579	3,361,041	3,225,828	4.19%
Capital assets	1,954,647	1,927,655	-	180	1,954,647	1,927,835	1.39%
Total assets	5,282,928	5,091,904	32,760	61,759	5,315,688	5,153,663	3.14%
Deferred outflows of resources	123,781	-	17,725	-	141,506	-	100.00%
Long-term liabilities	809,041	357,671	76,743	4,998	885,784	362,669	144.24%
Other liabilities	193,686	159,959	8,918	1,434	202,604	161,393	25.53%
Total liabilities	1,002,727	517,630	85,661	6,432	1,088,388	524,062	107.68%
Deferred inflows of resources	1,213,933	1,043,753	27,362	-	1,241,295	1,043,753	18.93%
Net position:							
Net investment in capital assets	1,729,647	1,597,655	-	180	1,729,647	1,597,835	8.25%
Restricted	1,093,776	877,431	-	-	1,093,776	877,431	24.66%
Unrestricted	366,626	1,055,436	(62,538)	55,147	304,088	1,110,582	-72.62%
Total net position	\$ 3,190,049	3,530,522	(62,538)	55,327	3,127,511	3,585,848	-12.78%

The District's combined net position decreased by 12.78%, or \$458,337, from 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 \$216,345, or 24.66% from 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 \$806,494, or 72.62%. This decrease in unrestricted net position was primarily a result the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$614,205 and \$87,023, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total		Total Change 2014-15
	2014 (Not restated)		2014 (Not restated)		2014 (Not restated)		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 120,751	122,782	147,925	138,290	268,676	261,072	2.91%
Operating grants, contributions and restricted interest	167,748	171,187	43,701	48,481	211,449	219,668	-3.74%
Capital grants, contributions and restricted interest	-	5,154	-	-	-	5,154	-100.00%
General revenues:							
Local tax	1,029,384	1,037,679	-	-	1,029,384	1,037,679	-0.80%
Income surtax	97,239	88,742	-	-	97,239	88,742	9.57%
Statewide sales, services and use tax	153,066	140,513	-	-	153,066	140,513	8.93%
Unrestricted state grants	800,834	729,107	-	-	800,834	729,107	9.84%
Unrestricted investment earnings	2,750	1,719	-	-	2,750	1,719	59.98%
Other	30,859	4,215	105	62	30,964	4,277	623.97%
Total revenues	2,402,631	2,301,098	191,731	186,833	2,594,362	2,487,931	4.28%
Program expenses:							
Instruction	1,375,419	1,311,863	-	-	1,375,419	1,311,863	4.84%
Support services	614,514	630,408	-	-	614,514	630,408	-2.52%
Non-instructional programs	-	-	222,573	210,933	222,573	210,933	5.52%
Other expenses	138,966	142,157	-	-	138,966	142,157	-2.24%
Total expenses	2,128,899	2,084,428	222,573	210,933	2,351,472	2,295,361	2.44%
Change in net position	273,732	216,670	(30,842)	(24,100)	242,890	192,570	26.13%
Net position beginning of year, as restated	2,916,317	3,313,852	(31,696)	79,427	2,884,621	3,393,279	-14.99%
Net position end of year	\$ 3,190,049	3,530,522	(62,538)	55,327	3,127,511	3,585,849	-12.78%

In fiscal year 2015, local tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 86.59% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.95% of the revenue from business type activities.

The District's total revenues were \$2,594,362 of which \$2,402,631 was for governmental activities and \$191,731 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.28% increase in revenues and a 2.44% increase in expenses. The increase in expenses related to an increase in expenses incurred in the instructional functional area.

Governmental Activities

Revenues for governmental activities were \$2,402,631 and expenses were \$2,128,899 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 1,375,419	1,311,863	4.84%	1,164,804	1,098,291	6.06%
Support services	614,514	630,408	-2.52%	614,514	622,485	-1.28%
Other expenses	138,966	142,157	-2.24%	61,082	64,529	-5.34%
Totals	\$ 2,128,899	2,084,428	2.13%	1,840,400	1,785,305	3.09%

- The cost financed by users of the District's programs was \$120,751.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$167,748.
- The net cost of governmental activities was financed with \$1,029,384 in property tax, \$97,239 in income surtax, \$153,066 in statewide sales, services and use tax, \$800,834 in unrestricted state grants, \$2,750 in unrestricted investment earnings, and \$30,859 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$191,731 and expenses were \$222,573 for the year ended June 30, 2015. 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 other general revenues.

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 \$2,029,767, above last year's ending fund balances of \$1,885,217. The primary reason for the increase in combined fund balances in fiscal year 2015 is due to the increase in fund balance of the Management Levy Fund as compared to the previous year.

Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The fund balance of the General Fund decreased from \$1,018,246 at June 30, 2014 to \$892,887 at June 30, 2015. Although total revenues increased as compared to the prior year primarily due to an increase in state revenue sources it was not enough to outpace total expenditures for the year. As a result the fund balance decreased by \$125,539 during fiscal year 2015.
- The Management Levy Fund balance increased from \$458,982 at June 30, 2014 to \$646,784 at June 30, 2015. The increase is due to an increase in local revenue sources received during the year.
- The Capital Projects Fund balance increased from \$394,402 at June 30, 2014 to \$480,568 at June 30, 2015. The increase was due to an increase in statewide sales, services and use tax revenue received coupled with a decrease in capital outlay expenditures incurred as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit \$15,412 restated at July 1, 2014 to a deficit \$11,831 at June 30, 2015, representing an increase of 23.24%.

The Day Care Fund net position decreased from a deficit \$16,284 restated at July 1, 2014 to a deficit \$50,707 at June 30, 2015, representing a decrease of 211.39%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$48,822 less than budgeted revenues, a variance of 1.85%. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$1,954,647, 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) This represents an increase of 1.39% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$93,768.

The original cost of the District's capital assets was \$3,326,240. Governmental funds accounted for \$3,317,263 with the remainder of \$8,977 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$150,683 at June 30, 2014, compared to \$226,943 reported at June 30, 2015. This increase was primarily due to the purchase and capitalization of a school bus during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Buildings and improvements	1,722,704	1,772,152	-	-	1,722,704	1,772,152	-2.79%
Machinery and equipment	226,943	150,503	-	180	226,943	150,683	50.61%
Total	\$ 1,954,647	1,927,655	-	180	1,954,647	1,927,835	1.39%

Long-Term Debt

At June 30, 2015, the District had \$885,784 in general obligation and other long-term debt outstanding. This represents an increase of 144.24% 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 \$225,000 at June 30, 2015 payable from the Debt Service Fund.

The District had termination benefits due to District retirees of \$50,000 at June 30, 2015. This is payable from the Management Levy Fund.

The District had a net OPEB liability of \$32,669 at June 30, 2015. \$27,671 of this total is included in the District's governmental activities while \$4,998 is included in the District's business type activities.

The District had a net pension liability of \$578,115 at June 30, 2015. \$506,370 of this total is included in the District's governmental activities while \$71,745 is included in the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
General obligation bonds	\$ 225,000	330,000	-	-	225,000	330,000	-31.82%
Termination benefits	50,000	-	-	-	50,000	-	100.00%
Net pension liability	506,370	-	71,745	-	578,115	-	100.00%
Net OPEB liability	27,671	27,671	4,998	4,998	32,669	32,669	0.00%
Totals	\$ 809,041	357,671	76,743	4,998	885,784	362,669	144.24%

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:

- District Enrollment continues to decline. Under Iowa's school funding formula, District funding is highly dependent upon enrollment. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District will continue the sharing agreement with Webster City CSD for grades 7-12.

-
- The District has sharing agreements with Webster City to share our Business Manager, Media Center Specialist, TAG Instructor, Guidance Counselor, and Transportation Director. These sharing agreements will generate approximately \$66,000 in additional revenues for fiscal 2016.

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 Kelli Carlberg, Board Secretary and Cathi Hildebrand, Business Manager, Stratford Community School District, 1000 Shakespeare Ave, Stratford, Iowa, 50249.

BASIC FINANCIAL STATEMENTS

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,151,182	28,930	2,180,112
Receivables:			
Property tax:			
Delinquent	12,694	-	12,694
Succeeding year	1,020,818	-	1,020,818
Income surtax	85,379	-	85,379
Accounts	2,800	3,102	5,902
Due from other governments	55,408	-	55,408
Inventories	-	728	728
Capital assets, net of accumulated depreciation	1,954,647	-	1,954,647
TOTAL ASSETS	5,282,928	32,760	5,315,688
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	123,781	17,725	141,506
LIABILITIES			
Accounts payable	70,392	2,139	72,531
Salaries and benefits payable	121,925	6,333	128,258
Accrued interest payable	1,369	-	1,369
Unearned revenue	-	446	446
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	110,000	-	110,000
Termination benefits	50,000	-	50,000
Portion due after one year:			
General obligation bonds payable	115,000	-	115,000
Net pension liability	506,370	71,745	578,115
Net OPEB liability	27,671	4,998	32,669
TOTAL LIABILITIES	1,002,727	85,661	1,088,388
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred outflows	193,115	27,362	220,477
Unavailable property tax revenue	1,020,818	-	1,020,818
TOTAL DEFERRED INFLOWS OF RESOURCES	1,213,933	27,362	1,241,295
NET POSITION			
Net investment in capital assets	1,729,647	-	1,729,647
Restricted for:			
Categorical funding	8,265	-	8,265
Debt service	8,159	-	8,159
Management levy purposes	596,784	-	596,784
School infrastructure	399,816	-	399,816
Physical plant and equipment	80,752	-	80,752
Unrestricted	366,626	(62,538)	304,088
TOTAL NET POSITION	\$ 3,190,049	(62,538)	3,127,511

SEE NOTES TO FINANCIAL STATEMENTS.

**STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 958,419	93,305	18,495	(846,619)	-	(846,619)
Special	301,272	26,701	8,537	(266,034)	-	(266,034)
Other	115,728	745	62,832	(52,151)	-	(52,151)
	<u>1,375,419</u>	<u>120,751</u>	<u>89,864</u>	<u>(1,164,804)</u>	<u>-</u>	<u>(1,164,804)</u>
Support services:						
Student	3,253	-	-	(3,253)	-	(3,253)
Instructional staff	53,823	-	-	(53,823)	-	(53,823)
Administration	234,014	-	-	(234,014)	-	(234,014)
Operation and maintenance of plant	223,872	-	-	(223,872)	-	(223,872)
Transportation	99,552	-	-	(99,552)	-	(99,552)
	<u>614,514</u>	<u>-</u>	<u>-</u>	<u>(614,514)</u>	<u>-</u>	<u>(614,514)</u>
Long-term debt interest	11,634	-	-	(11,634)	-	(11,634)
Other expenses:						
AEA flowthrough	77,884	-	77,884	-	-	-
Depreciation(unallocated)*	49,448	-	-	(49,448)	-	(49,448)
	<u>127,332</u>	<u>-</u>	<u>77,884</u>	<u>(49,448)</u>	<u>-</u>	<u>(49,448)</u>
Total governmental activities	<u>2,128,899</u>	<u>120,751</u>	<u>167,748</u>	<u>(1,840,400)</u>	<u>-</u>	<u>(1,840,400)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	80,839	42,395	41,920	-	3,476	3,476
Other enterprise operations	141,734	105,530	1,781	-	(34,423)	(34,423)
	<u>222,573</u>	<u>147,925</u>	<u>43,701</u>	<u>-</u>	<u>(30,947)</u>	<u>(30,947)</u>
Total	<u>\$ 2,351,472</u>	<u>268,676</u>	<u>211,449</u>	<u>(1,840,400)</u>	<u>(30,947)</u>	<u>(1,871,347)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 840,462	-	840,462
Debt service				117,390	-	117,390
Capital outlay				71,532	-	71,532
Income surtax				97,239	-	97,239
Statewide sales and services tax				153,066	-	153,066
Unrestricted state grants				800,834	-	800,834
Unrestricted investment earnings				2,750	-	2,750
Other general revenues				30,859	105	30,964
Total general revenues				<u>2,114,132</u>	<u>105</u>	<u>2,114,237</u>
Change in net position				273,732	(30,842)	242,890
Net position beginning of year, as restated				<u>2,916,317</u>	<u>(31,696)</u>	<u>2,884,621</u>
Net position end of year				<u>\$ 3,190,049</u>	<u>(62,538)</u>	<u>3,127,511</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, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,035,196	641,312	466,593	8,081	2,151,182
Receivables:					
Property tax:					
Delinquent	7,527	2,838	882	1,447	12,694
Succeeding year	650,603	180,000	71,500	118,715	1,020,818
Income surtax	85,379	-	-	-	85,379
Due from other governments	31,549	-	23,859	-	55,408
Accounts receivable	132	2,634	34	-	2,800
TOTAL ASSETS	\$ 1,810,386	826,784	562,868	128,243	3,328,281
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 59,592	-	10,800	-	70,392
Salaries and benefits payable	121,925	-	-	-	121,925
Total liabilities	181,517	-	10,800	-	192,317
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	650,603	180,000	71,500	118,715	1,020,818
Income surtax	85,379	-	-	-	85,379
Total deferred inflows of resources	735,982	180,000	71,500	118,715	1,106,197
Fund balances:					
Restricted for:					
Categorical funding	8,265	-	-	-	8,265
Debt service	-	-	-	9,528	9,528
Management levy purposes	-	646,784	-	-	646,784
School infrastructure	-	-	399,816	-	399,816
Physical plant and equipment	-	-	80,752	-	80,752
Unassigned	884,622	-	-	-	884,622
Total fund balances	892,887	646,784	480,568	9,528	2,029,767
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,810,386	826,784	562,868	128,243	3,328,281

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(page 20)	\$	2,029,767
 <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 the governmental funds.		1,954,647
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.		(1,369)
Income surtax receivable are not available to pay current year expenditures and, therefore, are recognized as defered inflows of resources in the governmental funds.		85,379
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 123,781	
Deferred inflows of resources	<u>(193,115)</u>	(69,334)
Long-term liabilities, including bonds payable, other post employment benefits payable, termination benefits payable and the net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(809,041)</u>
Net position of governmental activities(page 18)	\$	<u><u>3,190,049</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, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 699,515	230,101	71,532	117,390	1,118,538
Tuition	116,221	-	-	-	116,221
Other	17,890	2,634	16,870	745	38,139
State sources	913,890	694	153,282	354	1,068,220
Federal sources	53,428	-	-	-	53,428
Total revenues	<u>1,800,944</u>	<u>233,429</u>	<u>241,684</u>	<u>118,489</u>	<u>2,394,546</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	951,861	-	-	-	951,861
Special	293,774	-	-	-	293,774
Other	110,686	-	-	5,309	115,995
	<u>1,356,321</u>	<u>-</u>	<u>-</u>	<u>5,309</u>	<u>1,361,630</u>
Support services:					
Student	2,514	-	-	-	2,514
Instructional staff	38,700	-	17,799	-	56,499
Administration	212,360	-	-	-	212,360
Operation and maintenance of plant	156,281	40,717	-	-	196,998
Transportation	82,243	4,911	97,503	-	184,657
	<u>492,098</u>	<u>45,628</u>	<u>115,302</u>	<u>-</u>	<u>653,028</u>
Capital outlay	-	-	40,216	-	40,216
Long-term debt:					
Principal	-	-	-	105,000	105,000
Interest and fiscal charges	-	-	-	12,238	12,238
	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,238</u>	<u>117,238</u>
Other expenditures:					
AEA flowthrough	77,884	-	-	-	77,884
Total expenditures	<u>1,926,303</u>	<u>45,628</u>	<u>155,518</u>	<u>122,547</u>	<u>2,249,996</u>
Change in fund balances	(125,359)	187,801	86,166	(4,058)	144,550
Fund balances beginning of year	<u>1,018,246</u>	<u>458,983</u>	<u>394,402</u>	<u>13,586</u>	<u>1,885,217</u>
Fund balances end of year	<u>\$ 892,887</u>	<u>646,784</u>	<u>480,568</u>	<u>9,528</u>	<u>2,029,767</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, 2015

Change in fund balances - total governmental funds(page 22)	\$	144,550
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	\$ 120,580	
Depreciation expense	<u>(93,588)</u>	26,992
 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
 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.		
		604
 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.		
		8,085
 The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		
		80,097
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	\$ (50,000)	
Pension expense	<u>(41,596)</u>	<u>(91,596)</u>
 Change in net position of governmental activities(page 19)	 \$	 <u>273,732</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 5,165	23,765	28,930
Accounts receivable	2,851	251	3,102
Inventories	728	-	728
TOTAL ASSETS	8,744	24,016	32,760
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	3,785	13,940	17,725
LIABILITIES			
Current liabilities:			
Accounts payable	411	1,728	2,139
Salaries and benefits payable	-	6,333	6,333
Unearned revenue	446	-	446
Total current liabilities	857	8,061	8,918
Noncurrent liabilities:			
Net pension liability	15,205	56,540	71,745
Net OPEB liability	2,499	2,499	4,998
Total noncurrent liabilities	17,704	59,039	76,743
TOTAL LIABILITIES	18,561	67,100	85,661
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred outflows	5,799	21,563	27,362
NET POSITION			
Unrestricted	(11,831)	(50,707)	(62,538)
TOTAL NET POSITION	\$ (11,831)	(50,707)	(62,538)

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 42,395	105,530	147,925
Miscellaneous	105	-	105
Donations	-	1,781	1,781
TOTAL OPERATING REVENUE	42,500	107,311	149,811
OPERATING EXPENSES:			
Support services:			
Administration			
Services	300	-	300
Non-instructional programs:			
Food service operations:			
Salaries	28,068	-	28,068
Benefits	10,963	-	10,963
Supplies	41,328	-	41,328
Depreciation	180	-	180
	80,539	-	80,539
Community service operations:			
Salaries	-	107,125	107,125
Benefits	-	12,888	12,888
Supplies	-	21,721	21,721
Total non-instructional programs	80,539	141,734	222,273
TOTAL OPERATING EXPENSES	80,839	141,734	222,573
OPERATING LOSS	(38,339)	(34,423)	(72,762)
NON-OPERATING REVENUES:			
State sources	505	-	505
Federal sources	41,415	-	41,415
TOTAL NON-OPERATING REVENUES	41,920	-	41,920
Change in net position	3,581	(34,423)	(30,842)
Net position beginning of year, as restated	(15,412)	(16,284)	(31,696)
Net position end of year	\$ (11,831)	(50,707)	(62,538)

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 40,225	-	40,225
Cash received from daycare operating activities	-	106,012	106,012
Cash received from donations	-	1,781	1,781
Cash received from miscellaneous sources	105	-	105
Cash payments to employees for services	(40,255)	(118,097)	(158,352)
Cash payments to suppliers for goods or services	(33,083)	(21,331)	(54,414)
Net cash used in operating activities	(33,008)	(31,635)	(64,643)
Cash flows from non-capital financing activities:			
Intermediate source revenues received	-	2,383	2,383
State source revenues received	505	-	505
Federal source revenues received	34,389	-	34,389
Net cash provided by non-capital financing activities	34,894	2,383	37,277
Net increase(decrease) in cash and pooled investments	1,886	(29,252)	(27,366)
Cash and pooled investments beginning of year	3,279	53,017	56,296
Cash and pooled investments end of year	\$ 5,165	23,765	28,930
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (38,339)	(34,423)	(72,762)
Adjustments to reconcile operating loss to net used in operating activities:			
Commodities used	8,080	-	8,080
Depreciation	180	-	180
Decrease in inventories	54	-	54
Decrease(Increase) in accounts receivable	(2,520)	482	(2,038)
Increase in accounts payable	411	390	801
Increase in salaries and benefits payable	-	6,333	6,333
Increase in unearned revenue	350	-	350
Decrease in net pension liability	(5,478)	(20,371)	(25,849)
Increase in deferred outflows of resources	(1,545)	(5,609)	(7,154)
Increase in deferred inflows of resources	5,799	21,563	27,362
Net cash used in operating activities	\$ (33,008)	(31,635)	(64,643)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$8,080.

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

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

SEE NOTES TO FINANCIAL STATEMENTS.

STRATFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 2,000</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,000</u>
Change in net position	-
Net position beginning of year	<u>1,961</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
JUNE 30, 2015

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 service.

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 to account for property tax and other miscellaneous revenues used 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 Fund. The nonmajor School Nutrition Fund is used to account for the food service operations of the District. The major Day Care Fund is 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, which are payable in July and August have been accrued as a liabilities.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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, 2015 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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, 2015, the District had no such investments.

Note 3. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 330,000	-	105,000	225,000	110,000
Termination Benefits	-	50,000	-	50,000	50,000
Net Pension Liability	688,814	-	182,444	506,370	-
Net OPEB liability	27,671	-	-	27,671	-
Total	<u>\$ 1,046,485</u>	<u>50,000</u>	<u>287,444</u>	<u>809,041</u>	<u>160,000</u>
Business Type Activities:					
Net Pension Liability	\$ 97,594	-	25,849	71,745	-
Net OPEB Liability	4,998	-	-	4,998	-
Total	<u>\$ 102,592</u>	<u>-</u>	<u>25,849</u>	<u>76,743</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of 2008			
	Interest Rate	Principal	Interest	Total
2016	3.60 %	\$ 110,000	8,215	118,215
2017	3.70	115,000	4,255	119,255
Total		<u>\$ 225,000</u>	<u>12,470</u>	<u>237,470</u>

Termination Benefits

During fiscal year 2015, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed a total of fifteen years of service as a full-time licensed employee to the Stratford Community School District and must have reached the age of fifty-five on or before June 30, 2015. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal a \$25,000 one-time payment to a 403b account on behalf of the employee. This payment will be made in the fiscal year following retirement. At June 30, 2015, the District had obligations to two participants with a total liability of \$50,000.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 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
Total capital assets not being depreciated	5,000	-	-	5,000
Capital assets being depreciated:				
Buildings and improvements	2,718,496	-	-	2,718,496
Machinery and equipment	531,739	120,580	58,552	593,767
Total capital assets being depreciated	3,250,235	120,580	58,552	3,312,263
Less accumulated depreciation for:				
Buildings and improvements	946,344	49,448	-	995,792
Machinery and equipment	381,236	44,140	58,552	366,824
Total accumulated depreciation	1,327,580	93,588	58,552	1,362,616
Total capital assets being depreciated, net	1,922,655	26,992	-	1,949,647
Governmental activities capital assets, net	\$ 1,927,655	26,992	-	1,954,647
Business Type Activities:				
Machinery and equipment	\$ 8,977	-	-	8,977
Less accumulated depreciation	8,797	180	-	8,977
Business-type activities capital assets, net	\$ 180	(180)	-	-

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Other \$ 2,464

Support services:

Student services 672

Instructional staff 1,268

Administration 2,878

Operation and maintenance of plant 19,268

Transportation 17,590

Unallocated depreciation 44,140

49,448

Total governmental activities depreciation expense \$ 93,588

Business Type activities:

Food services \$ 180

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, 2015.

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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 10,986	0.0 %	\$ 32,669
2014	-	0.0	32,669
2015	-	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, 2014 through June 30, 2015, 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 \$756,429, and the ratio of the UAAL to covered payroll was 4.7%. As of June 30, 2015, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 Plan

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$91,634.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,026,137 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was .014285 percent, which was an increase of .000396 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$47,492. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,283	\$ -
Changes of assumptions	25,514	-
Net difference between projected and actual earnings on pension plan investments	-	220,477
Changes in proportion and differences between District contributions and proportionate share of contributions	18,075	-
District contributions subsequent to the measurement date	91,634	-
Total	\$ 141,506	\$ 220,477

\$91,634 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (43,467)
2017	(43,467)
2018	(43,467)
2019	(43,467)
2020	3,263
	<u>\$ (170,605)</u>

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,092,333	\$ 578,115	\$ 144,063

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$8,675 for legally required employer contributions and \$5,780 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health dental, vision and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$126,224.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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 \$77,884 for the year ended June 30, 2015 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 through April 2018. Annual lease obligations as of June 30, 2015 are as follows:

Year Ended June 30	Lease Payment
2016	\$ 5,007
2017	5,007
2018	4,172
	<u>\$ 14,186</u>

Note 10. Categorical Funding

The District's ending balances for categorical funding were comprised of the following programs at June 30, 2015.

Program	Amount
Successful Progression for Early Readers	\$ 6,569
Teacher leadership grants	1,696
Total	<u>\$ 8,265</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:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	646,784	9,528	884,622
Capital assets, net of accumulated depreciation	1,954,647	-	-	-
General obligation bond capitalized indebtedness	(225,000)	-	-	-
Income surtax	-	-	-	85,379
Termination benefits	-	(50,000)	-	-
Accrued interest payable	-	-	(1,369)	-
Pension related deferred outflows	-	-	-	123,781
Net pension liability	-	-	-	(506,370)
Pension related deferred inflows	-	-	-	(193,115)
Net OPEB liability	-	-	-	(27,671)
Net position (Exhibit A)	<u>\$ 1,729,647</u>	<u>596,784</u>	<u>8,159</u>	<u>366,626</u>

Note 12. Deficit Balances

The District had a deficit total net position in the Enterprise, School Nutrition fund of \$11,831 and deficit total net position of \$50,707 in the Enterprise, Day Care Fund at June 30, 2015. This resulted in total deficit net position of \$62,538 for the District's business type activities. The primary reason for these deficit net positions is due to the implementation of GASB Statement No. 68 and No. 71 during the year.

Note 13. Accounting Change/Restatement Note

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to

recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities		
		School Nutrition	Day Care	Total
Net position June 30, 2014, as previously reported	\$ 3,530,522	\$ 3,031	52,296	55,327
Net pension liability at June 30, 2014	(688,814)	(20,683)	(76,911)	(97,594)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	74,609	2,240	8,331	10,571
Net position July 1, 2014, as restated	<u>\$ 2,916,317</u>	<u>\$ (15,412)</u>	<u>(16,284)</u>	<u>(31,696)</u>

REQUIRED SUPPLEMENTARY INFORMATION

STRATFORD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 1,272,898	149,811	1,422,709	1,602,903	1,602,903	(180,194)
State appropriations	1,068,220	505	1,068,725	929,196	929,196	139,529
Federal appropriations	53,428	41,415	94,843	103,000	103,000	(8,157)
Total revenues	<u>2,394,546</u>	<u>191,731</u>	<u>2,586,277</u>	<u>2,635,099</u>	<u>2,635,099</u>	<u>(48,822)</u>
Expenditures/expenses:						
Instruction	1,361,630	-	1,361,630	2,006,000	2,006,000	644,370
Support services	653,028	300	653,328	838,250	838,250	184,922
Non-instructional programs	-	222,273	222,273	270,000	270,000	47,727
Other expenditures	235,338	-	235,338	452,769	452,769	217,431
Total expenditures/expenses	<u>2,249,996</u>	<u>222,573</u>	<u>2,472,569</u>	<u>3,567,019</u>	<u>3,567,019</u>	<u>1,094,450</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	144,550	(30,842)	113,708	(931,920)	(931,920)	1,045,628
Balance beginning of year, as restated	<u>1,885,217</u>	<u>(31,696)</u>	<u>1,853,521</u>	<u>1,573,454</u>	<u>1,573,454</u>	<u>280,067</u>
Balance end of year	<u>\$ 2,029,767</u>	<u>(62,538)</u>	<u>1,967,229</u>	<u>641,534</u>	<u>641,534</u>	<u>1,325,695</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.014285%
District's proportionate share of the net pension liability	\$ 578,115
District's covered-employee payroll	\$ 1,026,143
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.34%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 91,634	85,180	77,883	70,934	73,212	64,186	67,400	58,606	49,191	45,697
Contributions in relation to the statutorily required contribution	(91,634)	(85,180)	(77,883)	(70,934)	(73,212)	(64,186)	(67,400)	(58,606)	(49,191)	(45,697)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,026,143	953,863	898,304	878,984	1,053,410	923,540	1,061,417	968,694	855,496	794,730
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

STRATFORD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

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

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 105,000	105,000	0.0%	\$ 996,000	10.5%
2011	July 1, 2009	-	105,000	105,000	0.0%	1,061,000	9.9%
2012	July 1, 2009	-	105,000	105,000	0.0%	923,000	11.4%
2013	July 1, 2012	-	35,299	35,299	0.0%	923,185	3.8%
2014	July 1, 2012	-	35,299	35,299	0.0%	957,055	3.7%
2015	July 1, 2012	-	35,299	35,299	0.0%	756,429	4.7%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

STRATFORD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2015

	Debt Service
ASSETS	
Cash and pooled investments	\$ 8,081
Receivables:	
Property tax:	
Delinquent	1,447
Succeeding year	118,715
TOTAL ASSETS	\$ 128,243
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	\$ -
Deferred inflows of resources:	
Unavailable revenues:	
Succeeding year property tax	118,715
Fund balances:	
Restricted for:	
Debt service	9,528
Total fund balances	9,528
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 128,243

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES:			
Local sources:			
Local tax	\$ -	117,390	117,390
Other	745	-	745
State sources	-	354	354
Total revenues	<u>745</u>	<u>117,744</u>	<u>118,489</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	5,309	-	5,309
Long-term debt:			
Principal	-	105,000	105,000
Interest and fiscal charges	-	12,238	12,238
Total expenditures	<u>5,309</u>	<u>117,238</u>	<u>122,547</u>
Change in fund balances	(4,564)	506	(4,058)
Fund balances beginning of year	<u>4,564</u>	<u>9,022</u>	<u>13,586</u>
Fund balances end of year	<u>\$ -</u>	<u>9,528</u>	<u>9,528</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 386,723	79,870	466,593
Receivables:			
Property tax:			
Delinquent	-	882	882
Succeeding year	-	71,500	71,500
Due from other governments	23,859	-	23,859
Accounts receivable	34	-	34
TOTAL ASSETS	\$ 410,616	152,252	562,868
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,800	-	10,800
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	71,500	71,500
Fund balances:			
Restricted for:			
School infrastructure	399,816	-	399,816
Physical plant and equipment levy	-	80,752	80,752
Total fund balances	399,816	80,752	480,568
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 410,616	152,252	562,868

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STRATFORD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	71,532	71,532
Other	387	16,483	16,870
State sources	153,066	216	153,282
Total revenues	<u>153,453</u>	<u>88,231</u>	<u>241,684</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	17,799	17,799
Transportation	-	97,503	97,503
Capital outlay	40,216	-	40,216
Total expenditures	<u>40,216</u>	<u>115,302</u>	<u>155,518</u>
Change in fund balances	113,237	(27,071)	86,166
Fund balance beginning of year	286,579	107,823	394,402
Fund balance end of year	<u>\$ 399,816</u>	<u>80,752</u>	<u>480,568</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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous	\$ 2,350	745	3,095	-
Extra activities	2,214	-	2,214	-
TOTAL	\$ 4,564	745	5,309	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,118,538	1,123,070	1,252,779	1,197,913	1,200,503	1,101,132	1,081,485	980,073	937,818	936,353
Tuition	116,221	113,908	140,434	112,111	77,197	46,806	94,377	106,675	122,493	90,181
Other	38,139	19,963	23,745	24,098	86,421	38,784	51,100	61,390	58,544	244,763
State sources	1,068,220	987,035	867,514	966,858	1,004,714	884,216	1,076,069	1,202,815	1,074,155	1,071,636
Federal sources	53,428	53,772	70,238	79,613	163,087	203,592	105,830	69,361	59,728	70,315
Total	\$ 2,394,546	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
Expenditures:										
Instruction:										
Regular	\$ 951,861	881,402	852,906	785,325	965,121	1,074,045	1,139,586	1,051,695	1,040,895	970,395
Special	293,774	273,641	269,819	287,072	272,789	234,724	266,271	290,758	284,566	251,479
Other	115,995	105,376	111,093	134,539	158,732	134,033	66,923	74,123	61,625	69,664
Support services:										
Student	2,514	2,385	1,945	2,491	3,764	3,238	1,805	2,085	1,542	7,739
Instructional staff	56,499	77,831	55,641	37,449	46,680	114,849	36,914	20,126	11,363	9,074
Administration	212,360	207,787	199,285	252,826	203,929	215,834	181,804	179,298	172,388	160,063
Operation and maintenance of plant	196,998	207,530	182,489	169,802	168,160	166,650	163,288	159,097	150,189	160,882
Transportation	184,657	93,004	106,781	85,743	178,696	115,502	131,187	120,060	253,574	123,764
Non-instructional programs	-	-	-	-	20,000	15,000	10,000	20,000	20,000	10,000
Capital outlays	40,216	275,679	371,987	22,411	36,633	121,422	55,515	63,542	98,578	252,857
Long-term debt:										
Principal	105,000	105,000	100,000	100,000	95,000	95,000	90,000	95,000	75,000	70,000
Interest and other charges	12,238	15,650	18,750	21,700	24,312	26,735	28,940	45,985	49,630	53,980
Other expenditures:										
AEA flow-through	77,884	77,628	76,037	76,708	86,858	87,408	81,015	80,743	75,959	73,288
Total	\$ 2,249,996	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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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 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016.

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 a deficiency in internal control we consider to be a material weakness.

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 item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2015 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 28, 2016
Newton, Iowa

STRATFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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 - recordkeeping, preparation, posting and distribution.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We are constantly looking at ways to improve our segregation of duties and internal controls.

Conclusion - Response Accepted.

OTHER MATTERS:

I-B-15 Deficit Lunch Account Balances - During the audit we noted that the Nutrition Fund is carrying several significant deficit student lunch account balances.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming negative. The District may also wish to encourage alternatives to bring deficit accounts back to a positive balance, such as trying various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We will continue to work on collecting all negative lunch account balances and distribute free and reduced lunch applications to families to see if they qualify.

Conclusion - Response Accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the amount budgeted.

II-B-15 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-15 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-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the District did not specify the maximum amounts to be held in each depository in the board minutes.

Recommendation - Chapter 12C.2 of the Code of Iowa states, "The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository." The District should review procedures to comply with Chapter 12C.2 of the Code of Iowa.

Response - The District will approve maximum amounts to be held in our depositories to comply with Chapter 12C.2 of the Code of Iowa.

Conclusion - Response Accepted.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$	286,579
Revenues:			
Sales tax revenues	\$	153,066	
Other local revenue		387	153,453
			<u>440,032</u>
Expenditures:			
School infrastructure construction	\$	22,561	
Equipment		17,655	40,216
			<u>40,216</u>
Ending balance		\$	<u><u>399,816</u></u>

For the year ended June 30, 2015, 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-15 Financial Condition - The District had deficit total net positions of \$11,831 and \$50,707 in the School Nutrition Fund and Day Care Fund, respectively, at June 30, 2015. As a result the District had total deficit unrestricted net position of \$62,538 for its business type activities at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statement No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/ restatement and how GASB Statements No. 68 and No. 71 will affect the District's financials moving forward

Response - The deficits in the School Nutrition and Day Care Funds is due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future

Conclusion - Response Accepted.