

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Jefferson-Scranton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2011 Election)</b>		
Teresa Hagen	President	2011
Celli Whipple	Vice President	2013
Mike Holden	Board Member	2013
Sam Harding	Board Member	2011
Kevin Neal	Board Member (Resigned March 2011)	2013
Mark Peters	Board Member (Appointed April 2011)	2013
<b>Board of Education (After September 2011 Election)</b>		
Celli Whipple	President (Resigned May 2012)	2013
Sam Harding	Vice President (Appointed President June 2012)	2015
Jeff Lamoureux	Board Member	2015
Dr. David Ohrt	Board Member	2013
Teresa Hagen	Board Member (Appointed Vice President June 2012)	2013
Mike Holden	Board Member (Resigned November 2011)	2013
Mark Peters	Board Member (Appointed December 2011)	2013
<b>School Officials</b>		
Tim Christensen	Superintendent	2012
Brenda Muir	Business Manager/ Board Secretary	2012
Sid Jones	Treasurer	2012
Mumma & Pedersen Law Firm	Attorney	2012

*Jefferson-Scranton Community School District*

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of  
Jefferson-Scranton Community School District:

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 Jefferson-Scranton Community School District, Jefferson, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Jefferson-Scranton Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2013 on our consideration of Jefferson-Scranton Community School District's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 16

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and 46 through 49 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 the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson-Scranton Community School District's basic financial statements. Another auditor previously audited the financial statements for the previous nine years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2013

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

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Jefferson-Scranton 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,565,164 in fiscal 2011 to \$11,637,555 in fiscal 2012, while General Fund expenditures increased from \$10,794,652 in fiscal 2011 to \$11,020,938 in fiscal 2012. The increase in revenues was more than the increase in expenditures causing the District's General Fund balance to increase from \$1,271,168 in fiscal 2011 to a balance of \$1,887,785 in fiscal 2012, a 48.51% increase over the prior year.
- The increase in General Fund revenues is attributable to increases in state grant and tuition revenues received as compared to the previous year. The increase in expenditures is mainly attributable to the increase in salaries and benefits received by District employees.
- The District used cash reserve levy to build reserves to avoid the use of ISCAP or other borrowing to cover summer cash flow short falls.

### **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 Assets and a Statement of Activities. These provide information about the activities of Jefferson-Scranton 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 Jefferson-Scranton 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 Jefferson-Scranton Community School District acts solely as an agent or custodial for the benefit of those outside of the 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, as well as presenting the Schedule of Funding in Progress for the Retiree Health Plan and Schedule of Funding Progress for the Supplemental Pension Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

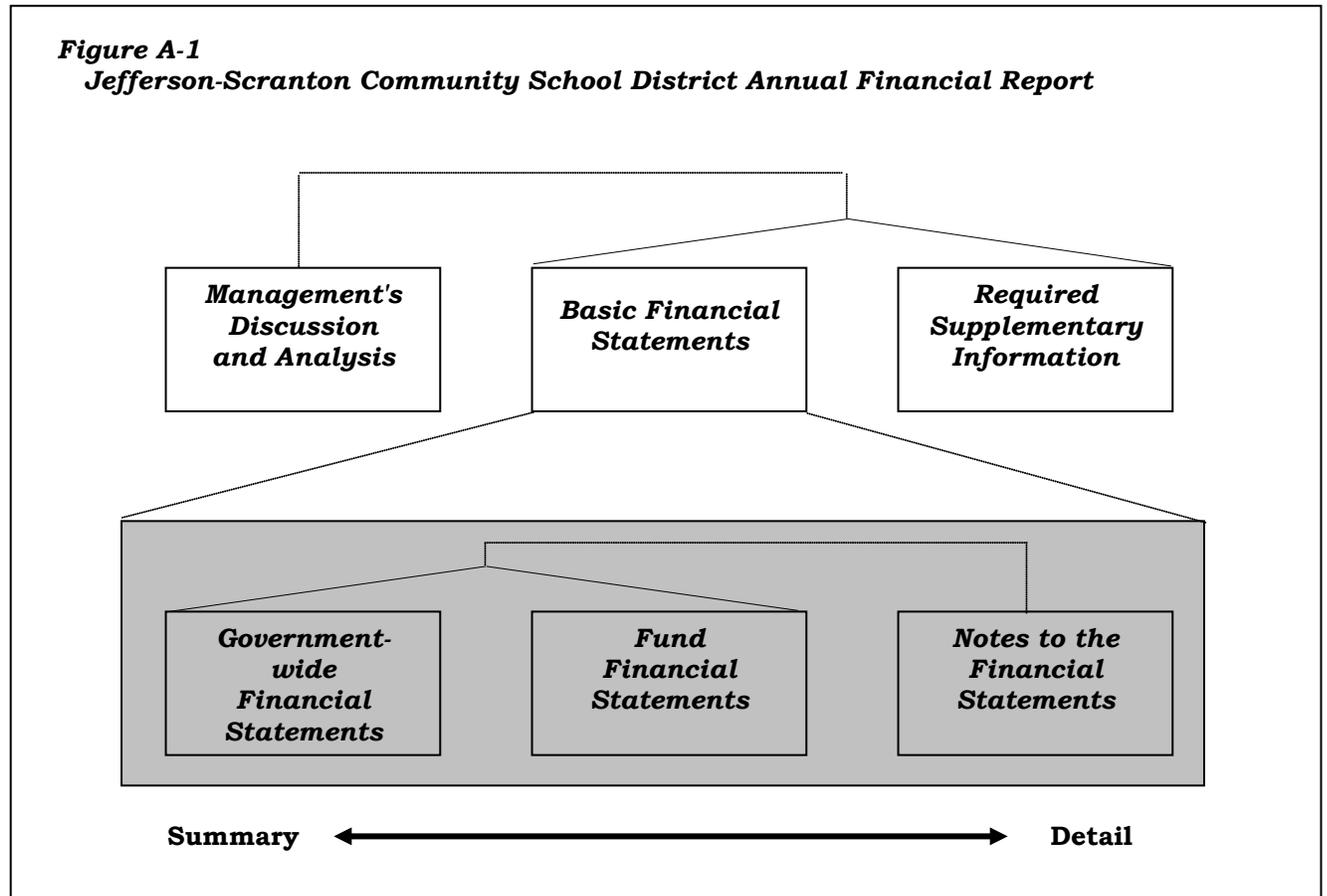


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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## 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 Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the 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 fund, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has four enterprise funds, the School Nutrition Fund, Industrial Technology Construction Fund, Ram Restaurant Fund and the Lil Ram Preschool Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets 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 the Private Purpose Trust fund.

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 District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-12	
Current and other assets	\$ 9,839,978	8,951,457	335,687	290,572	10,175,665	9,242,029	10.10%	
Capital assets	6,975,800	7,469,479	79,658	66,465	7,055,458	7,535,944	-6.38%	
Total assets	<u>16,815,778</u>	<u>16,420,936</u>	<u>415,345</u>	<u>357,037</u>	<u>17,231,123</u>	<u>16,777,973</u>	<u>2.70%</u>	
Long-term obligations	3,380,300	3,693,056	12,983	9,762	3,393,283	3,702,818	-8.36%	
Other liabilities	5,808,571	5,900,941	9,950	5,994	5,818,521	5,906,935	-1.50%	
Total liabilities	<u>9,188,871</u>	<u>9,593,997</u>	<u>22,933</u>	<u>15,756</u>	<u>9,211,804</u>	<u>9,609,753</u>	<u>-4.14%</u>	
Net assets:								
Invested in capital assets, net of related debt	3,876,523	4,026,461	66,675	56,703	3,943,198	4,083,164	-3.43%	
Restricted	2,035,540	1,576,599	-	-	2,035,540	1,576,599	29.11%	
Unrestricted	1,714,844	1,223,879	325,737	284,578	2,040,581	1,508,457	35.28%	
Total net assets	<u>\$ 7,626,907</u>	<u>6,826,939</u>	<u>392,412</u>	<u>341,281</u>	<u>8,019,319</u>	<u>7,168,220</u>	<u>11.87%</u>	

The District's combined net assets increased by 11.87%, or \$851,099, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets are the resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$458,941, or 29.11% from the prior year. The increase in restricted net assets can be attributed to the increase in ending fund balance for the Capital Project Accounts as well as the Management Levy Fund.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$532,124, or 35.28%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues & Transfers:							
Program revenues:							
Charges for service	\$ 1,432,884	959,807	435,075	502,667	1,867,959	1,462,474	27.73%
Operating grants, contributions and restricted interest	1,071,738	2,516,480	319,363	319,173	1,391,101	2,835,653	-50.94%
Capital grants, contributions and restricted interest	13,324	-	6,439	-	19,763	-	100.00%
General revenues:							
Property tax	4,580,774	4,425,433	-	-	4,580,774	4,425,433	3.51%
Income surtax	303,803	322,576	-	-	303,803	322,576	-5.82%
Statewide sales, services and use tax	733,074	672,033	-	-	733,074	672,033	9.08%
Unrestricted state grants	5,003,386	4,006,020	-	-	5,003,386	4,006,020	24.90%
Nonspecific program federal revenue	62,594	-	-	-	62,594	-	100.00%
Unrestricted investment earnings	7,795	909	2	-	7,797	909	757.76%
Other	22,220	181,291	-	-	22,220	181,291	-87.74%
Transfers	(3,361)	-	1,246	-	(2,115)	-	-100.00%
Total revenues & transfers	<u>13,228,231</u>	<u>13,084,549</u>	<u>762,125</u>	<u>821,840</u>	<u>13,990,356</u>	<u>13,906,389</u>	<u>0.60%</u>
Program expenses:							
Governmental activities:							
Instructional	7,816,039	7,812,375	3,248	-	7,819,287	7,812,375	0.09%
Support services	3,664,292	3,118,994	-	-	3,664,292	3,118,994	17.48%
Non-instructional programs	17,655	17,670	707,746	845,489	725,401	863,159	-15.96%
Long-term debt interest	163,024	140,391	-	-	163,024	140,391	16.12%
Other expenses	767,253	1,317,332	-	-	767,253	1,317,332	-41.76%
Total expenses	<u>12,428,263</u>	<u>12,406,762</u>	<u>710,994</u>	<u>845,489</u>	<u>13,139,257</u>	<u>13,252,251</u>	<u>-0.85%</u>
Changes in net assets	799,968	677,787	51,131	(23,649)	851,099	654,138	30.11%
Beginning net assets	<u>6,826,939</u>	<u>6,149,152</u>	<u>341,281</u>	<u>364,930</u>	<u>7,168,220</u>	<u>6,514,082</u>	<u>10.04%</u>
Ending net assets	<u>\$ 7,626,907</u>	<u>6,826,939</u>	<u>392,412</u>	<u>341,281</u>	<u>8,019,319</u>	<u>7,168,220</u>	<u>11.87%</u>

In fiscal year 2012, property tax and unrestricted state grants accounted for 72.45% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.99% of the business type activities revenue.

The District's total revenues were approximately \$13.99 million, of which approximately \$13.23 million was for governmental activities and approximately \$0.76 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.60% increase in revenues and a 0.85% decrease in expenses. The increase in revenues was largely a result of increased unrestricted state grant revenues. The decrease in expenses is a result of decreased expenses of the non-instructional programs as compared to the previous year.

### Governmental Activities

Revenues for governmental activities were \$13,228,231 and expenses were \$12,428,263. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs, long-term debt interest and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 7,816,039	7,812,375	0.05%	5,760,872	4,804,931	19.89%
Support services	3,664,292	3,118,994	17.48%	3,580,354	3,075,822	16.40%
Non-instructional programs	17,655	17,670	-0.08%	17,655	17,670	-0.08%
Long-term debt interest	163,024	140,391	16.12%	163,024	140,373	16.14%
Other expenses	767,253	1,317,332	-41.76%	388,412	891,679	-56.44%
Totals	<u>\$ 12,428,263</u>	<u>12,406,762</u>	<u>0.17%</u>	<u>9,910,317</u>	<u>8,930,475</u>	<u>10.97%</u>

- The cost financed by users of the District's programs was \$1,432,884.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,085,062.
- The net cost of governmental activities was financed with \$4,580,774 in property tax, \$303,803 in income surtax, \$733,074 in statewide sales, services and use tax, \$5,003,386 in unrestricted state grants, \$62,594 in nonspecific program federal revenues, \$7,795 in interest income and \$18,859 in other general revenues net of transfers.

### Business type Activities

Revenues of the District's business type activities were \$762,125 and expenses were \$710,994. The District's business type activities include the School Nutrition Fund, the Industrial Technology Fund, Ram Restaurant Fund and the Lil Ram Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

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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 balances of \$3,725,010; an increase from last year's ending fund balances of \$2,757,132. The increase in combined fund balances is mainly attributable to the increase in ending fund balance for the General Fund and the Management Levy Fund.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,271,168 in fiscal 2011 to \$1,887,785 in fiscal 2012. The increase was due in part to increased revenues from state grants and tuition revenues received by the District as compared to the previous year.
- The Capital Projects Fund balance increased from a balance of \$975,075 at June 30, 2011 to an ending balance of \$1,093,387 at June 30, 2012. The Capital Projects Fund received more in local tax in 2012 as compared to the previous year.

### **Proprietary Fund Highlights**

The Proprietary Fund net assets increased from \$341,281 at June 30, 2011 to \$392,412 at June 30, 2012, representing an increase of 14.98%. Although revenues were less as compared to the previous year, the ending balance was able to increase because of the reduction of expenditures from \$845,489 in 2011 to \$707,746 in 2012.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Jefferson-Scranton community School District amended its budget one time increasing budgeted expenditures by \$190,000. The amendment was completed to reflect additional anticipated expenditures for the energy loan project and expenditures related to the Nutrition and Industrial Technology Construction Funds.

The District's revenues were \$359,894 more than budgeted revenues, a variance of 2.64%. The most significant variance resulted from the District receiving more in federal source revenues than originally anticipated.

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, 2012, the District had invested \$7,055,458, 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 amount represents a net decrease of 6.38% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$629,551.

The original cost of the District's capital assets was \$16,814,671. Governmental funds account for \$16,659,317 with the remainder of \$155,354 in the Proprietary, School Nutrition Fund and the Ram Restaurant Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$30,105 at June 30, 2012, compared to \$78,792 reported at June 30, 2011. The reduction in land improvements is attributable to depreciation expense taken during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 69,762	69,762	-	-	69,762	69,762	0.00%
Buildings	6,349,389	6,672,511	-	-	6,349,389	6,672,511	-4.84%
Land improvements	30,105	78,792	-	-	30,105	78,792	-61.79%
Machinery and equipment	526,544	648,414	79,658	66,465	606,202	714,879	-15.20%
Total	\$ 6,975,800	7,469,479	79,658	66,465	7,055,458	7,535,944	-6.38%

### Long-Term Debt

At June 30, 2012, the District had \$3,393,283 in revenue bond and other long-term debt outstanding. This represents a decrease of 8.36% from the previous year. (See Figure A-6) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds of \$3,099,277 at June 30, 2012.

The District had outstanding capital leases of \$12,983. The Student Nutrition Fund is responsible for \$7,774 for a dishwasher/oven lease and the Ram Restaurant Fund is responsible for \$5,209 for a dishwasher lease.

The District had an outstanding energy loan payable of \$18,886 at June 30, 2012. The energy loan was obtained from the Iowa Energy Bank through the Iowa Department of Administrative Services for a total amount of \$119,840. The remaining loan proceeds of \$100,954 will be drawn down and expended for the lighting project during the next fiscal year. Loan proceeds are being used by the District to upgrade to more energy efficient lighting systems for District buildings.

The District had total net OPEB liability of \$262,137 at June 30, 2012.

Figure A-7  
Outstanding Long-Term Debt Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenue Bonds	\$ 3,099,277	3,374,233	-	-	3,099,277	3,374,233	-8.15%
Capital Leases	-	68,785	12,983	9,762	12,983	78,547	-83.47%
Energy Loan	18,886	-	-	-	18,886	-	100.00%
Early Retirement	-	121,304	-	-	-	121,304	-100.00%
Net OPEB Liability	262,137	128,734	-	-	262,137	128,734	103.63%
Total	\$ 3,380,300	3,693,056	12,983	9,762	3,393,283	3,702,818	-8.36%

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## **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:

- Enrollment continues to decline, continuing uncertainty of Allowable Growth rate from the state and increasing health insurance costs and IPERS rates are all concerns.
- Whole grade sharing began with East Greene Community School District during the 2012-2013 school year with a vote to reorganize beginning July 1, 2014 passing easily. This should greatly help with efficiency in staff, transportation, physical structures and general management.
- We have had several early retirements in the last two years. Staff reductions have been absorbed through this attrition.

## **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 Brenda Muir, Business Manager/Board Secretary, Jefferson-Scranton Community School District, 204 W. Madison Street, Jefferson, Iowa, 50129.

BASIC FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,497,240	290,237	4,787,477
Receivables:			
Property tax:			
Delinquent	64,259	-	64,259
Succeeding year	4,525,408	-	4,525,408
Income surtax	314,230	-	314,230
Accounts	4,657	56	4,713
Due from other governments	374,265	8,240	382,505
Inventories	-	37,154	37,154
Net pension asset	59,919	-	59,919
Capital assets, net of accumulated depreciation	6,975,800	79,658	7,055,458
<b>Total Assets</b>	<b>16,815,778</b>	<b>415,345</b>	<b>17,231,123</b>
<b>Liabilities</b>			
Accounts payable	183,665	2,703	186,368
Salaries and benefits payable	1,028,764	4,182	1,032,946
Accrued interest payable	70,734	-	70,734
Deferred revenue:			
Succeeding year property tax	4,525,408	-	4,525,408
Unearned revenues	-	3,065	3,065
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	288,270	-	288,270
Energy loan payable	4,863	-	4,863
Dishwasher/Oven leases payable	-	3,486	3,486
Portion due after one year:			
Revenue bonds payable	2,811,007	-	2,811,007
Energy loan payable	14,023	-	14,023
Dishwasher/Oven leases payable	-	9,497	9,497
Net OPEB liability	262,137	-	262,137
<b>Total Liabilities</b>	<b>9,188,871</b>	<b>22,933</b>	<b>9,211,804</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,876,523	66,675	3,943,198
Restricted for:			
Categorical funding	198,315	-	198,315
Debt service	317,425	-	317,425
Management levy purposes	528,349	-	528,349
Student activities	215,489	-	215,489
School infrastructure	665,751	-	665,751
Physical plant and equipment	110,211	-	110,211
Unrestricted	1,714,844	325,737	2,040,581
<b>Total Net Assets</b>	<b>\$ 7,626,907</b>	<b>392,412</b>	<b>8,019,319</b>

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating Grants,	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Service	Contributions and Restricted Interest	Contributions and Restricted Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,624,431	931,776	88,900	-	(3,603,755)	-	(3,603,755)
Special	1,324,014	128,478	173,747	-	(1,021,789)	-	(1,021,789)
Other	1,867,594	309,094	423,172	-	(1,135,328)	-	(1,135,328)
	<u>7,816,039</u>	<u>1,369,348</u>	<u>685,819</u>	<u>-</u>	<u>(5,760,872)</u>	<u>-</u>	<u>(5,760,872)</u>
Support services:							
Student	337,858	20,133	-	-	(317,725)	-	(317,725)
Instructional staff	162,516	19,127	6,767	-	(136,622)	-	(136,622)
Administration	1,238,327	429	-	-	(1,237,898)	-	(1,237,898)
Operation and maintenance of plant	1,309,626	-	-	13,324	(1,296,302)	-	(1,296,302)
Transportation	615,965	23,847	311	-	(591,807)	-	(591,807)
	<u>3,664,292</u>	<u>63,536</u>	<u>7,078</u>	<u>13,324</u>	<u>(3,580,354)</u>	<u>-</u>	<u>(3,580,354)</u>
Non-instructional programs:							
Community service operations	17,655	-	-	-	(17,655)	-	(17,655)
Long-term debt interest	163,024	-	-	-	(163,024)	-	(163,024)
Other expenditures:							
AEA flowthrough	378,841	-	378,841	-	-	-	-
Depreciation(unallocated)*	388,412	-	-	-	(388,412)	-	(388,412)
	<u>767,253</u>	<u>-</u>	<u>378,841</u>	<u>-</u>	<u>(388,412)</u>	<u>-</u>	<u>(388,412)</u>
Total governmental activities	12,428,263	1,432,884	1,071,738	13,324	(9,910,317)	-	(9,910,317)
Business type activities:							
Instruction:							
Regular	3,248	2,855	-	-	-	(393)	(393)
Non-instructional programs:							
Food service operations	516,447	183,085	318,883	6,439	-	(8,040)	(8,040)
Industrial technology construction	167,464	220,917	-	-	-	53,453	53,453
Ram restaurant	23,835	28,218	480	-	-	4,863	4,863
	<u>707,746</u>	<u>432,220</u>	<u>319,363</u>	<u>6,439</u>	<u>-</u>	<u>50,276</u>	<u>50,276</u>
Total business type activities	710,994	435,075	319,363	6,439	-	49,883	49,883
Total	\$ 13,139,257	1,867,959	1,391,101	19,763	(9,910,317)	49,883	(9,860,434)
<b>General Revenues &amp; Transfers:</b>							
Property tax for:							
General purposes				\$ 4,483,433	-	4,483,433	
Capital outlay				97,341	-	97,341	
Income surtax				303,803	-	303,803	
Statewide sales, services and use tax				733,074	-	733,074	
Unrestricted state grants				5,003,386	-	5,003,386	
Nonspecific program federal revenue				62,594	-	62,594	
Unrestricted investment earnings				7,795	2	7,797	
Other				22,220	-	22,220	
Transfers				(3,361)	1,246	(2,115)	
Total general revenues & transfers				10,710,285	1,248	10,711,533	
Changes in net assets				799,968	51,131	851,099	
Net assets beginning of year				6,826,939	341,281	7,168,220	
Net assets end of year				\$ 7,626,907	392,412	8,019,319	

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

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Total Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,856,385	901,309	736,564	4,494,258
Receivables:				
Property tax:				
Delinquent	56,087	1,366	6,806	64,259
Succeeding year	4,024,127	101,282	399,999	4,525,408
Income surtax	314,230	-	-	314,230
Accounts	4,189	-	468	4,657
Due from other governments	183,553	190,712	-	374,265
<b>Total Assets</b>	<b>\$ 7,438,571</b>	<b>1,194,669</b>	<b>1,143,837</b>	<b>9,777,077</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 183,665	-	-	183,665
Salaries and benefits payable	1,028,764	-	-	1,028,764
Deferred revenue:				
Succeeding year property tax	4,024,127	101,282	399,999	4,525,408
Income surtax	314,230	-	-	314,230
Total liabilities	5,550,786	101,282	399,999	6,052,067
Fund balances:				
Restricted for:				
Categorical funding	198,315	-	-	198,315
Debt service	-	317,425	-	317,425
Management levy purposes	-	-	528,349	528,349
Student activities	-	-	215,489	215,489
School infrastructure	-	665,751	-	665,751
Physical plant and equipment	-	110,211	-	110,211
Unassigned	1,689,470	-	-	1,689,470
Total fund balances	1,887,785	1,093,387	743,838	3,725,010
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,438,571</b>	<b>1,194,669</b>	<b>1,143,837</b>	<b>9,777,077</b>

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$ 3,725,010
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,975,800
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	314,230
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	2,982
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.	(70,734)
Pension benefits are not yet available to finance expenditures of the current year fiscal period.	59,919
Long-term liabilities, including grevenue bonds payable, energy loan notes payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(3,380,300)
<b>Net assets of governmental activities(page 18)</b>	<u>\$ 7,626,907</u>

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Total Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,318,437	830,415	485,169	5,634,021
Tuition	991,405	-	-	991,405
Other	213,202	6,938	300,029	520,169
State sources	5,629,799	54	270	5,630,123
Federal sources	465,526	6,718	-	472,244
Total revenues	<u>11,618,369</u>	<u>844,125</u>	<u>785,468</u>	<u>13,247,962</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,486,003	-	173,102	4,659,105
Special	1,357,550	-	-	1,357,550
Other	1,527,271	-	317,485	1,844,756
	<u>7,370,824</u>	<u>-</u>	<u>490,587</u>	<u>7,861,411</u>
Support services:				
Student	343,257	-	-	343,257
Instructional staff	142,640	-	-	142,640
Administration	1,197,790	21,620	-	1,219,410
Operation and maintenance of plant	1,048,836	9,000	38,211	1,096,047
Transportation	521,095	700	20,360	542,155
	<u>3,253,618</u>	<u>31,320</u>	<u>58,571</u>	<u>3,343,509</u>
Non-instructional programs:				
Community service operations	17,655	-	-	17,655
Capital outlay	-	221,246	-	221,246
Long-term debt:				
Principal	-	-	337,200	337,200
Interest and fiscal charges	-	-	136,047	136,047
	<u>-</u>	<u>-</u>	<u>473,247</u>	<u>473,247</u>
Other expenditures:				
AEA flowthrough	378,841	-	-	378,841
Total expenditures	<u>11,020,938</u>	<u>252,566</u>	<u>1,022,405</u>	<u>12,295,909</u>
Excess(Deficiency) of revenues over(under) expenditures	597,431	591,559	(236,937)	952,053
Other financing sources(uses):				
Transfer in	-	-	473,247	473,247
Transfer out	-	(473,247)	(3,361)	(476,608)
Energy loan proceeds	18,886	-	-	18,886
Sale of equipment	300	-	-	300
Total other financing sources(uses)	<u>19,186</u>	<u>(473,247)</u>	<u>469,886</u>	<u>15,825</u>
Net change in fund balances	616,617	118,312	232,949	967,878
Fund balances beginning of year	1,271,168	975,075	510,889	2,757,132
Fund balances end of year	<u>\$ 1,887,785</u>	<u>1,093,387</u>	<u>743,838</u>	<u>3,725,010</u>

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON 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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 967,878

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

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

Capital outlays	\$ 124,292	
Depreciation expense	<u>(617,971)</u>	(493,679)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are as follows:

Issued	\$ (18,886)	
Repaid	<u>337,200</u>	318,314

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (9,829)

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. 2,982

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. (33,518)

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.

Early retirement	\$ 121,304	
Net pension benefits	59,919	
Other postemployment benefits	<u>(133,403)</u>	<u>47,820</u>

**Changes in net assets of governmental activities(page 19) \$ 799,968**

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business Type Activities: Nonmajor Enterprise Funds					Governmental Activities:
	Industrial		Lil		Total	Internal Service Fund
	School Nutrition	Technology Construction	Ram Restaurant	Lil Preschool		Flex Benefits
<b>ASSETS</b>						
Current assets:						
Cash and pooled investments	\$ 1,238	284,065	4,508	426	290,237	2,982
Accounts receivable	56	-	-	-	56	-
Due from other governments	8,240	-	-	-	8,240	-
Inventories	10,154	27,000	-	-	37,154	-
Total current assets	19,688	311,065	4,508	426	335,687	2,982
Non-current assets:						
Capital assets:						
Machinery and equipment, net of accumulated depreciation	73,667	-	5,991	-	79,658	-
Total non-current assets	73,667	-	5,991	-	79,658	-
<b>TOTAL ASSETS</b>	93,355	311,065	10,499	426	415,345	2,982
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	2,703	-	-	-	2,703	-
Salaries and benefits payable	4,182	-	-	-	4,182	-
Unearned revenue	3,065	-	-	-	3,065	-
Total current liabilities	9,950	-	-	-	9,950	-
Long-term liabilities:						
Dishwasher/Oven leases	7,774	-	5,209	-	12,983	-
Total long-term liabilities	7,774	-	5,209	-	12,983	-
<b>TOTAL LIABILITIES</b>	17,724	-	5,209	-	22,933	-
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	65,893	-	782	-	66,675	-
Unrestricted	9,738	311,065	4,508	426	325,737	2,982
<b>TOTAL NET ASSETS</b>	\$ 75,631	311,065	5,290	426	392,412	2,982

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business Type Activities: Nonmajor Enterprise Funds					Governmental Activities:
	School	Industrial	Ram	Lil	Total	Internal
	Nutrition	Technology Construction	Restaurant	Ram Preschool		Service Fund Flex Benefits
<b>OPERATING REVENUE:</b>						
Local sources:						
Charges for services	\$ 183,085	220,917	28,218	2,855	435,075	-
Donations	-	-	480	-	480	-
Miscellaneous	-	-	-	-	-	51,506
<b>TOTAL OPERATING REVENUES</b>	<b>183,085</b>	<b>220,917</b>	<b>28,698</b>	<b>2,855</b>	<b>435,555</b>	<b>51,506</b>
<b>OPERATING EXPENSES:</b>						
Instruction:						
Regular:						
Services	-	-	-	407	407	-
Supplies	-	-	579	2,262	2,841	-
	-	-	579	2,669	3,248	-
Non-instructional programs:						
Food service operations:						
Salaries	171,115	-	-	-	171,115	-
Benefits	25,525	-	-	-	25,525	-
Services	3,199	-	-	-	3,199	-
Supplies	305,792	-	-	-	305,792	-
Depreciation	10,382	-	-	-	10,382	-
	516,013	-	-	-	516,013	-
Other operations:						
Benefits	-	-	-	-	-	51,508
Services	-	19,674	78	-	19,752	-
Supplies	-	147,790	22,268	-	170,058	-
Depreciation	-	-	1,198	-	1,198	-
	-	167,464	23,544	-	191,008	51,508
<b>TOTAL OPERATING EXPENSES</b>	<b>516,013</b>	<b>167,464</b>	<b>24,123</b>	<b>2,669</b>	<b>710,269</b>	<b>51,508</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(332,928)</b>	<b>53,453</b>	<b>4,575</b>	<b>186</b>	<b>(274,714)</b>	<b>(2)</b>
<b>NON-OPERATING REVENUES:</b>						
Interest expense(leases)	(434)	-	(291)	-	(725)	-
State sources	4,920	-	-	-	4,920	-
Federal sources	313,963	-	-	-	313,963	-
Interest income	2	-	-	-	2	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>318,451</b>	<b>-</b>	<b>(291)</b>	<b>-</b>	<b>318,160</b>	<b>-</b>
Change in net assets before other financing sources	(14,477)	53,453	4,284	186	43,446	(2)
Other financing sources:						
Transfer in	-	-	1,006	240	1,246	-
Capital contributions	6,439	-	-	-	6,439	-
<b>Total other financing sources</b>	<b>6,439</b>	<b>-</b>	<b>1,006</b>	<b>240</b>	<b>7,685</b>	<b>-</b>
Change in net assets	(8,038)	53,453	5,290	426	51,131	(2)
Net assets beginning of year	83,669	257,612	-	-	341,281	2,984
Net assets end of year	\$ 75,631	311,065	5,290	426	392,412	2,982

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business Type Activities: Nonmajor Enterprise Funds					Governmental Activities:
	School	Industrial	Ram	Lil	Total	Internal
	Nutrition	Technology Construction	Ram Restaurant	Ram Preschool		Service Fund Flex Benefits
Cash flows from operating activities:						
Cash received from operating activities	\$ 188,371	-	28,218	2,855	219,444	-
Cash received from sale of student construction house	-	220,917	-	-	220,917	-
Cash received from miscellaneous operating activities	-	-	480	-	480	51,506
Cash payments to employees for services	(192,458)	-	-	-	(192,458)	(51,508)
Cash payments to suppliers for goods or services	(283,657)	(194,464)	(22,925)	(2,669)	(503,715)	-
Net cash provided by(used in) operating activities	(287,744)	26,453	5,773	186	(255,332)	(2)
Cash flows from non-capital financing activities:						
Transfer in from Activity Fund	-	-	1,006	240	1,246	-
State grants received	4,920	-	-	-	4,920	-
Federal grants received	289,905	-	-	-	289,905	-
Net cash provided by non-capital financing activities	294,825	-	1,006	240	296,071	-
Cash flows from capital financing activities:						
Acquisition of assets	(11,145)	-	(7,189)	-	(18,334)	-
Proceeds from dishwasher lease	-	-	6,541	-	6,541	-
Principal payment on dishwasher/oven leases	(1,988)	-	(1,332)	-	(3,320)	-
Interest payment on dishwasher/oven leases	(434)	-	(291)	-	(725)	-
Net cash provided by(used in) capital financing activities	(13,567)	-	(2,271)	-	(15,838)	-
Cash flows from investing activities:						
Interest on investment	2	-	-	-	2	-
Net decrease(increase) in cash and cash equivalents	(6,484)	26,453	4,508	426	24,903	(2)
Cash and cash equivalents at beginning of year	7,722	257,612	-	-	265,334	2,984
Cash and cash equivalents at end of year	\$ 1,238	284,065	4,508	426	290,237	2,982
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:						
Operating income(loss)	\$ (332,928)	53,453	4,575	186	(274,714)	(2)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:						
Commodities consumed	25,584	-	-	-	25,584	-
Depreciation	10,382	-	1,198	-	11,580	-
Decrease(Increase) in inventories	3,041	(27,000)	-	-	(23,959)	-
Decrease in accounts receivable	2,221	-	-	-	2,221	-
Decrease in accounts payable	(3,291)	-	-	-	(3,291)	-
Increase in salaries and benefits payable	4,182	-	-	-	4,182	-
Increase in unearned revenues	3,065	-	-	-	3,065	-
Net cash provided by(used in) operating activities	\$ (287,744)	26,453	5,773	186	(255,332)	(2)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$25,584.

During the year ended June 30, 2012, the School Nutrition Fund received capital contributions of \$4,960 from the Capital Projects: Statewide Sales, Services and Use Tax Fund and \$1,479 from the General Fund.

During the year ended June 30, 2012, the District entered into a lease purchase agreement with DuPey Equipment Company for a new dishwasher for the Ram Restaurant Fund. The proceeds from the purchase of the dishwasher were capitalized on the District's capital assets listing.

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 1,165
<b>Liabilities</b>	-
<b>Net Assets</b>	
Restricted for scholarships	\$ 1,165

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 600
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,550
Deficiency of revenues under expenditures	(950)
Other financing sources:	
Transfer in	2,115
Change in net assets	1,165
Net assets beginning of year	-
Net assets end of year	\$ 1,165

SEE NOTES TO FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(1) **Summary of Significant Accounting Policies**

The Jefferson-Scranton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, state voluntary preschool program and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Jefferson and Scranton, Iowa, and the predominate agricultural territory in Greene County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Jefferson-Scranton Community School District has included all funds, organizations, account groups, 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 Central Decatur 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 Greene County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which 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 nonmajor governmental funds. Combining schedules are also included for the Capital Projects 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 expenses, including instructional, support and other costs.

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

The District reports the following four nonmajor proprietary funds:

One of the District's nonmajor proprietary funds is the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The second of the District's nonmajor proprietary funds is the Industrial Technology Construction Fund. The Industrial Technology Construction Fund is used to account for revenues and expenses related to the construction of a house by students taking building and trades classes.

The third of the District's nonmajor proprietary funds is the Ram Restaurant Fund. The Ram Restaurant Fund is used to account for the operations of the restaurant that is operated by students taking culinary classes offered by the District.

The final of the District's nonmajor proprietary funds is the Lil Ram Preschool Fund. The Lil Ram Preschool Fund is used to account for the operations of the District's preschool program.

The District also reports the following other proprietary fund:

The Flex Benefits Fund is used to account for payroll deductions from District employees used to pay for medical expenses.

The District also reports fiduciary funds which focus on net assets and changes in net assets. 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, Liabilities and Fund Balances**

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

Cash, Pooled Investments and Cash Equivalents - The cash balances 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 purposes 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 Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. 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 District is required to certify its budget in April 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 in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or 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 Assets. 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	1,000
Land improvements	1,000
Intangibles	100,000
Machinery and equipment:	
All Proprietary Funds equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Intangibles	5-10 years
Land improvements	15 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

**E. Budgeting and Budgetary Control**

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2012 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 and the Treasurer of the State of Iowa; 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.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,981,114 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 473,247
Ram Restaurant	Activity	1,006
Lil Ram Preschool	Activity	240
Private Purpose Trust	Activity	2,115
Total		<u>\$ 476,608</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's bus lease and revenue bond indebtedness.

The transfer from the Activity Fund to the Ram Restaurant Fund was needed to close the account in the Activity Fund and create a new proprietary fund per the request of the auditors.

The transfer from the Activity Fund to the Lil Ram Preschool Fund was needed to close the account in the Activity Fund and create a new proprietary fund per the request of the auditors.

The transfer from the Activity Fund to the Private Purpose Trust Fund was needed to close the account in the Activity Fund and create a new fiduciary fund per the request of the auditors.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 69,762	-	-	69,762
Total capital assets not being depreciated	69,762	-	-	69,762
Capital assets being depreciated:				
Buildings	11,815,850	16,603	-	11,832,453
Land improvements	635,306	-	-	635,306
Machinery and equipment	4,043,965	107,689	29,858	4,121,796
Total capital assets being depreciated	16,495,121	124,292	29,858	16,589,555
Less accumulated depreciation for:				
Buildings	5,143,339	339,725	-	5,483,064
Land improvements	556,514	48,687	-	605,201
Machinery and equipment	3,395,551	229,559	29,858	3,595,252
Total accumulated depreciation	9,095,404	617,971	29,858	9,683,517
Total capital assets being depreciated, net	7,399,717	(493,679)	-	6,906,038
Governmental activities capital assets, net	\$ 7,469,479	(493,679)	-	6,975,800
<b>Business type activities:</b>				
Machinery and equipment	\$ 130,581	24,773	-	155,354
Less accumulated depreciation	64,116	11,580	-	75,696
Business type activities capital assets, net	\$ 66,465	13,193	-	79,658

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 57,347
Other		22,838
Support services:		
Instructional staff		29,345
Administration		15,889
Operation and maintenance of plant		27,178
Transportation		76,962
		229,559
Unallocated depreciation		388,412
Total governmental activities depreciation expense		\$ 617,971
Business type activities:		
Food services		\$ 10,382
Ram restaurant		1,198
Total governmental activities depreciation expense		\$ 11,580

(5) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 3,374,233	-	274,956	3,099,277	288,270
Capital Leases	68,785	-	68,785	-	-
Energy Loan	-	18,886	-	18,886	4,863
Early Retirement	121,304	-	121,304	-	-
Net OPEB Liability	128,734	133,403	-	262,137	-
<b>Total</b>	<b>\$ 3,693,056</b>	<b>152,289</b>	<b>465,045</b>	<b>3,380,300</b>	<b>293,133</b>
Business type activities:					
Dishwasher/Oven Lease (Student Nutrition Fund)	\$ 9,762	-	1,988	7,774	2,087
Dishwasher Lease (Ram Restaurant Fund)	-	6,541	1,332	5,209	1,399
<b>Total</b>	<b>\$ 9,762</b>	<b>6,541</b>	<b>3,320</b>	<b>12,983</b>	<b>3,486</b>

During the year ended June 30, 2012, the District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures - an Amendment of GASB Statements No. 25 and 27. The early retirement liability is now recorded based on actuarial valuations and is reflected in the Supplemental Pension Plan discussed in Note 8 to the financial statements.

**Revenue Bonds Payable**

Details of the District's June 30, 2012 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated December 1, 2007			Bond issue dated July 1, 2009			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	3.85 %	\$ 200,000	108,425	3.90 %	\$ 88,270	14,597	\$ 288,270	123,022	411,292
2014	3.90	210,000	100,480	3.90	91,712	11,154	301,712	111,634	413,346
2015	3.95	220,000	92,040	3.90	95,289	7,577	315,289	99,617	414,906
2016	4.00	225,000	83,195	3.90	99,006	3,861	324,006	87,056	411,062
2017	4.05	235,000	73,936	-	-	-	235,000	73,936	308,936
2018-2022	4.10-4.30	1,335,000	211,736	-	-	-	1,335,000	211,736	1,546,736
2023	4.35	300,000	6,525	-	-	-	300,000	6,525	306,525
<b>Total</b>		<b>\$ 2,725,000</b>	<b>676,337</b>		<b>\$ 374,277</b>	<b>37,189</b>	<b>\$ 3,099,277</b>	<b>713,526</b>	<b>3,812,803</b>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,195,000 of bonds issued in December 2007 and \$541,000 of bonds issued in July 2009. The bonds were issued for the purpose of financing a portion of the costs of District remodeling projects and improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 56% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,812,803. For the current year, \$274,956 of principal and \$133,748 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$733,074.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$317,425 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

### **Energy Loan**

During the year ended June 30, 2012, the District obtained an energy loan from the Iowa Energy Bank through the Iowa Department of Administrative Services for a total amount of \$119,840 at an interest rate of 1%. Loan proceeds are being used by the District to upgrade to more energy efficient lighting systems for District buildings. Repayment of the loan is to begin in November of 2012 with monthly transfers of \$730 from the General Fund. Principal and interest due for fiscal year 2013 are \$4,863 and \$981 respectively.

As of June 30, 2012, the District had loan drawdowns for lighting project expenditures totaling \$18,886 which is being shown as a long term liability in the governmental activities. The remaining loan proceeds of \$100,954 will be drawn down and expended for the lighting project during the next fiscal year as work on the project progresses.

**Dishwasher/Oven Lease Payable**

Details of the District's June 30, 2012 dishwasher/oven lease indebtedness that is to be paid from the Student Nutrition Fund are as follows:

Year Ended June 30,	Dishwasher/Oven Lease Dated August 12, 2010			
	Interest Rates	Principal	Interest	Total
2013	4.90 %	\$ 2,087	335	2,422
2014	4.90	2,192	230	2,422
2015	4.90	2,105	114	2,219
2016	4.90	1,390	23	1,413
Total		\$ 7,774	702	8,476

Details of the District's June 30, 2012 dishwasher lease indebtedness that is to be paid from the Ram Restaurant Fund are as follows:

Year Ended June 30,	Dishwasher Lease Dated August 12, 2010			
	Interest Rates	Principal	Interest	Total
2013	4.90 %	\$ 1,399	223	1,622
2014	4.90	1,468	154	1,622
2015	4.90	1,411	78	1,489
2016	4.90	931	15	946
Total		\$ 5,209	470	5,679

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$550,262, \$470,550, and \$454,205, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits(OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 110 active and 11 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 77,208
Interest on net OPEB obligation	5,161
Adjustment to annual required contribution	62,489
Annual OPEB cost	<u>144,858</u>
Contributions made	(11,455)
Increase in net OPEB obligation	<u>133,403</u>
 Net OPEB obligation beginning of year	 <u>128,734</u>
 Net OPEB obligation end of year	 <u>\$ 262,137</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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, 2012.

For the year ended June 30, 2012, the District contributed \$11,455 to the medical plan. Plan members eligible for the plan contributed \$0 or 0% of the premium costs.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 43,641	0.00%	\$ 89,463
2011	45,822	0.00%	128,734
2012	144,858	7.91%	262,137

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$0.560 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.560 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.641 million and the ratio of the UAAL to covered payroll was 12.07%. As of June 30, 2012, 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. The Schedule of Funding Progress, 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, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the 94 Group Annuity Table projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Supplemental Pension Plan**

Plan Description - The District offers a supplemental pension (early retirement incentive) for all full-time employees who attain age 55, has completed ten years of service to the District, submits an application to the Superintendent receives Board approval and retire by June 30 of the same year.

There are 144 active members in the plan as of June 30, 2012. The pension benefit is defined as 1% of the retiree's annual contract for every year the retiree worked for the District.

Funding Policy - payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Management Levy Fund for members that are over age 55 and the General Fund for members that are under age 55.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual pension cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 152,082
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual net pension obligation cost	<u>152,082</u>
Contributions made	<u>(212,001)</u>
Increase in net pension obligation	(59,919)
Net pension obligation beginning of year	<u>-</u>
Net pension obligation end of year	<u>\$ (59,919)</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2011. The end of year net pension 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, 2012.

For the year ended June 30, 2012, the District contributed \$212,001 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	\$ 152,082	139.40%	\$ (59,919)

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1.248 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.451 million, and the ratio of the UAAL to the covered payroll was 19.35%. As of June 30, 2012, 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 employee retirement age. 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 Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2011 actuarial valuation date, the frozen entry age actuarial cost method as a percent of pay was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB obligation. The remaining amortization period at June 30, 2012 is 30 years.

**(9) Risk Management**

Jefferson-Scranton 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.

**(10) 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 \$378,841 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Property Lease**

The District currently has a lease with the Greene County Fair Association for rental of a storage facility for District equipment. Payment is \$9,000 per year through June 30, 2013. At that time, the District has the option to renew the agreement through June 30, 2016.

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Four-year Old Preschool State Aid	\$ 189,007
Beginning Teacher Mentoring and Induction Program	333
Transportation Aid for Non-Public Students	311
Teacher Salary Supplement	2,431
Professional Development for Model Core Curriculum	1,463
Professional Development	4,770
Total	<u>\$ 198,315</u>

*Jefferson-Scranton Community School District*

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,145,595	435,557	7,581,152	7,384,580	7,384,580	196,572
State sources	5,630,123	4,920	5,635,043	5,732,928	5,732,928	(97,885)
Federal sources	472,244	313,963	786,207	525,000	525,000	261,207
Total revenues	13,247,962	754,440	14,002,402	13,642,508	13,642,508	359,894
Expenditures/expenses:						
Instruction	7,861,411	3,248	7,864,659	8,091,000	8,091,000	226,341
Support services	3,343,509	-	3,343,509	3,361,750	3,491,750	148,241
Non-instructional	17,655	707,746	725,401	718,500	778,500	53,099
Other expenditures	1,073,334	-	1,073,334	1,451,567	1,451,567	378,233
Total expenditures/expenses	12,295,909	710,994	13,006,903	13,622,817	13,812,817	805,914
Excess(Deficiency) of revenues over(under) expenditures/expenses	952,053	43,446	995,499	19,691	(170,309)	1,165,808
Other financing sources, net	15,825	7,685	23,510	-	-	23,510
Excess(Deficiency) of revenues over(under) expenditures/expenses	967,878	51,131	1,019,009	19,691	(170,309)	1,189,318
Balances beginning of year	2,757,132	341,281	3,098,413	2,160,210	2,160,210	938,203
Balances end of year	\$ 3,725,010	392,412	4,117,422	2,179,901	1,989,901	2,127,521

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment to increase budgeted expenditures by \$190,000.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING IN PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 529	529	0.00%	\$ 4,048	13.07%
2011	July 1, 2008	-	529	529	0.00%	4,082	12.96%
2012	July 1, 2011	-	560	560	0.00%	4,641	12.07%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding in progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING IN PROGRESS FOR THE  
SUPPLEMENTAL PENSION PLAN  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	-	\$ 1,248	1,248	0.00%	\$ 6,451	19.35%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding in progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

*Jefferson-Scranton Community School District*

SUPPLEMENTARY INFORMATION

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue		Total
	Student Activity	Manage- ment Levy	Nonmajor Governmental Funds
<b>Assets</b>			
Cash and pooled investments	\$ 215,021	521,543	736,564
Receivables:			
Property tax:			
Delinquent	-	6,806	6,806
Succeeding year	-	399,999	399,999
Accounts	468	-	468
<b>Total Assets</b>	<b>\$ 215,489</b>	<b>928,348</b>	<b>1,143,837</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	399,999	399,999
Fund balances:			
Restricted for:			
Management levy purposes	-	528,349	528,349
Student activities	215,489	-	215,489
Total fund balances	215,489	528,349	743,838
<b>Total Liabilities and Fund Balances</b>	<b>\$ 215,489</b>	<b>928,348</b>	<b>1,143,837</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Total Special Revenue		
Revenues:					
Local sources:					
Local tax	\$ -	485,169	485,169	-	485,169
Other	299,305	724	300,029	-	300,029
State sources	-	270	270	-	270
Total revenues	299,305	486,163	785,468	-	785,468
Expenditures:					
Current:					
Instruction:					
Regular	-	173,102	173,102	-	173,102
Other	317,485	-	317,485	-	317,485
Support services:					
Operation and maintenance of plant	-	38,211	38,211	-	38,211
Transportation	-	20,360	20,360	-	20,360
Long-term debt:					
Principal	-	-	-	337,200	337,200
Interest and fiscal charges	-	-	-	136,047	136,047
Total expenditures	317,485	231,673	549,158	473,247	1,022,405
Excess(Deficiency) of revenues over(under) expenditures	(18,180)	254,490	236,310	(473,247)	(236,937)
Other financing sources(uses):					
Transfer in	-	-	-	473,247	473,247
Transfer out	(3,361)	-	(3,361)	-	(3,361)
Total other financing sources(uses)	(3,361)	-	(3,361)	473,247	469,886
Net change in fund balances	(21,541)	254,490	232,949	-	232,949
Fund balances beginning of year	237,030	273,859	510,889	-	510,889
Fund balances end of year	\$ 215,489	528,349	743,838	-	743,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 792,464	108,845	901,309
Receivables:			
Property tax:			
Delinquent	-	1,366	1,366
Succeeding year	-	101,282	101,282
Due from other governments	190,712	-	190,712
<b>Total Assets</b>	<b>\$ 983,176</b>	<b>211,493</b>	<b>1,194,669</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	101,282	101,282
Fund balances:			
Restricted for:			
Debt service	317,425	-	317,425
School infrastructure	665,751	-	665,751
Physical plant and equipment	-	110,211	110,211
Total fund balances	983,176	110,211	1,093,387
<b>Total Liabilities and Fund Balances</b>	<b>\$ 983,176</b>	<b>211,493</b>	<b>1,194,669</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 733,074	97,341	830,415
Other	219	6,719	6,938
State sources	-	54	54
Federal sources	-	6,718	6,718
Total revenues	733,293	110,832	844,125
Expenditures:			
Current:			
Support services:			
Administration	1,924	19,696	21,620
Operation and maintenance of plant	-	9,000	9,000
Transportation	700	-	700
Capital outlay	174,483	46,763	221,246
Total expenditures	177,107	75,459	252,566
Excess of revenues over expenditures	556,186	35,373	591,559
Other financing uses:			
Transfer out	(473,247)	-	(473,247)
Net change in fund balances	82,939	35,373	118,312
Fund balances beginning of year	900,237	74,838	975,075
Fund balances end of year	\$ 983,176	110,211	1,093,387

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<b><u>Elementary Activities:</u></b>					
Library	\$ 1,089	3,740	4,204	-	625
Reading is Fundamental	730	5,290	2,979	-	3,041
Student Fund	3,393	2,299	2,782	-	2,910
Playground	32	2,455	2,700	261	48
Field Trip	552	700	481	-	771
Instrumental Music	3,365	2,179	410	-	5,134
Fifth Grade Snack Shop	99	-	-	-	99
Nurse Emergency Fund	66	100	51	200	315
	9,326	16,763	13,607	461	12,943
<b><u>Middle School:</u></b>					
Library	118	1,212	879	-	451
Music	-	1,607	3,579	1,972	-
Student Fund	-	47,708	45,270	(100)	2,338
Treat Cart	1,152	1,706	2,122	(736)	-
Yearbook	2,489	144	144	-	2,489
	3,759	52,377	51,994	1,136	5,278
<b><u>Athletics:</u></b>					
Baseball & Fundraiser	5,563	6,707	8,234	1,549	5,585
Boys Basketball & Fundraiser	5,532	4,662	6,374	328	4,148
Boys Golf & Fundraiser	-	251	1,005	754	-
Boys Track & Fundraiser	1,493	2,432	3,261	829	1,493
Cheerleaders	5,737	10,692	7,571	-	8,858
Cross Country & Fundraiser	2,236	2,642	3,527	752	2,103
Football & Fundraiser	17,293	19,208	24,541	189	12,149
Girls Basketball & Fundraiser	6,183	11,678	14,052	(189)	3,620
Girls Track	-	4,834	4,956	762	640
Miscellaneous Activity	2,026	7,700	1,777	(6,284)	1,665
Softball & Fundraiser	811	3,321	4,822	1,742	1,052
Tournaments	2,893	5,904	5,200	-	3,597
Volleyball & Fundraiser	3,013	6,614	6,716	(127)	2,784
Wrestling & Fundraiser	1,397	4,680	4,396	-	1,681
Activity Tickets	2,917	13,623	14,319	(1,056)	1,165
Athletic Concessions	12	-	-	-	12
Athletic Fundraiser	9,449	961	-	-	10,410
Football Coaches Clinic	40,127	10,764	20,375	(431)	30,085
Football Camp	695	8,075	8,721	900	949
Weight Building	4,795	-	734	-	4,061
Golf Tourney Fundraiser	777	-	640	-	137
	112,949	124,748	141,221	(282)	96,194

Account	Balance End of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<b><u>High School Activities/Organizations:</u></b>					
Art	889	2,805	2,657	-	1,037
Business Professionals of America	1,038	404	381	-	1,061
Drama	715	835	682	(130)	738
Fashion	44	373	508	91	-
FFA	2,261	10,715	10,302	(20)	2,654
French Club	2,911	3,809	1,846	-	4,874
FCCLA	825	-	226	-	599
Instrumental Music	3,948	9,383	9,766	(1,039)	2,526
Lil Ram Preschool	240	-	-	(240)	-
Ram Restaurant	1,006	-	-	(1,006)	-
Juvenile Court Program	136	-	-	-	136
Spanish Club	9,275	13,629	17,144	-	5,760
Speech	265	1,000	737	361	889
VICA	2,308	3,547	6,876	1,109	88
Debate	362	-	-	(362)	-
Vocal Music	8,568	20,321	23,081	656	6,464
Yearbook	-	4,397	3,800	-	597
Flags	102	-	-	-	102
Ram Trolley	2,686	5,602	6,946	-	1,342
Community Outreach	-	5,605	3,600	(80)	1,925
Physics	124	-	-	-	124
High School Library	146	15	-	-	161
Student Council	4,455	225	1,209	-	3,471
National Honor Society	659	1,566	1,641	(200)	384
Class of 2011	631	-	195	(436)	-
Class of 2012	675	600	1,269	(6)	-
Class of 2013	-	4,608	3,998	-	610
Alternative School	323	50	54	-	319
Adult Education	3,114	-	-	-	3,114
Scholarship Fund	2,115	-	-	(2,115)	-
Interest	57,728	7,129	6,805	(1,259)	56,793
	<u>107,549</u>	<u>96,618</u>	<u>103,723</u>	<u>(4,676)</u>	<u>95,768</u>
<b><u>Concessions:</u></b>					
Elementary	83	506	315	-	274
Middle School	2,994	3,100	2,576	-	3,518
High School	370	5,193	4,049	-	1,514
	<u>3,447</u>	<u>8,799</u>	<u>6,940</u>	<u>-</u>	<u>5,306</u>
 Total	 \$ 237,030	 299,305	 317,485	 (3,361)	 215,489

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund			
	Strabley Scholarship	Linduska Scholarship	Mallas Memorial	Total
<b>Assets</b>				
Cash and pooled investments	\$ 350	15	800	1,165
<b>Liabilities</b>				
	-	-	-	-
<b>Net Assets</b>				
Restricted for scholarships	\$ 350	15	800	1,165

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund						
	Strabley Scholarship	Linduska Scholarship	Mallas Scholarship	Student Council Scholarship	Carman Scholarship	Underwood & Schippers Scholarship	Total
Additions:							
Local sources:							
Gifts and contributions	\$ -	-	-	600	-	-	600
Deductions:							
Instruction:							
Regular:							
Scholarships awarded	-	-	200	600	250	500	1,550
Deficiency of revenues under expenditures	-	-	(200)	-	(250)	(500)	(950)
Other financing sources:							
Transfer in	350	15	1,000	-	250	500	2,115
Changes in net assets	350	15	800	-	-	-	1,165
Net assets beginning of year	-	-	-	-	-	-	-
Net assets end of year	\$ 350	15	800	-	-	-	1,165

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 5,634,021	5,411,753	5,357,285	5,167,063	4,705,893	4,737,618	4,571,222	4,369,020	4,207,481	4,261,246
Tuition	991,405	955,810	881,967	809,701	824,953	698,915	656,603	702,194	728,523	577,819
Other	520,169	636,541	640,804	556,160	624,377	487,481	521,277	470,621	463,421	439,772
State sources	5,630,123	5,373,867	5,010,475	5,441,635	5,227,346	5,001,267	4,967,550	4,920,787	4,601,164	4,930,883
Federal sources	472,244	704,830	1,125,356	542,449	431,318	292,548	369,102	430,901	421,010	400,449
Total	\$ 13,247,962	13,082,801	13,015,887	12,517,008	11,813,887	11,217,829	11,085,754	10,893,523	10,421,599	10,610,169
Expenditures:										
Instruction:										
Regular	\$ 4,659,105	4,759,597	4,641,417	4,865,210	4,616,047	4,443,709	4,461,857	4,172,877	4,162,209	3,928,770
Special	1,357,550	1,271,477	1,122,968	1,268,763	1,255,209	1,092,959	1,083,049	1,086,976	1,084,197	1,023,390
Other	1,844,756	1,801,306	1,769,329	1,336,683	1,347,660	1,312,289	1,359,222	1,385,636	1,382,095	1,304,579
Support services:										
Student	343,257	345,819	365,595	400,229	387,533	369,226	356,926	368,797	431,009	401,734
Instructional staff	142,640	143,478	166,811	200,084	223,720	158,277	167,782	549,337	475,930	483,592
Administration	1,219,410	1,249,711	1,257,827	1,192,834	1,226,876	1,149,767	1,111,324	775,419	738,984	706,644
Operation and maintenance of plant	1,096,047	949,816	1,008,572	1,039,669	1,040,793	1,113,984	1,082,224	983,789	925,616	871,544
Transportation	542,155	511,978	481,499	603,365	563,779	707,326	545,068	419,212	400,942	451,991
Non-instructional programs	17,655	17,670	14,158	13,368	12,970	10,000	10,250	10,707	10,000	10,510
Capital outlay	221,246	280,158	922,815	976,445	2,401,121	436,953	291,613	345,363	213,019	285,455
Long-term debt:										
Principal	337,200	321,353	500,000	535,905	502,671	513,030	452,526	408,113	410,538	344,038
Interest	136,047	148,442	140,770	172,765	49,883	61,916	68,985	80,526	89,723	120,795
Other expenditures:										
AEA flow-through	378,841	425,102	423,991	381,564	361,752	353,856	344,408	343,759	347,828	376,669
Total	\$ 12,295,909	12,225,907	12,815,752	12,986,884	13,990,014	11,723,302	11,335,234	10,930,511	10,672,090	10,309,711

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	54,326
National School Lunch Program	10.555	FY 12	242,984 *
Summer Food Service Program for Children	10.559	FY 12	16,653
			313,963
U.S. Department of Energy:			
Iowa Department of Administrative Services:			
State Energy Program	81.041	FY 12	18,886
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 12	189,985
Career and Technical Education - Basic Grants to States	84.048	FY 12	16,054
Fund for the Improvement of Education(Fire Safety Grant)	84.215	FY 12	6,718
Improving Teacher Quality State Grants	84.367	FY 12	42,731
Grants for State Assessments and Related Activities	84.369	FY 12	6,767
Education Jobs Fund	84.410	FY 11	59,507
Education Jobs Fund	84.410	FY 12	3,087
			62,594
Prairie Lakes Area Education Agency 14:			
Special Education - Grants to States	84.027	FY 12	54,098
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts - Partnership Agreements (Big Yellow School Bus)	45.025	FY 12	200
Total			\$ 711,996

\* - Includes \$25,584 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Jefferson-Scranton Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Jefferson-Scranton Community School District:

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 Jefferson-Scranton Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2013. 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.

#### Internal Control Over Financial Reporting

The management of Jefferson-Scranton Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson-Scranton 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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.

Jefferson-Scranton Community School District's response to finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response, we did not audit Jefferson-Scranton Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson-Scranton 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, CORNMAN & JOHNSON, P.C.

March 19, 2013

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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Board of Education of  
Jefferson-Scranton Community School District:

Compliance

We have audited the compliance of Jefferson-Scranton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Jefferson-Scranton Community School District's major federal programs for the year ended June 30, 2012. Jefferson-Scranton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Jefferson-Scranton Community School District's management. Our responsibility is to express an opinion on Jefferson-Scranton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson-Scranton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson-Scranton Community School District's compliance with those requirements.

In our opinion, Jefferson-Scranton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Jefferson-Scranton Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

Jefferson-Scranton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Jefferson-Scranton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2013

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - Individual programs:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jefferson-Scranton Community School District did not qualify as a low-risk auditee.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing and payroll preparation.

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

Response - The District will continue to review and implement new procedures when possible to achieve the maximum segregation of duties with existing personnel.

Conclusion - Response accepted.

II-B-12 District Sponsored Coaching Clinic - We noted during our audit that the District annually sponsors an out of season football coaching clinic. Football coaches from around the state pay a fee to the District to attend the clinic. From the fees collected, the District hires speakers to give seminars on coaching techniques and practices. Currently, revenues and expenditures for the clinic are recorded in the District's Student Activity Fund.

According to guidance provided by the Iowa Department of Education in the September 9, 2011 bulletin, it would appear that the District's coaching clinic would not be considered a cocurricular or extracurricular activity but rather a community service provided by the District. Therefore, any revenues and expenses associated with the coaching clinic should be recorded in an enterprise fund.

Recommendation - The District should transfer remaining funds associated with the coaching clinic from the Student Activity Fund to an enterprise fund. In the future, all revenues and expenses associated with the coaching clinic should be accounted for in an enterprise fund.

Response - The Coaches Clinic will become an enterprise fund beginning March 2013.

Conclusion - Response accepted.

II-C-12 Gate Admissions - We note during our audit it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director. At times it appeared that the Athletic Director's secretary was the only person reconciling the gate receipts, preparing the bank deposit and depositing the proceeds.

Recommendation - Reconciliation procedures should be set up by the District and be required to be performed by all persons responsible for cash collections at events. The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event. Subsequent preparation of the bank deposit and the actual depositing of proceeds should be performed by different persons to achieve better internal control.

Response - Ticket takers are now responsible for counting and verifying beginning cash and reconciling ending cash with tickets sold.

Conclusion - Response accepted.

#### **OTHER MATTERS:**

II-D-12 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund that have earned the interest. With the high carryover balance in the interest account, it would appear that the interest has not been allocated for several years.

Recommendation - Interest earned each year should be allocated to the individual student activity accounts that have earned the interest. The District's Board of Directors should develop a workout plan to gradually reduce the carryover balance in the interest account to zero.

Response - The District will zero out accounts with deficits now and again on June 30 each year, over several years and slowly disburse the remaining funds out over various student accounts with larger balances. Current interest is being pro-rated to each account with a balance of over \$10,000 at the time the interest is received.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553 - School Breakfast Program**  
**CFDA Number 10.555 - National School Lunch Program**  
**CFDA Number 10.559 - Summer Food Service Program for Children**  
**Federal Award Year: 2012**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.010 - Title I Grants to Local Educational Agencies**  
**Federal Award Year: 2012**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing and payroll preparation.

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

Response - The District will continue to review and implement new procedures when possible to achieve the maximum segregation of duties with existing personnel.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amounts budgeted.

IV-B-12 Questionable Disbursements - We noted during our audit that the District wrote a check for cash to be awarded to students for being top sellers for fundraisers. Cash given to students for this purposes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - Students will no longer be receiving cash prizes.

Conclusion - Response accepted.

IV-C-12 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.

IV-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Teresa Hagan, Board President Vice-President of People's Trust and Savings Bank	Services	Not calculated

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the Board President, do not appear to represent a conflict of interest.

IV-E-12 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.

IV-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 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.

- IV-J-12 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.
- IV-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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 revenue. 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	900,237
Revenues:			
Sales tax revenues	\$	733,074	
Other local revenues		219	733,293
			<hr/>
			1,633,530
Expenditures/transfers out:			
Equipment	\$	7,198	
Other		169,909	
Transferred to other funds:			
Debt service fund		473,247	650,354
			<hr/>
Ending Balance		\$	<u>983,176</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-12 Check Signatures - We noted during our audit that the Superintendent was signing Activity and Nutrition Fund checks issued by the District. We could not determine through the District's Board minutes if this person was a designated check signer by the Board President.

Chapter 291.8 of the Code of Iowa requires the Board Secretary to sign all checks. Pursuant to Chapter 291.1 of the Code of Iowa, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in his/her absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - The Board President, through board action, has designated the superintendent to sign checks for the Activity and Nutrition Funds. The designation was noted in the March 19, 2013 Board minutes.

Conclusion - Response accepted.

IV-N-12 Rents Received - We noted during our audit that the District received \$6,605.96 from U.S. Cellular for the rental of property for a cellular phone tower located on the District's property. Currently the rental proceeds are being recorded in the Capital Projects: Physical Plant and Equipment Levy(PPEL) Fund.

Chapter 297.10 of the Code of Iowa states, "Any compensation for the use of a schoolhouse and schoolhouse grounds shall be paid into the General Fund and be expended in the upkeep and repair of and in purchasing supplies for that school property."

Recommendation - In the future, rents received by the District should be receipted to the General Fund to be in compliance with 297.10 of the Code of Iowa. Since there were allowable General Fund expenditures for computer equipment made from the PPEL Fund, we are not requesting a corrective transfer.

Response - Rent received from U.S. Cellular is now being receipted to the General Fund.

Conclusion - Response accepted.

IV-O-12 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - Written contracts will be signed by the Board President and copies will be kept in the business office. A list of officials is approved by the Board before each season begins.

Conclusion - Response accepted.

IV-P-12 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. During our audit, it was noted that the District does not retain copies of officiating contracts after the completion of each sport's season.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa.

Response - Copies of officiating contracts will be kept in the business office.

Conclusion - Response accepted.

IV -Q -12 Payments to Officials - Chapter 279.30 of the Code of Iowa states, "The board of directors of a school district may by resolution authorize the board secretary to issue warrants when the board of directors is not in session in payment of freight, drayage, express, postage, printing, water, light, and telephone rents... and for the payment of salaries pursuant to the terms of a written contract..."

This chapter goes on to state, "In addition, the board of directors may by resolution authorize the board secretary upon approval of the president of the board, to issue warrants when the board of directors is not in session, but only upon verified bills filed with the secretary"

We noted during our audit that game officials were being paid the night of the game. This is only allowable if the official has a valid contract with the District which has been previously approved by the board of directors. If the Board President is not signing the athletic officiating contracts(See Comment IV-O-12), there is not a legally valid contract between the District and athletic officials.

Recommendation - Pursuant to a valid contractual agreement between the school board and athletic officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game after the service has been rendered.

For non-contract officials or substitute officials, payment should be made after services have been rendered and audited by the board of directors similar to the manner other vendor payments are audited by the board of directors. The District should have a policy and athletic officials should be informed that payment will be made in this manner unless a valid contract exists.

Response - Officials are now being approved by the Board pre-season. Any changes in officials will result in the substitute official waiting until the next board meeting to be paid.

Conclusion - Response accepted.

IV-R-12 Lease Agreement - We noted that the District is currently in a lease purchase agreement for a vending machine. Yearly principal and interest payments are being made from the Student Activity Fund. There does not appear to be a Code of Iowa section that allows for the Student Activity Fund to enter into debt agreements, therefore, the lease payments would appear to be inappropriate from the Student Activity Fund.

Recommendation - The District should pay off the lease as soon as possible. In the future, the District should refrain from entering into debt agreements where the Student Activity Fund would be paying the debt.

Response - This lease will be paid off in March 2013 with money in the interest account which needs to be depleted.

Conclusion - Response accepted.