

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Jefferson-Scranton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Sam Harding	President	2015
Mark Peters	Vice President	2013
Teresa Hagen	Board Member	2013
Jeff Lamoureux	Board Member	2015
Dr. David Ohrt	Board Member	2013
School Officials		
Tim Christensen	Superintendent	2013
Brenda Muir	Business Manager/ Board Secretary	2013
Sid Jones	Treasurer	2013
Mumma & Pedersen Law Firm	Attorney	2013

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 the Jefferson-Scranton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District, Jefferson, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the 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 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson-Scranton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Jefferson-Scranton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Jefferson-Scranton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,637,555 in fiscal 2012 to \$12,230,500 in fiscal 2013, while General Fund expenditures increased from \$11,020,938 in fiscal 2012 to \$12,198,716 in fiscal 2013. Revenues outpaced expenditures causing the District's General Fund balance to increase from \$1,887,785 at June 30, 2012 to \$1,919,569 at June 30, 2013, a 1.68% increase over the prior year.
- The increase in General Fund revenues is mostly attributable to increased tuition revenues received when compared to the previous year. The increase in expenditures is mainly attributable to the increase in salaries and benefits received by District employees.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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-1
Jefferson-Scranton Community School District Annual Financial Report

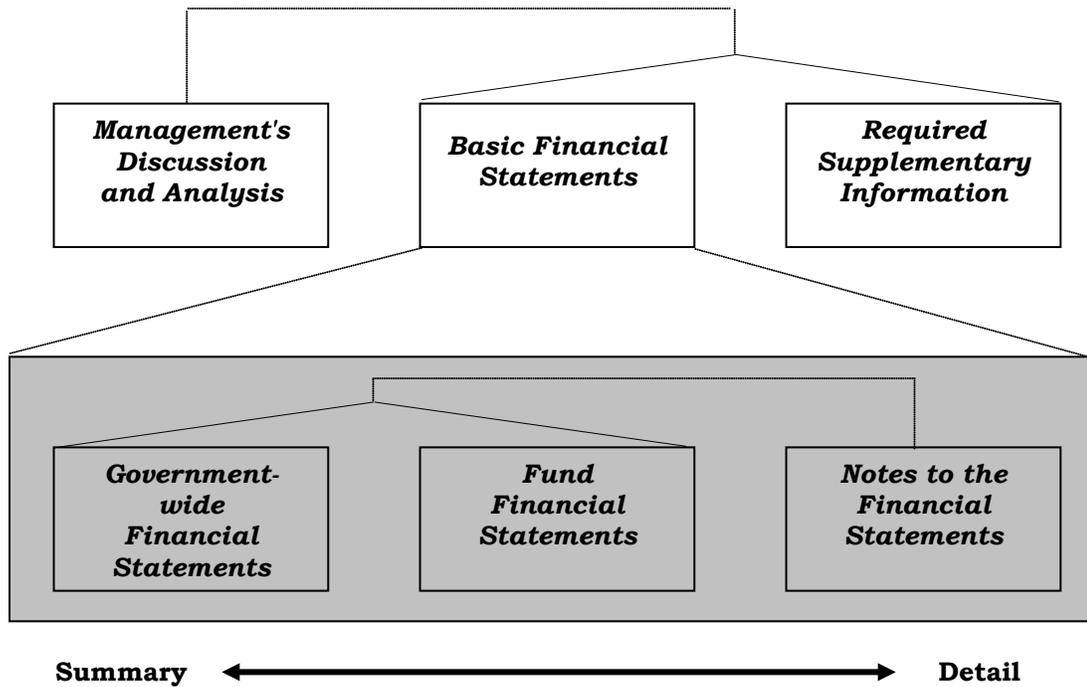


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 five enterprise funds, the School Nutrition Fund, Industrial Technology Construction Fund, Ram Restaurant Fund, Lil Ram Preschool Fund and the Coaches Clinic Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include 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 Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3								
Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Current and other assets	\$ 9,615,200	9,839,978	326,964	335,687	9,942,164	10,175,665	-2.29%	
Capital assets	6,763,168	6,975,800	71,000	79,658	6,834,168	7,055,458	-3.14%	
Total assets	16,378,368	16,815,778	397,964	415,345	16,776,332	17,231,123	-2.64%	
Long-term obligations	3,242,286	3,380,300	12,006	12,983	3,254,292	3,393,283	-4.10%	
Other liabilities	5,696,926	5,808,571	24,639	9,950	5,721,565	5,818,521	-1.67%	
Total liabilities	8,939,212	9,188,871	36,645	22,933	8,975,857	9,211,804	-2.56%	
Net position:								
Invested in capital assets, net of related debt	3,952,162	3,876,523	61,503	66,675	4,013,665	3,943,198	1.79%	
Restricted	1,911,353	2,035,540	-	-	1,911,353	2,035,540	-6.10%	
Unrestricted	1,575,641	1,714,844	299,816	325,737	1,875,457	2,040,581	-8.09%	
Total net position	\$ 7,439,156	7,626,907	361,319	392,412	7,800,475	8,019,319	-2.73%	

The District's total net position decreased by 2.73%, or \$218,844, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$124,187, or 6.10% from the prior year. The decrease in restricted net position can be attributed in part to the decline in ending fund balance for the Capital Projects Fund accounts.

Unrestricted net position –the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$165,124, or 8.09%.

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

	Figure A-4							
	Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues & Transfers:								
Program revenues:								
Charges for service	\$ 1,872,955	1,432,884	211,103	435,075	2,084,058	1,867,959	11.57%	
Operating grants, contributions and restricted interest	1,023,701	1,071,738	309,193	319,363	1,332,894	1,391,101	-4.18%	
Capital grants, contributions and restricted interest	-	13,324	-	6,439	-	19,763	-100.00%	
General revenues:								
Property tax	4,525,880	4,580,774	-	-	4,525,880	4,580,774	-1.20%	
Income surtax	339,248	303,803	-	-	339,248	303,803	11.67%	
Statewide sales, services and use tax	859,389	733,074	-	-	859,389	733,074	17.23%	
Unrestricted state grants	5,067,193	5,003,386	-	-	5,067,193	5,003,386	1.28%	
Nonspecific program federal revenue	-	62,594	-	-	-	62,594	-100.00%	
Unrestricted investment earnings	2,731	7,795	8,577	2	11,308	7,797	45.03%	
Other	58,061	22,220	2,929	-	60,990	22,220	174.48%	
Transfers	(33,139)	(3,361)	33,139	1,246	-	(2,115)	-100.00%	
Total revenues & transfers	<u>13,716,019</u>	<u>13,228,231</u>	<u>564,941</u>	<u>762,125</u>	<u>14,280,960</u>	<u>13,990,356</u>	<u>2.08%</u>	
Program expenses:								
Governmental activities:								
Instructional	9,418,545	7,816,039	-	3,248	9,418,545	7,819,287	20.45%	
Support services	3,732,067	3,664,292	110	-	3,732,177	3,664,292	1.85%	
Non-instructional programs	17,905	17,655	595,924	707,746	613,829	725,401	-15.38%	
Long-term debt interest	119,165	163,024	-	-	119,165	163,024	-26.90%	
Other expenses	616,088	767,253	-	-	616,088	767,253	-19.70%	
Total expenses	<u>13,903,770</u>	<u>12,428,263</u>	<u>596,034</u>	<u>710,994</u>	<u>14,499,804</u>	<u>13,139,257</u>	<u>10.35%</u>	
Change in net position	(187,751)	799,968	(31,093)	51,131	(218,844)	851,099	-125.71%	
Net position beginning of year	<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>	
Net position end of year	<u>\$ 7,439,156</u>	<u>7,626,907</u>	<u>361,319</u>	<u>392,412</u>	<u>7,800,475</u>	<u>8,019,319</u>	<u>-2.73%</u>	

In fiscal year 2013, property tax and unrestricted state grants accounted for 69.94% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 92.10% of the business type activities revenue. The District's total revenues were approximately \$14.28 million, of which approximately \$13.72 million was for governmental activities and approximately \$0.56 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.08% increase in revenues and a 10.35% increase in expenses. The increase in revenues was largely a result of increased revenues from charges for service. The increase in expenses is a result of increased expenses of the instructional programs as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$13,716,019 and expenses were \$13,903,770. 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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 9,418,545	7,816,039	20.50%	6,985,916	5,760,872	21.26%
Support services	3,732,067	3,664,292	1.85%	3,662,015	3,580,354	2.28%
Non-instructional programs	17,905	17,655	1.42%	17,905	17,655	1.42%
Long-term debt interest	119,165	163,024	-26.90%	119,165	163,024	-26.90%
Other expenses	616,088	767,253	-19.70%	222,113	388,412	-42.82%
Totals	<u>\$ 13,903,770</u>	<u>12,428,263</u>	<u>11.87%</u>	<u>11,007,114</u>	<u>9,910,317</u>	<u>11.07%</u>

- The cost financed by users of the District's programs was \$1,872,955.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,023,701.
- The net cost of governmental activities was financed with \$4,525,880 in property tax, \$339,248 in income surtax, \$859,389 in statewide sales, services and use tax, \$5,067,193 in unrestricted state grants, \$2,731 in interest income and \$24,922 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$564,941 and expenses were \$596,034. The District's business type activities include the School Nutrition Fund, Industrial Technology Fund, Ram Restaurant Fund, Lil Ram Preschool Fund and the Coaches Clinic. Revenues of these activities were largely 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.

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 \$3,633,213; below last year's ending fund balances of \$3,725,010. The decrease in combined fund balances is mainly attributable to the decrease in ending fund balance for the Capital Projects Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$1,887,785 at June 30, 2012 to \$1,919,569 at June 30, 2013. The increase was due in part to increased tuition revenues received by the District as compared to the previous year.

- The Capital Projects Fund balance decreased from a balance of \$1,093,387 at June 30, 2012 to \$944,207 at June 30, 2013. The decline in the Capital Projects: Physical Plant and Equipment Levy Fund accounted for over 72% of the decline in total Capital Projects Fund balance.

Proprietary Fund Highlights

The Proprietary Fund net position decreased from \$392,412 at June 30, 2012 to \$361,319 at June 30, 2013, representing a decrease of 7.92%. Although expenses were reduced when compared to the previous year, revenues were also down leading to the reduction in net position.

BUDGETARY HIGHLIGHTS

Over the course of the year, Jefferson-Scranton community School District amended its budget one time increasing budgeted expenditures by \$379,000. The amendment was completed to reflect additional anticipated expenditures for computer purchases.

The District's revenues were \$117,088 less than budgeted revenues, a variance of 0.81%. The most significant variance resulted from the District receiving less from local 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, 2013, the District had invested \$6,834,168, 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 3.14% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$410,390.

The original cost of the District's capital assets was \$16,896,731. Governmental funds account for \$16,741,683 with the remainder of \$155,048 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 \$20,970 at June 30, 2013, compared to \$30,105 at June 30, 2012. The reduction in land improvements is attributable to depreciation expense taken during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 69,762	69,762	-	-	69,762	69,762	0.00%
Buildings	6,146,811	6,349,389	-	-	6,146,811	6,349,389	-3.19%
Land improvements	20,970	30,105	-	-	20,970	30,105	-30.34%
Machinery and equipment	525,625	526,544	71,000	79,658	596,625	606,202	-1.58%
Total	\$ 6,763,168	6,975,800	71,000	79,658	6,834,168	7,055,458	-3.14%

Long-Term Debt

At June 30, 2013, the District had \$3,254,292 in revenue bonds and other long-term debt outstanding. This represents a decrease of 4.10% from the previous year. (See Figure A-6) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding revenue bond indebtedness of \$2,811,006 at June 30, 2013.

The District had outstanding capital leases of \$9,497. The Student Nutrition Fund is responsible for \$5,687 for a dishwasher/oven lease and the Ram Restaurant Fund is responsible for \$3,810 for a dishwasher lease.

The District had an outstanding energy loan payable of \$116,197 at June 30, 2013. 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 District had a total net OPEB liability of \$317,592 at June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue Bonds	\$ 2,811,006	3,099,277	-	-	2,811,006	3,099,277	-9.30%
Capital Leases	-	-	9,497	12,983	9,497	12,983	-26.85%
Energy Loan	116,197	18,886	-	-	116,197	18,886	515.25%
Net OPEB Liability	315,083	262,137	2,509	-	317,592	262,137	21.15%
Total	\$ 3,242,286	3,380,300	12,006	12,983	3,254,292	3,393,283	-4.10%

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.
- The increase in required employer's contribution to IPERS to 8.93% on July 1, 2013 will increase the Jefferson-Scranton Community School District's employer benefit costs during fiscal 2014.

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 POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,945,900	169,496	4,115,396
Receivables:			
Property tax:			
Delinquent	59,156	-	59,156
Succeeding year	4,306,205	-	4,306,205
Income surtax	320,174	-	320,174
Accounts	-	164	164
Due from other funds	14,000	-	14,000
Due from other governments	950,707	6,593	957,300
Inventories	-	150,711	150,711
Net pension asset	19,058	-	19,058
Capital assets, net of accumulated depreciation	6,763,168	71,000	6,834,168
Total assets	16,378,368	397,964	16,776,332
Liabilities			
Accounts payable	278,273	3,564	281,837
Salaries and benefits payable	1,048,909	3,923	1,052,832
Due to other funds	-	14,000	14,000
Accrued interest payable	63,539	-	63,539
Deferred revenue:			
Succeeding year property tax	4,306,205	-	4,306,205
Unearned revenues	-	3,152	3,152
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	301,712	-	301,712
Energy loan payable	7,355	-	7,355
Dishwasher/Oven leases payable	-	3,660	3,660
Portion due after one year:			
Revenue bonds payable	2,509,294	-	2,509,294
Energy loan payable	108,842	-	108,842
Dishwasher/Oven leases payable	-	5,837	5,837
Net OPEB liability	315,083	2,509	317,592
Total liabilities	8,939,212	36,645	8,975,857
Net Position			
Invested in capital assets, net of related debt	3,952,162	61,503	4,013,665
Restricted for:			
Categorical funding	261,248	-	261,248
Debt service	253,881	-	253,881
Management levy purposes	605,044	-	605,044
Student activities	164,393	-	164,393
School infrastructure	625,221	-	625,221
Physical plant and equipment	1,566	-	1,566
Unrestricted	1,575,641	299,816	1,875,457
Total net position	\$ 7,439,156	361,319	7,800,475

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,616,131	1,234,128	48,696	(4,333,307)	-	(4,333,307)
Special	1,820,775	325,352	109,636	(1,385,787)	-	(1,385,787)
Other	1,981,639	250,958	463,859	(1,266,822)	-	(1,266,822)
	<u>9,418,545</u>	<u>1,810,438</u>	<u>622,191</u>	<u>(6,985,916)</u>	<u>-</u>	<u>(6,985,916)</u>
Support services:						
Student	315,135	21,516	-	(293,619)	-	(293,619)
Instructional staff	232,978	-	6,858	(226,120)	-	(226,120)
Administration	1,243,151	-	345	(1,242,806)	-	(1,242,806)
Operation and maintenance of plant	1,229,768	-	-	(1,229,768)	-	(1,229,768)
Transportation	711,035	41,001	332	(669,702)	-	(669,702)
	<u>3,732,067</u>	<u>62,517</u>	<u>7,535</u>	<u>(3,662,015)</u>	<u>-</u>	<u>(3,662,015)</u>
Non-instructional programs:						
Food and community service operations	17,905	-	-	(17,905)	-	(17,905)
	<u>119,165</u>	<u>-</u>	<u>-</u>	<u>(119,165)</u>	<u>-</u>	<u>(119,165)</u>
Long-term debt interest						
	119,165	-	-	(119,165)	-	(119,165)
Other expenditures:						
AEA flowthrough	393,975	-	393,975	-	-	-
Depreciation(unallocated)*	222,113	-	-	(222,113)	-	(222,113)
	<u>616,088</u>	<u>-</u>	<u>393,975</u>	<u>(222,113)</u>	<u>-</u>	<u>(222,113)</u>
Total governmental activities	13,903,770	1,872,955	1,023,701	(11,007,114)	-	(11,007,114)
Business type activities:						
Support services:						
Operation and maintenance of plant	110	-	-	-	(110)	(110)
Non-instructional programs:						
Food service operations	518,933	174,190	309,193	-	(35,550)	(35,550)
Other enterprise operations	58,316	22,320	-	-	(35,996)	(35,996)
Community service operations	18,675	14,593	-	-	(4,082)	(4,082)
	<u>595,924</u>	<u>211,103</u>	<u>309,193</u>	<u>-</u>	<u>(75,628)</u>	<u>(75,628)</u>
Total business type activities	596,034	211,103	309,193	-	(75,738)	(75,738)
Total	<u>\$ 14,499,804</u>	<u>2,084,058</u>	<u>1,332,894</u>	<u>(11,007,114)</u>	<u>(75,738)</u>	<u>(11,082,852)</u>
General Revenues & Transfers:						
Property tax for:						
General purposes				\$ 4,425,667	-	4,425,667
Capital outlay				100,213	-	100,213
Income surtax				339,248	-	339,248
Statewide sales, services and use tax				859,389	-	859,389
Unrestricted state grants				5,067,193	-	5,067,193
Unrestricted investment earnings				2,731	8,577	11,308
Other				58,061	2,929	60,990
Transfers				(33,139)	33,139	-
Total general revenues & transfers				<u>10,819,363</u>	<u>44,645</u>	<u>10,864,008</u>
Change in net position				(187,751)	(31,093)	(218,844)
Net position beginning of year				7,626,907	392,412	8,019,319
Net position end of year				<u>\$ 7,439,156</u>	<u>361,319</u>	<u>7,800,475</u>

* 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, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,540,487	682,588	713,457	3,936,532
Receivables:				
Property tax:				
Delinquent	52,616	1,310	5,230	59,156
Succeeding year	3,952,588	103,617	250,000	4,306,205
Income surtax	320,174	-	-	320,174
Due from other funds	-	-	51,000	51,000
Due from other governments	653,398	297,309	-	950,707
Total assets	\$ 7,519,263	1,084,824	1,019,687	9,623,774
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 278,023	-	250	278,273
Salaries and benefits payable	1,048,909	-	-	1,048,909
Due to other funds	-	37,000	-	37,000
Deferred revenue:				
Succeeding year property tax	3,952,588	103,617	250,000	4,306,205
Income surtax	320,174	-	-	320,174
Total liabilities	5,599,694	140,617	250,250	5,990,561
Fund balances:				
Restricted for:				
Categorical funding	261,248	-	-	261,248
Debt service	-	317,420	-	317,420
Management levy purposes	-	-	605,044	605,044
Student activities	-	-	164,393	164,393
School infrastructure	-	625,221	-	625,221
Physical plant and equipment	-	1,566	-	1,566
Unassigned	1,658,321	-	-	1,658,321
Total fund balances	1,919,569	944,207	769,437	3,633,213
Total liabilities and fund balances	\$ 7,519,263	1,084,824	1,019,687	9,623,774

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 3,633,213
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,763,168
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	320,174
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	9,368
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(63,539)
Pension benefits are not yet available to finance expenditures of the current year fiscal period.	19,058
Long-term liabilities, including revenue 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.	<u>(3,242,286)</u>
Net position of governmental activities(page 18)	<u><u>\$ 7,439,156</u></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, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,358,832	959,602	400,139	5,718,573
Tuition	1,511,515	-	-	1,511,515
Other	154,791	13,115	254,366	422,272
State sources	5,685,725	58	230	5,686,013
Federal sources	404,841	-	-	404,841
Total revenues	12,115,704	972,775	654,735	13,743,214
Expenditures:				
Current:				
Instruction:				
Regular	4,945,297	309,745	246,969	5,502,011
Special	1,691,127	-	-	1,691,127
Other	1,643,626	-	242,395	1,886,021
	8,280,050	309,745	489,364	9,079,159
Support services:				
Student	305,474	-	-	305,474
Instructional staff	292,818	-	-	292,818
Administration	1,187,044	260	9,631	1,196,935
Operation and maintenance of plant	1,088,685	26,439	65,463	1,180,587
Transportation	626,282	39,000	20,501	685,783
	3,500,303	65,699	95,595	3,661,597
Non-instructional programs:				
Food service operations	-	3,054	250	3,304
Community service operations	17,655	-	-	17,655
	17,655	3,054	250	20,959
Capital outlay	-	331,916	-	331,916
Long-term debt:				
Principal	-	-	291,914	291,914
Interest and fiscal charges	-	-	126,360	126,360
	-	-	418,274	418,274
Other expenditures:				
AEA flowthrough	393,975	-	-	393,975
Total expenditures	12,191,983	710,414	1,003,483	13,905,880
Excess(Deficiency) of revenues over(under)expenditures	(76,279)	262,361	(348,748)	(162,666)
Other financing sources(uses):				
Proceeds from energy loan	100,954	-	-	100,954
Transfer in	13,842	-	418,274	432,116
Transfer out	(6,733)	(411,541)	(43,927)	(462,201)
Total other financing sources(uses)	108,063	(411,541)	374,347	70,869
Change in fund balances	31,784	(149,180)	25,599	(91,797)
Fund balances beginning of year	1,887,785	1,093,387	743,838	3,725,010
Fund balances end of year	\$ 1,919,569	944,207	769,437	3,633,213

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

Change in fund balances - total governmental funds(page 22) \$ (91,797)

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 expenses in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal in the current year are as follows:

Capital outlays	\$ 186,905	
Depreciation expense	(398,678)	
Loss on disposal of capital assets	<u>(859)</u>	(212,632)

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:

Issued	(100,954)	
Repaid	<u>291,914</u>	190,960

Income surtax accounts receivable is not available to finance expenditures of the current year in the governmental funds. 5,944

Net change in Internal Service Funds charged back to expenditures made for the flex benefit program on an entity-wide basis. 6,386

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,195

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.

Net pension benefits	(40,861)	
Other postemployment benefits	<u>(52,946)</u>	<u>(93,807)</u>

Change in net position of governmental activities(page 19) \$ (187,751)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities:
	School Nutrition	Industrial Technology Construction	Ram Restaurant	Lil Ram Preschool	Coaches Clinic		Internal Service Fund Flex Benefits
Assets							
Current assets:							
Cash and pooled investments	\$ (365)	139,544	2,834	1,303	26,180	169,496	9,368
Accounts receivable	164	-	-	-	-	164	-
Due from other governments	6,593	-	-	-	-	6,593	-
Inventories	6,791	143,920	-	-	-	150,711	-
Total current assets	13,183	283,464	2,834	1,303	26,180	326,964	9,368
Noncurrent assets:							
Capital assets:							
Machinery and equipment, net of accumulated depreciation	65,608	-	5,392	-	-	71,000	-
Total assets	78,791	283,464	8,226	1,303	26,180	397,964	9,368
Liabilities							
Current liabilities:							
Accounts payable	3,564	-	-	-	-	3,564	-
Salaries and benefits payable	3,923	-	-	-	-	3,923	-
Due to other funds	14,000	-	-	-	-	14,000	-
Unearned revenue	3,152	-	-	-	-	3,152	-
Total current liabilities	24,639	-	-	-	-	24,639	-
Long-term liabilities:							
Net OPEB liability	2,509	-	-	-	-	2,509	-
Dishwasher/Oven leases	5,687	-	3,810	-	-	9,497	-
Total long-term liabilities	8,196	-	3,810	-	-	12,006	-
Total liabilities	32,835	-	3,810	-	-	36,645	-
Net Position							
Invested in capital assets, net of related debt	59,921	-	1,582	-	-	61,503	-
Unrestricted	(13,965)	283,464	2,834	1,303	26,180	299,816	9,368
Total net position	\$ 45,956	283,464	4,416	1,303	26,180	361,319	9,368

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities:
	School Nutrition	Industrial Technology Construction	Ram Restaurant	Lil Ram Preschool	Coaches Clinic		Internal Service Fund Flex Benefits
Operating revenues:							
Local sources:							
Charges for service	\$ 174,190	-	22,320	3,425	11,168	211,103	-
Miscellaneous	2,929	-	-	-	-	2,929	56,494
Total operating revenues	177,119	-	22,320	3,425	11,168	214,032	56,494
Operating expenses:							
Instruction:							
Regular:							
Benefits	-	-	-	-	-	-	50,013
Support services:							
Operation and maintenance of plant:							
Services	110	-	-	-	-	110	-
Administration:							
Supplies	-	-	-	-	-	-	95
Total support services	110	-	-	-	-	110	95
Non-instructional programs:							
Food service operations:							
Salaries	159,444	-	-	-	-	159,444	-
Benefits	33,236	-	-	-	-	33,236	-
Services	514	-	-	-	-	514	-
Supplies	314,176	-	-	-	-	314,176	-
Depreciation	11,113	-	-	-	-	11,113	-
Other	115	-	-	-	-	115	-
	518,598	-	-	-	-	518,598	-
Other enterprise operations:							
Services	-	35,000	-	-	-	35,000	-
Supplies	-	-	22,494	-	-	22,494	-
Depreciation	-	-	599	-	-	599	-
	-	35,000	23,093	-	-	58,093	-
Community service operations:							
Services	-	-	-	-	4,580	4,580	-
Supplies	-	-	-	2,585	11,510	14,095	-
	-	-	-	2,585	16,090	18,675	-
Total non-instructional programs	518,598	35,000	23,093	2,585	16,090	595,366	-
Total operating expenses	518,708	35,000	23,093	2,585	16,090	595,476	50,108
Operating income(loss)	(341,589)	(35,000)	(773)	840	(4,922)	(381,444)	6,386
Non-operating revenues(expenses):							
Interest expense(leases)	(335)	-	(223)	-	-	(558)	-
State sources	4,511	-	-	-	-	4,511	-
Federal sources	304,682	-	-	-	-	304,682	-
Interest income	2	7,399	122	37	1,017	8,577	-
Total non-operating revenues(expenses)	308,860	7,399	(101)	37	1,017	317,212	-
Change in net position before other financing sources	(32,729)	(27,601)	(874)	877	(3,905)	(64,232)	6,386
Other financing sources:							
Transfer in	-	-	-	-	30,085	30,085	-
Capital contributions	3,054	-	-	-	-	3,054	-
Total other financing sources	3,054	-	-	-	30,085	33,139	-
Change in net position	(29,675)	(27,601)	(874)	877	26,180	(31,093)	6,386
Net position beginning of year	75,631	311,065	5,290	426	-	392,412	2,982
Net position end of year	\$ 45,956	283,464	4,416	1,303	26,180	361,319	9,368

SEE NOTES TO FINANCIAL STATEMENTS.

**JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities:
	Industrial	Lil			Coaches Clinic		Internal Service Fund
	School Nutrition	Technology Construction	Ram Restaurant	Ram Preschool			Flex Benefits
Cash flows from operating activities:							
Cash received from operating activities	\$ 174,169	-	22,320	3,425	11,168	211,082	-
Cash received from miscellaneous operating activities	2,929	-	-	-	-	2,929	56,494
Cash payments to employees for services	(190,430)	-	-	-	-	(190,430)	(50,013)
Cash payments to suppliers for goods or services	(292,846)	(151,920)	(22,494)	(2,585)	(16,090)	(485,935)	(95)
Net cash provided by(used in) operating activities	(306,178)	(151,920)	(174)	840	(4,922)	(462,354)	6,386
Cash flows from non-capital financing activities:							
Transfer in from Activity Fund	-	-	-	-	30,085	30,085	-
Borrowings from the Management Levy Fund	14,000	-	-	-	-	14,000	-
State grants received	4,511	-	-	-	-	4,511	-
Federal grants received	288,484	-	-	-	-	288,484	-
Net cash provided by non-capital financing activities	306,995	-	-	-	30,085	337,080	-
Cash flows from capital financing activities:							
Principal payment on dishwasher/oven leases	(2,087)	-	(1,399)	-	-	(3,486)	-
Interest payment on dishwasher/oven leases	(335)	-	(223)	-	-	(558)	-
Net cash used in capital financing activities	(2,422)	-	(1,622)	-	-	(4,044)	-
Cash flows from investing activities:							
Interest on investment	2	7,399	122	37	1,017	8,577	-
Net increase(decrease) in cash and cash equivalents	(1,603)	(144,521)	(1,674)	877	26,180	(120,741)	6,386
Cash and cash equivalents beginning of year	1,238	284,065	4,508	426	-	290,237	2,982
Cash and cash equivalents end of year	\$ (365)	139,544	2,834	1,303	26,180	169,496	9,368
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:							
Operating income(loss)	\$ (341,589)	(35,000)	(773)	840	(4,922)	(381,444)	6,386
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:							
Commodities consumed	17,845	-	-	-	-	17,845	-
Depreciation	11,113	-	599	-	-	11,712	-
Decrease(Increase) in inventories	3,363	(116,920)	-	-	-	(113,557)	-
Increase in accounts receivable	(108)	-	-	-	-	(108)	-
Increase in accounts payable	861	-	-	-	-	861	-
Decrease in salaries and benefits payable	(259)	-	-	-	-	(259)	-
Increase in unearned revenues	87	-	-	-	-	87	-
Increase in other postemployment benefits	2,509	-	-	-	-	2,509	-
Net cash provided by(used in) operating activities	\$ (306,178)	(151,920)	(174)	840	(4,922)	(462,354)	6,386

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$17,845 of federal commodities.

During the year ended June 30, 2013, the School Nutrition Fund received capital contributions of \$3,054 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 3,268</u>
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 3,268</u>

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,000
Interest income	103
Total additions	<u>3,103</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,000</u>
Change in net position	2,103
Net position beginning of year	<u>1,165</u>
Net position end of year	<u>\$ 3,268</u>

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(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 Jefferson-Scranton 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 Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following 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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 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 fourth 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 final of the District's nonmajor proprietary funds is the Coaches Clinic Fund. The Coaches Clinic Fund is used to account for the annual coaches clinic operated by the District.

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 position and changes in net position. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are 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 non-operating 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

Inventories - 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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	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
Intangibles	2 or more
Land improvements	15
Machinery and equipment	5-15

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

Unearned 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 Position 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 Statement of Net Position.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. 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, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,099,338 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) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 69,762	-	-	69,762
Total capital assets not being depreciated	<u>69,762</u>	<u>-</u>	<u>-</u>	<u>69,762</u>
Capital assets being depreciated:				
Buildings	11,832,453	7,000	53,750	11,785,703
Land improvements	635,306	3,400	-	638,706
Machinery and equipment	4,121,796	176,505	50,789	4,247,512
Total capital assets being depreciated	<u>16,589,555</u>	<u>186,905</u>	<u>104,539</u>	<u>16,671,921</u>
Less accumulated depreciation for:				
Buildings	5,483,064	209,578	53,750	5,638,892
Land improvements	605,201	12,535	-	617,736
Machinery and equipment	3,595,252	176,565	49,930	3,721,887
Total accumulated depreciation	<u>9,683,517</u>	<u>398,678</u>	<u>103,680</u>	<u>9,978,515</u>
Total capital assets being depreciated, net	<u>6,906,038</u>	<u>(211,773)</u>	<u>859</u>	<u>6,693,406</u>
Governmental activities capital assets, net	<u>\$ 6,975,800</u>	<u>(211,773)</u>	<u>859</u>	<u>6,763,168</u>
Business type activities:				
Machinery and equipment	\$ 155,354	3,054	3,360	155,048
Less accumulated depreciation	75,696	11,712	3,360	84,048
Business type activities capital assets, net	<u>\$ 79,658</u>	<u>(8,658)</u>	<u>-</u>	<u>71,000</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 45,082
Other	12,338
Support services:	
Instructional staff	34,784
Administration	15,407
Operation and maintenance of plant	20,157
Transportation	48,797
	<u>176,565</u>
Unallocated depreciation	<u>222,113</u>
Total governmental activities depreciation expense	<u>\$ 398,678</u>
Business type activities:	
Food service operations	\$ 11,113
Other enterprise operations	599
Total governmental activities depreciation expense	<u>\$ 11,712</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 3,099,277	-	288,271	2,811,006	301,712
Energy Loan	18,886	100,954	3,643	116,197	7,355
Net OPEB Liability	262,137	52,946	-	315,083	-
Total	<u>\$ 3,380,300</u>	<u>153,900</u>	<u>291,914</u>	<u>3,242,286</u>	<u>309,067</u>
Business type activities:					
Dishwasher/Oven Lease (School Nutrition Fund)	\$ 7,774	-	2,087	5,687	2,192
Dishwasher Lease (Ram Restaurant Fund)	5,209	-	1,399	3,810	1,468
Net OPEB Liability (School Nutrition Fund)	-	2,509	-	2,509	-
Total	<u>\$ 12,983</u>	<u>2,509</u>	<u>3,486</u>	<u>12,006</u>	<u>3,660</u>

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of December 1, 2007			Bond issue of July 1, 2009			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
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	99,005	3,861	324,005	87,056	411,061
2017	4.05	235,000	73,936	-	-	-	235,000	73,936	308,936
2018	4.10	245,000	64,155	-	-	-	245,000	64,155	309,155
2019-2023	4.15-4.35	1,390,000	154,106	-	-	-	1,390,000	154,106	1,544,106
Total		<u>\$ 2,525,000</u>	<u>567,912</u>		<u>\$ 286,006</u>	<u>22,592</u>	<u>2,811,006</u>	<u>590,504</u>	<u>3,401,510</u>

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 48% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,401,510. For the current year, \$288,271 of principal and \$123,022 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$859,389.

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

- a) \$317,420 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 were used by the District to upgrade to more energy efficient lighting systems for District buildings. Details of the District's June 30, 2013 energy loan indebtedness payable from the General Fund is as follows:

Year Ending June 30,	Energy loan issue of December 1, 2012			
	Interest Rates	Principal	Interest	Total
2014	1.00%	\$ 7,355	1,128	8,483
2015	1.00	7,448	1,054	8,502
2016	1.00	7,542	979	8,521
2017	1.00	7,636	904	8,540
2018	1.00	7,732	827	8,559
2019-2023	1.00	40,146	2,948	43,094
2024-2028	1.00	38,338	887	39,225
Total		<u>\$ 116,197</u>	<u>8,727</u>	<u>124,924</u>

Dishwasher/Oven Lease Payable

Details of the District's June 30, 2013 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
2014	4.90%	\$ 2,192	230	2,422
2015	4.90	2,302	120	2,422
2016	4.90	1,193	18	1,211
Total		<u>\$ 5,687</u>	<u>368</u>	<u>6,055</u>

Details of the District's June 30, 2013 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
2014	4.90%	\$ 1,468	154	1,622
2015	4.90	1,542	80	1,622
2016	4.90	800	11	811
Total		<u>\$ 3,810</u>	<u>245</u>	<u>4,055</u>

(5) Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 411,541
Debt Service	General	6,733
Coaches Clinic	Activity	30,085
General	Activity	13,842
Total		<u>\$ 462,201</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 revenue bond indebtedness.

The transfer from the General Fund to the Debt Service Fund was needed for principal and interest payments on the District's energy loan.

The transfer from the Activity Fund to the Coaches Clinic Fund was needed to close the account in the Activity fund and create a new proprietary fund.

The transfer from the Activity Fund to the General Fund was needed to close accounts in the Activity Fund that were more appropriately accounted for in the General Fund.

(6) Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management Levy	Capital Projects: Statewide Sales, Services and Use Tax	\$ 37,000
Management Levy	School Nutrition	14,000
Total		<u>\$ 51,000</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Management Levy Fund for moneys borrowed for cash flow purposes.

The School Nutrition Fund is repaying the Management Levy Fund for moneys borrowed for year-end salaries and benefits.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$605,907, \$550,262, and \$470,550, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 110 active and 11 retired members in the plan. Retired 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 84,130
Interest on net OPEB obligation	6,553
Adjustment to annual required contribution	<u>(20,266)</u>
Annual OPEB cost	70,417
Contributions made	<u>(14,962)</u>
Increase in net OPEB obligation	55,455
Net OPEB obligation beginning of year	<u>262,137</u>
Net OPEB obligation end of year	<u><u>\$ 317,592</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 45,822	0.00%	\$ 128,734
2012	144,858	7.91	262,137
2013	70,417	21.25	317,592

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$0.545 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.545 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.821 million and the ratio of the UAAL to covered payroll was 11.30%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. 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, 2012 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 projected annual medical trend rate is 6%.

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.

(9) 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, 2013. 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, 2013, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 167,244
Interest on net pension obligation	3,310
Adjustment to annual required contribution	82,308
Annual net pension obligation cost	<u>252,862</u>
Contributions made	<u>(212,001)</u>
Increase in net pension obligation	40,861
Net pension obligation beginning of year	<u>(59,919)</u>
Net pension obligation end of year	<u><u>\$ (19,058)</u></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, 2013.

For the year ended June 30, 2013, 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, 2013 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)
2013	252,862	83.84	(19,058)

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.344 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.403 million, and the ratio of the UAAL to the covered payroll was 20.99%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and 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, 2013 is 30 years.

(10) 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.

(11) 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 \$393,975 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) 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, 2016.

(13) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Weighted Limited English Proficient	\$ 1
Home School Assistance Program	4,878
Four-year-old Preschool State Aid	236,385
Teacher Salary Supplement	3,894
Professional Development for Model Core Curriculum	9,525
Professional Development	6,565
Total	<u>\$ 261,248</u>

(14) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Invested in Capital Assets</u>	<u>Restricted for Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Balance (Exhibit C)	\$ -	317,420	1,658,321
Invested in capital assets, net of accumulated depreciation	6,763,168	-	-
Revenue bond capitalized indebtedness	(2,811,006)	-	-
Energy loan payable	-	-	(116,197)
Accrued interest payable	-	(63,539)	-
Income surtax receivable	-	-	320,174
Internal service fund	-	-	9,368
Net OPEB liability	-	-	(315,083)
Net pension asset	-	-	19,058
Net position (Exhibit A)	<u>\$ 3,952,162</u>	<u>253,881</u>	<u>1,575,641</u>

(15) District Consolidation

On February 5, 2013, the Jefferson-Scranton Community School District and the East Greene Community School District held a public vote for consolidation of the two districts. Residents of the Jefferson-Scranton Community School District passed a resolution to merge with East Greene Community School District by a 89% majority. Residents of the East Greene Community School District passed a resolution to merge with Jefferson-Scranton Community School District by an 87% majority. The two districts will be officially consolidated as of July 1, 2014 to form Greene County 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 FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,652,360	222,609	7,874,969	7,980,398	7,980,398	(105,429)
State sources	5,686,013	4,511	5,690,524	5,746,706	5,746,706	(56,182)
Federal sources	404,841	304,682	709,523	665,000	665,000	44,523
Total revenues	13,743,214	531,802	14,275,016	14,392,104	14,392,104	(117,088)
Expenditures/expenses:						
Instruction	9,079,159	-	9,079,159	8,850,000	9,150,000	70,841
Support services	3,661,597	110	3,661,707	3,677,000	3,677,000	15,293
Non-instructional	20,959	595,924	616,883	771,000	850,000	233,117
Other expenditures	1,144,165	-	1,144,165	1,287,338	1,287,338	143,173
Total expenditures/expenses	13,905,880	596,034	14,501,914	14,585,338	14,964,338	462,424
Excess(Deficiency) of revenues over(under) expenditures/expenses	(162,666)	(64,232)	(226,898)	(193,234)	(572,234)	345,336
Other financing sources, net	70,869	33,139	104,008	-	-	104,008
Excess(Deficiency) of revenues over(under) expenditures/expenses	(91,797)	(31,093)	(122,890)	(193,234)	(572,234)	449,344
Balances beginning of year	3,725,010	392,412	4,117,422	3,740,710	3,740,710	376,712
Balances end of year	\$ 3,633,213	361,319	3,994,532	3,547,476	3,168,476	826,056

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with 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 \$379,000.

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)
2009	July 1, 2008	-	\$ 529	529	0.00%	\$ 6,982	7.58%
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
2013	July 1, 2011	-	545	545	0.00	4,821	11.30

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
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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	-	\$ 1,248	1,248	0.00%	\$ 6,451	19.35%
2013	July 1, 2011	-	1,344	1,344	0.00	6,403	20.99

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension 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, 2013

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 164,393	549,064	713,457
Receivables:			
Property tax:			
Delinquent	-	5,230	5,230
Succeeding year	-	250,000	250,000
Due from other funds	-	51,000	51,000
Total assets	\$ 164,393	855,294	1,019,687
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	250	250
Deferred revenue:			
Succeeding year property tax	-	250,000	250,000
Total liabilities	-	250,250	250,250
Fund balances:			
Restricted for:			
Management levy purposes	-	605,044	605,044
Student activities	164,393	-	164,393
Total fund balances	164,393	605,044	769,437
Total liabilities and fund balances	\$ 164,393	855,294	1,019,687

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, 2013

	Special Revenue			Debt Service	Total Nonmajor
	Student Activity	Manage- ment Levy	Total		
Revenues:					
Local sources:					
Local tax	\$ -	400,139	400,139	-	400,139
Other	235,226	19,140	254,366	-	254,366
State sources	-	230	230	-	230
Total revenues	235,226	419,509	654,735	-	654,735
Expenditures:					
Current:					
Instruction:					
Regular	-	246,969	246,969	-	246,969
Other	242,395	-	242,395	-	242,395
Support services:					
Administration	-	9,631	9,631	-	9,631
Operation and maintenance of plant	-	65,463	65,463	-	65,463
Transportation	-	20,501	20,501	-	20,501
Non-instructional programs:					
Food service operations	-	250	250	-	250
Long-term debt:					
Principal	-	-	-	291,914	291,914
Interest and fiscal charges	-	-	-	126,360	126,360
Total expenditures	242,395	342,814	585,209	418,274	1,003,483
Excess(Deficiency) of revenues over(under) expenditures	(7,169)	76,695	69,526	(418,274)	(348,748)
Other financing sources(uses):					
Transfer in	-	-	-	418,274	418,274
Transfer out	(43,927)	-	(43,927)	-	(43,927)
Total other financing sources(uses)	(43,927)	-	(43,927)	418,274	374,347
Change in fund balances	(51,096)	76,695	25,599	-	25,599
Fund balances beginning of year	215,489	528,349	743,838	-	743,838
Fund balances end of year	\$ 164,393	605,044	769,437	-	769,437

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 682,332	256	682,588
Receivables:			
Property tax:			
Delinquent	-	1,310	1,310
Succeeding year	-	103,617	103,617
Due from other governments	297,309	-	297,309
Total assets	\$ 979,641	105,183	1,084,824
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 37,000	-	37,000
Deferred revenue:			
Succeeding year property tax	-	103,617	103,617
Total liabilities	37,000	103,617	140,617
Fund balances:			
Restricted for:			
Debt service	317,420	-	317,420
School infrastructure	625,221	-	625,221
Physical plant and equipment	-	1,566	1,566
Total fund balances	942,641	1,566	944,207
Total liabilities and fund balances	\$ 979,641	105,183	1,084,824

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 859,389	100,213	959,602
Other	13,039	76	13,115
State sources	-	58	58
Total revenues	<u>872,428</u>	<u>100,347</u>	<u>972,775</u>
Expenditures:			
Current:			
Instruction:			
Regular	209,040	100,705	309,745
Support services:			
Administration	260	-	260
Operation and maintenance of plant	17,439	9,000	26,439
Transportation	39,000	-	39,000
Non-instructional programs:			
Food service operations	3,054	-	3,054
Capital outlay	232,629	99,287	331,916
Total expenditures	<u>501,422</u>	<u>208,992</u>	<u>710,414</u>
Excess(Deficiency) of revenues over(under) expenditures	371,006	(108,645)	262,361
Other financing uses:			
Transfer out	(411,541)	-	(411,541)
Change in fund balances	(40,535)	(108,645)	(149,180)
Fund balances beginning of year	<u>983,176</u>	<u>110,211</u>	<u>1,093,387</u>
Fund balances end of year	<u>\$ 942,641</u>	<u>1,566</u>	<u>944,207</u>

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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>Elementary Activities:</u>					
Library	\$ 625	2,201	2,195	(631)	-
Reading is Fundamental	3,041	5,513	3,518	175	5,211
Student Fund	2,910	901	1,927	(1,884)	-
Playground	48	-	24	(24)	-
Field Trip	771	-	250	(521)	-
Instrumental Music	5,134	107	573	(4,668)	-
Fifth Grade Snack Shop	99	-	70	-	29
Nurse Emergency Fund	315	1,378	1,261	-	432
	12,943	10,100	9,818	(7,553)	5,672
<u>Middle School:</u>					
Library	451	-	-	(451)	-
Music	-	1,039	1,177	138	-
Student Fund	2,338	25,318	27,592	22	86
Treat Cart	-	-	88	88	-
Yearbook	2,489	-	-	96	2,585
	5,278	26,357	28,857	(107)	2,671
<u>Athletics:</u>					
Baseball & Fundraiser	5,585	4,399	9,405	3,161	3,740
Boys Basketball & Fundraiser	4,148	5,372	6,406	(207)	2,907
Boys Golf & Fundraiser	-	-	335	335	-
Boys Track & Fundraiser	1,493	1,509	2,502	(500)	-
Cheerleaders	8,858	6,425	6,544	338	9,077
Cross Country & Fundraiser	2,103	3,023	2,614	(913)	1,599
Football & Fundraiser	12,149	23,696	22,355	507	13,997
Girls Basketball & Fundraiser	3,620	10,269	12,227	1,767	3,429
Girls Golf & Fundraiser	-	-	304	304	-
Girls Track & Fundraiser	640	6,203	7,097	1,053	799
Miscellaneous Activity	1,665	140	-	405	2,210
Softball & Fundraiser	1,052	6,801	6,455	2,198	3,596
Tournaments	3,597	-	-	138	3,735
Volleyball & Fundraiser	2,784	8,974	8,825	93	3,026
Wrestling & Fundraiser	1,681	4,806	7,181	855	161
Activity Tickets	1,165	26,714	7,708	(8,907)	11,264
Athletic Concessions	12	-	-	-	12
Athletic Fundraiser	10,410	36	961	1,883	11,368
Football Coaches Clinic	30,085	-	-	(30,085)	-
Football Camp	949	12,987	14,895	959	-
Weight Building	4,061	-	-	156	4,217
Golf Tourney Fundraiser	137	-	-	-	137
	96,194	121,354	115,814	(26,460)	75,274

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance End of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>High School Activities/Organizations:</u>					
Art	1,037	2,108	2,246	1,342	2,241
Business Professionals of America	1,061	604	447	(4)	1,214
Drama	738	-	-	-	738
Fashions	-	1,177	1,387	210	-
FFA	2,654	12,030	15,486	802	-
French Club	4,874	4,777	5,785	(858)	3,008
FCCLA	599	168	13	-	754
Instrumental Music	2,526	11,550	8,871	(1,132)	4,073
Juvenile Court Program	136	-	-	-	136
Spanish Club	5,760	2,635	707	277	7,965
Speech	889	1,015	843	31	1,092
VICA	88	193	234	-	47
Vocal Music	6,464	13,135	10,703	319	9,215
Yearbook	597	3,434	2,100	(1,931)	-
Flags	102	-	-	-	102
Ram Trolley	1,342	6,685	5,947	73	2,153
Community Outreach	1,925	4,748	4,822	72	1,923
Physics	124	-	-	-	124
High School Library	161	7	-	(168)	-
Student Council	3,471	1,681	4,468	2,421	3,105
National Honor Society	384	1,616	1,505	-	495
Class of 2013	610	687	550	(450)	297
Class of 2014	-	4,345	4,470	450	325
Class of 2015	-	350	-	8	358
Alternative School	319	50	52	-	317
Adult Education	3,114	-	62	(3,052)	-
Interest	56,793	674	11,541	(5,926)	40,000
	<u>95,768</u>	<u>73,669</u>	<u>82,239</u>	<u>(7,516)</u>	<u>79,682</u>
<u>Concessions:</u>					
Elementary	274	840	294	86	906
Middle School	3,518	-	2,077	(1,441)	-
High School	1,514	2,906	3,296	(936)	188
	<u>5,306</u>	<u>3,746</u>	<u>5,667</u>	<u>(2,291)</u>	<u>1,094</u>
Total	\$ 215,489	235,226	242,395	(43,927)	164,393

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund			
	Strabley Scholarship	Linduska Scholarship	Mallas Memorial	Total
Assets				
Cash and pooled investments	\$ 371	16	2,881	3,268
Liabilities				
	-	-	-	-
Net Position				
Restricted for scholarships	\$ 371	16	2,881	3,268

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund				Total
	Strabley Scholarship	Linduska Scholarship	Mallas Scholarship	Underwood & Schippers Scholarship	
Additions:					
Local sources:					
Gifts and contributions	\$ -	-	2,000	1,000	3,000
Interest income	21	1	81	-	103
Total additions	21	1	2,081	1,000	3,103
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	-	-	-	1,000	1,000
Change in net position	21	1	2,081	-	2,103
Net position beginning of year	350	15	800	-	1,165
Net position end of year	\$ 371	16	2,881	-	3,268

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 5,718,573	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
Tuition	1,511,515	991,405	955,810	881,967	809,701	824,953	698,915	656,603	702,194	728,523
Other	422,272	520,169	636,541	640,804	556,160	624,377	487,481	521,277	470,621	463,421
State sources	5,686,013	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
Federal sources	404,841	472,244	704,830	1,125,356	542,449	431,318	292,548	369,102	430,901	421,010
Total	\$ 13,743,214	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
Expenditures:										
Instruction:										
Regular	\$ 5,502,011	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
Special	1,691,127	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
Other	1,886,021	1,844,756	1,801,306	1,769,329	1,336,683	1,347,660	1,312,299	1,359,222	1,385,636	1,382,095
Support services:										
Student	305,474	343,257	345,819	365,595	400,229	387,533	369,226	356,926	368,797	431,009
Instructional staff	292,818	142,640	143,478	166,811	200,084	223,720	158,277	167,782	549,337	475,930
Administration	1,196,935	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
Operation and maintenance of plant	1,180,587	1,096,047	949,816	1,008,572	1,039,669	1,040,793	1,113,984	1,082,224	983,789	925,616
Transportation	685,783	542,155	511,978	481,499	603,365	563,779	707,326	545,068	419,212	400,942
Non-instructional programs	20,959	17,655	17,670	14,158	13,368	12,970	10,000	10,250	10,707	10,000
Capital outlay	331,916	221,246	280,158	922,815	976,445	2,401,121	436,953	291,613	345,363	213,019
Long-term debt:										
Principal	291,914	337,200	321,353	500,000	535,905	502,671	513,030	452,526	408,113	410,538
Interest	126,360	136,047	148,442	140,770	172,765	49,883	61,916	68,985	80,526	89,723
Other expenditures:										
AEA flow-through	393,975	378,841	425,102	423,991	381,564	361,752	353,856	344,408	343,759	347,828
Total	\$ 13,905,880	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	\$ 55,484
National School Lunch Program	10.555	FY 13	232,465 *
Summer Food Service Program for Children	10.559	FY 13	<u>16,733</u>
			<u>304,682</u>
U.S. Department of Energy:			
Iowa Department of Administrative Services:			
Energy Loan:			
State Energy Program	81.041	FY 12	<u>116,197</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 13	<u>185,786</u>
Career and Technical Education - Basic Grants to States	84.048	FY 13	<u>17,189</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 13	<u>42,323</u>
Improving Teacher Quality State Grants	84.367	FY 13	<u>43,049</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>6,858</u>
Prairie Lakes Area Education Agency 14:			
Special Education - Grants to States	84.027	FY 13	<u>55,324</u>
Total			<u><u>\$ 771,408</u></u>

* - Includes \$17,845 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of 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.

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson-Scranton Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 through II-D-13 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 which 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jefferson-Scranton Community School District's Responses to Findings

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. Jefferson-Scranton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 21, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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**Independent Auditor's Report on Compliance for Each Major Federal Program,
on Internal Control over Compliance and on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Jefferson-Scranton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Jefferson-Scranton Community School District's major federal programs for the year ended June 30, 2013. Jefferson-Scranton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson-Scranton Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Jefferson-Scranton Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson-Scranton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Jefferson-Scranton Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson-Scranton Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in 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 a 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-13 to be a material weakness.

Jefferson-Scranton Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Jefferson-Scranton Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified 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 unmodified 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:
 - Child Nutrition Cluster
 - 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
 - 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, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - 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-13 Purchase Orders - Of the 24 disbursements in our sample from the Student Activity Fund, we noted 13 instances of purchase orders that were dated after the ordering of supplies or services took place.

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

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

Response - The District will continue to educate personnel on the proper use of the purchase order system and monitor that use.

Conclusion - Response accepted.

II-C-13 Commodity Pricing - We noted during the audit that commodity food items were not always priced out using commodity values provided by the Department of Education.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review procedure and strive to price commodity food from the pricing values provided by the Department of Education.

Conclusion - Response accepted.

II-D-13 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should review its procedures and policies regarding negative lunch accounts and investigate alternatives to reduce the negative balances including various collection techniques..

Response - The District will review procedures and policies regarding negative student lunch account balances.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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: 2013
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: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

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

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

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

Response - The District will review procedures and policies regarding negative student lunch account balances.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amounts budgeted in any of the functional areas.
- IV-B-13 Questionable Disbursements - We noted during our audit instances of disbursements that do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Prizes for Top Sellers: Check #30076 for \$999.26 was issued to Chad Svendson to purchase prizes to be given to individual students for being top sellers in a magazine fundraiser.

Recommendation - The District should refrain from purchasing prizes to be given to individual students as performance incentives, for good behavior or for being top sellers in fundraisers.

Response - The District will no longer allow prize incentives to individual students for being top sellers of fundraisers.

Conclusion - Response accepted.

Appreciation Gifts: Check #30223 for \$60.00 was issued to Twins Shoppe and used to purchase gift cards that were given as appreciation gifts to cheerleader helpers.

Recommendation - Article III, Section 31 of the Constitution of Iowa provides that public funds may only be spent for the public benefit. Expenditures in these “gray” areas should be evaluated and determined through the criteria of “public purpose” and the Board should document the public purpose served including how the public benefits through the expenditure of public funds for the particular purpose such as gift certificates. Documentation should be in the Board minutes and/or through established Board policy. The decision and documentation should be in place prior to spending the public funds. Keep in mind, this decision and related documentation may not eliminate the shadow of doubt surrounding this type of expenditure. It simply establishes the District’s consideration and justification for the expenditure. Better alternatives would be to ask the Athletic Booster Club to provide the gift certificates to the volunteers in lieu of using public funds or for the District to provide a “certificate” for free admission to a District event. It would be best if the District found a way to honor the volunteers that did not involve giving cash or cash equivalents. Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some gift cards may be for establishments which may have items which are not an allowable purchase with public funds.

Response - The District will no longer allow appreciation gifts to be given to volunteers.

Conclusion - Response accepted.

Attendance Incentives: We noted check #29569 for \$100.00 to Fareway to purchase gift cards to be given to parents of students to incentivize them to attend parent-teacher conferences.

Recommendation - Article III, Section 31 of the Constitution of Iowa provides that public funds may only be spent for the public benefit. We question the public purpose derived from offering gift cards to parents to get them to participate in their child’s education. In addition, gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some gift cards may be for establishments which may have items which are not an allowable purchase with public funds.

Response - The District will no longer give individual prizes to parents for attendance at Parent Teacher prizes.

Conclusion - Response accepted.

Graduation Gifts: We noted check #30115 for \$40.00 to Casey’s General Store to purchase gift cards that were given to graduates of the alternative school.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some gift cards may be for establishments which may have items which are not an allowable purchase with public funds. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - The District will no longer give gift cards to students graduating from the Alternative High School.

Conclusion - Response accepted.

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

IV-D-13 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 Member 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 Member do not appear to represent a conflict of interest.

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

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

- IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	983,176
Revenues:			
Sales tax revenues	\$	859,389	
Other local revenues		<u>13,039</u>	<u>872,428</u>
			1,855,604
Expenditures/transfers out:			
Equipment		359,763	
Other		141,659	
Transfers to other funds:			
Debt service fund		<u>411,541</u>	<u>912,963</u>
Ending Balance			<u><u>\$ 942,641</u></u>

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

- IV-M-13 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events and those rental revenues were recorded in the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will deposit all rent in the General Fund.

Conclusion - Response accepted.

IV-N-13 Scholarship awards - We noted the District awarded scholarships to students from proceeds generated from activities recorded in the Student Council account within the Student Activity Fund.

Recommendation - Clubs within the Student Activity Fund cannot use residual balances for scholarships. If the District is fundraising for scholarships the money should be receipted directly into the Private Purpose Trust Fund and scholarship checks written from there.

Response - The District will no longer give scholarships directly to individual students from student clubs. Fundraisers for that purpose will state the monies are for scholarships and that money will be receipted into the Private Purpose Trust Fund and scholarship checks written from there.

Conclusion - Response accepted.