

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Jefferson-Scranton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
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
(After September 2013 Election)		
Mark Peters	President	2014
Jeff Lamoureux	Vice President	2014
Teresa Hagen	Board Member	2014
Sam Harding	Board Member	2014
Dr. David Ohrt	Board Member	2014
School Officials		
Tim Christensen	Superintendent	2014
Brenda Muir	Business Manager/ Board Secretary	2014
Sid Jones	Treasurer	2014
Mumma & Pedersen Law Firm	Attorney	2014

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, 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 February 12, 2015 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.

February 12, 2015
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,230,500 in fiscal 2013 to \$12,333,027 in fiscal 2014, while General Fund expenditures increased from \$12,198,716 in fiscal 2013 to \$12,664,797 in fiscal 2014. Expenditures outpaced revenues causing the District's General Fund balance to decrease from \$1,919,569 at June 30, 2013 to \$1,587,799 at June 30, 2014, a 17.28% decrease from the prior year.
- The increase in General Fund revenues is mostly attributable to increases in state and federal revenues received compared to the previous year. The increase in expenditures is mainly attributable to the increase in salaries and benefits received by District employees.
- The Jefferson-Scranton and East Greene district merged on July 1, 2014 to become Greene County Community School District. The consolidation will make more efficient use of District funds as we are able to combine resources in the years to come.

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.

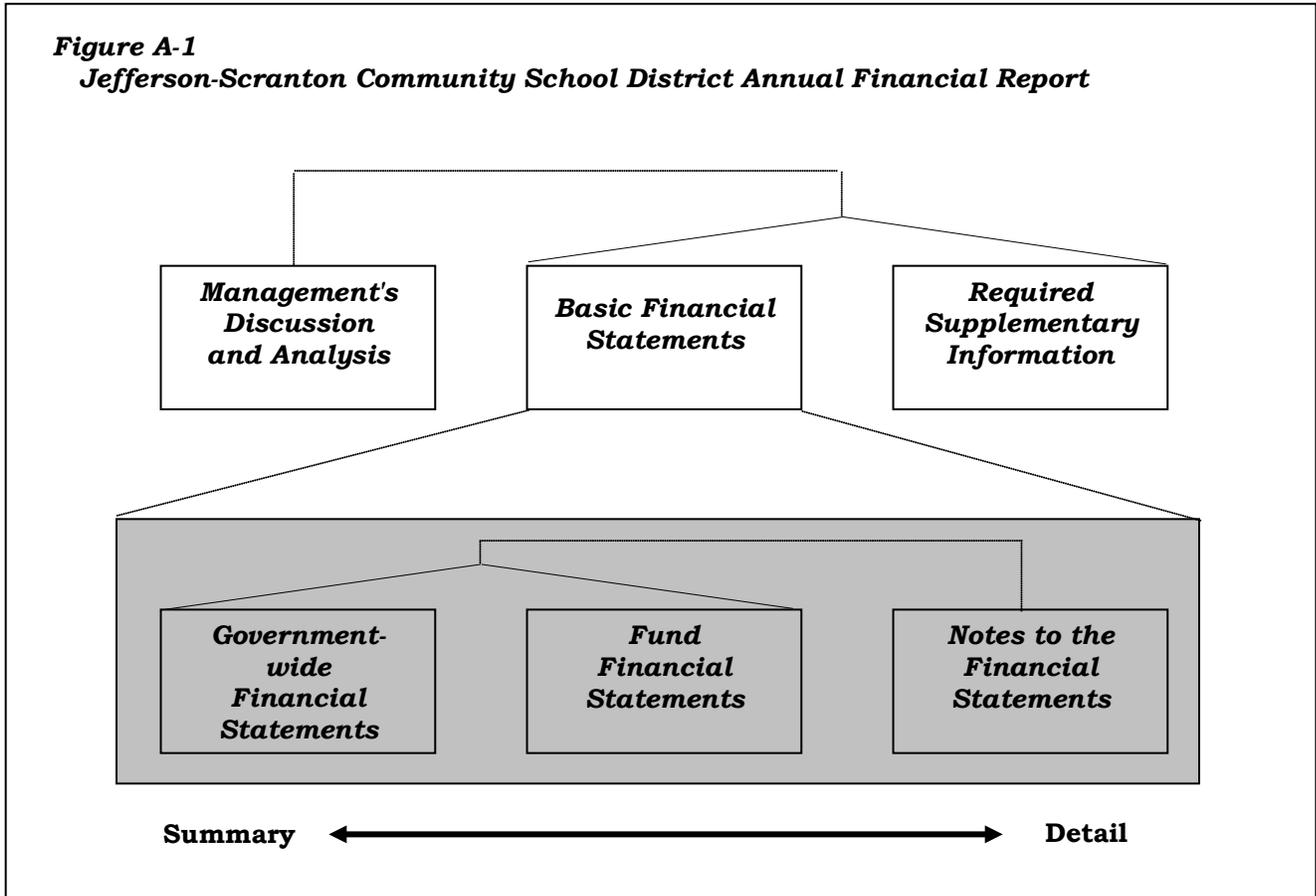


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities, and

deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or 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, industrial technology construction, ram restaurant, ram preschool, and coaches clinic programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,239,269	9,615,200	261,455	326,964	4,500,724	9,942,164	-54.73%
Capital assets	6,670,301	6,763,168	60,356	71,000	6,730,657	6,834,168	-1.51%
Total assets	10,909,570	16,378,368	321,811	397,964	11,231,381	16,776,332	-33.05%
Long-term obligations	2,992,068	3,242,286	8,815	12,006	3,000,883	3,254,292	-7.79%
Other liabilities	479,772	1,390,721	17,516	24,639	497,288	1,415,360	-64.86%
Total liabilities	3,471,840	4,633,007	26,331	36,645	3,498,171	4,669,652	-25.09%
Deferred Inflows of Resources	-	4,306,205	-	-	-	4,306,205	-100.00%
Net position:							
Net investment in capital assets	4,161,007	3,952,162	54,519	61,503	4,215,526	4,013,665	5.03%
Restricted	2,033,960	1,911,353	-	-	2,033,960	1,911,353	6.41%
Unrestricted	1,242,763	1,575,641	240,961	299,816	1,483,724	1,875,457	-20.89%
Total net position	\$ 7,437,730	7,439,156	295,480	361,319	7,733,210	7,800,475	-0.86%

The District's total net position decreased by 0.86%, or \$67,265, 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 increased by \$122,607, or 6.41% from the prior year. The increase in restricted net position can be attributed in part to the increase in ending fund balance for the Debt Service Fund.

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 \$391,733, or 20.89%. The reduction in unrestricted net position is primarily a result of the decline in fund balance of the General Fund.

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

	Figure A-4 Changes of Net Position							Total Change 2013-14
	Governmental Activities		Business Type Activities		Total District			
	2014	2013	2014	2013	2014	2013		
Revenues:								
Program revenues:								
Charges for service	\$ 1,961,788	1,872,955	210,662	211,103	2,172,450	2,084,058	4.24%	
Operating grants, contributions and restricted interest	1,179,961	1,023,701	329,020	309,193	1,508,981	1,332,894	13.21%	
General revenues:								
Property tax	4,181,361	4,525,880	-	-	4,181,361	4,525,880	-7.61%	
Income surtax	389,513	339,248	-	-	389,513	339,248	14.82%	
Statewide sales, services and use tax	879,145	859,389	-	-	879,145	859,389	2.30%	
Unrestricted state grants	5,167,462	5,067,193	-	-	5,167,462	5,067,193	1.98%	
Unrestricted investment earnings	1,029	2,731	605	8,577	1,634	11,308	-85.55%	
Other	61,035	58,061	2,631	2,929	63,666	60,990	4.39%	
Total revenues	<u>13,821,294</u>	<u>13,749,158</u>	<u>542,918</u>	<u>531,802</u>	<u>14,364,212</u>	<u>14,280,960</u>	<u>0.58%</u>	
Program expenses:								
Instructional	8,912,846	9,418,545	-	-	8,912,846	9,418,545	-5.37%	
Support services	4,153,542	3,732,067	63	110	4,153,605	3,732,177	11.29%	
Non-instructional programs	23,044	17,905	608,694	595,924	631,738	613,829	2.92%	
Long-term debt interest	105,867	119,165	-	-	105,867	119,165	-11.16%	
Other expenses	627,421	616,088	-	-	627,421	616,088	1.84%	
Total expenses	<u>13,822,720</u>	<u>13,903,770</u>	<u>608,757</u>	<u>596,034</u>	<u>14,431,477</u>	<u>14,499,804</u>	<u>-0.47%</u>	
Deficiency of revenues under expenses	(1,426)	(154,612)	(65,839)	(64,232)	(67,265)	(218,844)	-69.26%	
Transfers	-	(33,139)	-	33,139	-	-	0.00%	
Change in net position	(1,426)	(187,751)	(65,839)	(31,093)	(67,265)	(218,844)	-69.26%	
Net position beginning 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>	
Net position end of year	<u>\$ 7,437,730</u>	<u>7,439,156</u>	<u>295,480</u>	<u>361,319</u>	<u>7,733,210</u>	<u>7,800,475</u>	<u>-0.86%</u>	

In fiscal year 2014, property tax and unrestricted state grants accounted for 67.65% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.40% of the business type activities revenue. The District's total revenues were approximately \$14.36 million, of which approximately \$13.82 million was for governmental activities and approximately \$0.54 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.58% increase in revenues and a 0.47% decrease in expenses. The increase in revenues was largely a result of increased revenues from operating grants, contributions and restricted interest. The decrease in expenses is a result of decreased expenses in instructional programs as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$13,821,294 and expenses were \$13,822,720 for the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 8,912,846	9,418,545	-5.37%	6,288,612	6,985,916	-9.98%
Support services	4,153,542	3,732,067	11.29%	4,041,700	3,662,015	10.37%
Non-instructional programs	23,044	17,905	28.70%	23,044	17,905	28.70%
Long-term debt interest	105,867	119,165	-11.16%	105,867	119,165	-11.16%
Other expenses	627,421	616,088	1.84%	221,748	222,113	-0.16%
Totals	<u>\$ 13,822,720</u>	<u>13,903,770</u>	<u>-0.58%</u>	<u>10,680,971</u>	<u>11,007,114</u>	<u>-2.96%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,961,788.
- Federal and state governments along with donation and contributions from local sources subsidized certain programs with grants and contributions totaling \$1,179,961.
- The net cost of governmental activities was financed with \$4,181,361 in property tax, \$389,513 in income surtax, \$879,145 in statewide sales, services and use tax, \$5,167,462 in unrestricted state grants, \$1,029 in interest income and \$61,035 in other general revenues.

Business type Activities

Revenues of the District's business type activities for the year ended June 30, 2014 were \$542,918, representing an increase of 2.09% from the prior year, while expenses were \$608,757, an 2.13% increase over the prior year. 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 comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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 \$3,384,330; below last year's ending fund balances of \$3,633,213. The decrease in combined fund balances is attributable to the decrease in ending fund balances for the General and Capital Projects Funds.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,919,569 at June 30, 2013 to \$1,587,799 at June 30, 2014. Although General Fund revenues increased over the prior year they were not enough to offset the increase in expenditures from increased salaries and benefits paid to employees leading to the decrease in fund balance.
- The Management Levy Fund balance decreased from \$605,044 at June 30, 2013 to \$459,232 at June 30, 2014. The primary reason for this decrease in fund balance was a decrease in local tax revenue received compared to the prior year.
- The Capital Projects Fund balance decreased from a balance of \$944,207 at June 30, 2013 to \$498,832 at June 30, 2014. The primary reason for this decline in fund balance was a transfer of the reserve and sinking accounts for the District's revenue bond to the Debt Service Fund during the year.
- The Debt Service Fund balance increased from \$0 at June 30, 2013 to \$687,607 at June 30, 2014. The primary reason for this increase in fund balance is a transfer of the reserve and sinking accounts for the District's revenue bonded indebtedness from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund during fiscal 2014.

Proprietary Fund Highlights

The Proprietary Fund net position decreased from \$361,319 at June 30, 2013 to \$295,480 at June 30, 2014, representing a decrease of 18.22%. Revenues remained relatively unchanged from the prior year; however they still were not enough to cover the increase in expenditures ensuring the decrease in proprietary fund net position. The increase in expenditures was primarily due to an increase in other enterprise operation expenditures.

BUDGETARY HIGHLIGHTS

The District's revenues were \$153,007 more than budgeted revenues, a variance of 1.07%. The most significant variance resulted from the District receiving more from state 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6,730,657, 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 1.51% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$430,577.

The original cost of the District's capital assets was \$17,072,065. Governmental funds account for \$16,917,017 with the remainder of \$155,048 in the Proprietary, School Nutrition Fund and Ram Restaurant Funds.

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 \$8,435 at June 30, 2014. 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,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 69,762	69,762	-	-	69,762	69,762	0.00%
Buildings	5,937,598	6,146,811	-	-	5,937,598	6,146,811	-3.40%
Land improvements	8,435	20,970	-	-	8,435	20,970	-59.78%
Machinery and equipment	654,506	525,625	60,356	71,000	714,862	596,625	19.82%
Total	<u>\$ 6,670,301</u>	<u>6,763,168</u>	<u>60,356</u>	<u>71,000</u>	<u>6,730,657</u>	<u>6,834,168</u>	<u>-1.51%</u>

Long-Term Debt

At June 30, 2014, the District had \$3,000,883 in revenue bonds and other long-term debt outstanding. This represents a decrease of 7.79% 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 \$2,509,294 at June 30, 2014 payable from the Capital Projects: Statewide, Sales Services and Use Tax Fund.

The District had outstanding capital leases of \$5,837. The Student Nutrition Fund is responsible for \$3,495 for a dishwasher/oven lease and the Ram Restaurant Fund is responsible for \$2,342 for a dishwasher lease.

The District had an outstanding energy loan payable of \$108,841 at June 30, 2014. The energy loan was obtained from the Iowa Energy Bank through the Iowa Department of Administrative Services for a total amount of \$119,840. This loan is payable from the General Fund.

The District had a total net OPEB liability of \$376,911 at June 30, 2014. Governmental activities account for \$373,933 of the total while business type activities account for the remaining \$2,978.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue Bonds	\$ 2,509,294	2,811,006	-	-	2,509,294	2,811,006	-10.73%
Capital Leases	-	-	5,837	9,497	5,837	9,497	-38.54%
Energy Loan	108,841	116,197	-	-	108,841	116,197	-6.33%
Net OPEB Liability	373,933	315,083	2,978	2,509	376,911	317,592	18.68%
Total	<u>\$ 2,992,068</u>	<u>3,242,286</u>	<u>8,815</u>	<u>12,006</u>	<u>3,000,883</u>	<u>3,254,292</u>	<u>-7.79%</u>

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:

- On February 5, 2013, the Jefferson-Scranton Community School District and the East Greene Community School District passed a resolution to consolidate the two Districts. The two districts will be officially consolidated as of July 1, 2014 to form Greene County Community School District.

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, Greene County Community School District, 204 W. Madison Street, Jefferson, Iowa, 50129.

BASIC FINANCIAL STATEMENTS

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,043,862	91,179	3,135,041
Receivables:			
Property tax:			
Delinquent	67,231	-	67,231
Income surtax	333,518	-	333,518
Accounts	10,915	642	11,557
Due from other governments	695,365	14,437	709,802
Inventories	-	155,197	155,197
Net pension asset	88,378	-	88,378
Capital assets, net of accumulated depreciation	6,670,301	60,356	6,730,657
Total Assets	10,909,570	321,811	11,231,381
Liabilities			
Accounts payable	352,243	5,396	357,639
Salaries and benefits payable	64,005	7,011	71,016
Advances from grantors	7,663	-	7,663
Accrued interest payable	55,861	-	55,861
Unearned revenues	-	5,109	5,109
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	315,289	-	315,289
Energy loan payable	7,448	-	7,448
Dishwasher/Oven leases payable	-	3,844	3,844
Portion due after one year:			
Revenue bonds payable	2,194,005	-	2,194,005
Energy loan payable	101,393	-	101,393
Dishwasher/Oven leases payable	-	1,993	1,993
Net OPEB liability	373,933	2,978	376,911
Total Liabilities	3,471,840	26,331	3,498,171
Deferred Inflows of Resources	-	-	-
Net Position			
Net investment in capital assets	4,161,007	54,519	4,215,526
Restricted for:			
Categorical funding	293,305	-	293,305
Debt service	631,746	-	631,746
Management levy purposes	459,232	-	459,232
Student activities	150,860	-	150,860
School infrastructure	431,057	-	431,057
Physical plant and equipment	67,775	-	67,775
Unrestricted	1,242,748	240,961	1,483,709
Total Net Position	\$ 7,437,730	295,480	7,733,210

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,097,560	1,218,686	83,893	(3,794,981)	-	(3,794,981)
Special	1,824,122	389,746	171,058	(1,263,318)	-	(1,263,318)
Other	1,991,164	247,267	513,584	(1,230,313)	-	(1,230,313)
	<u>8,912,846</u>	<u>1,855,699</u>	<u>768,535</u>	<u>(6,288,612)</u>	<u>-</u>	<u>(6,288,612)</u>
Support services:						
Student	446,046	-	-	(446,046)	-	(446,046)
Instructional staff	459,232	33,914	170	(425,148)	-	(425,148)
Administration	1,425,610	70,861	5,583	(1,349,166)	-	(1,349,166)
Operation and maintenance of plant	1,095,345	-	-	(1,095,345)	-	(1,095,345)
Transportation	727,309	1,314	-	(725,995)	-	(725,995)
	<u>4,153,542</u>	<u>106,089</u>	<u>5,753</u>	<u>(4,041,700)</u>	<u>-</u>	<u>(4,041,700)</u>
Non-instructional programs:						
Food and community service operations	23,044	-	-	(23,044)	-	(23,044)
	<u>105,867</u>	<u>-</u>	<u>-</u>	<u>(105,867)</u>	<u>-</u>	<u>(105,867)</u>
Long-term debt interest						
	105,867	-	-	(105,867)	-	(105,867)
Other expenditures:						
AEA flowthrough	405,673	-	405,673	-	-	-
Depreciation(unallocated)*	221,748	-	-	(221,748)	-	(221,748)
	<u>627,421</u>	<u>-</u>	<u>405,673</u>	<u>(221,748)</u>	<u>-</u>	<u>(221,748)</u>
Total governmental activities	13,822,720	1,961,788	1,179,961	(10,680,971)	-	(10,680,971)
Business type activities:						
Support services:						
Administration	63	-	-	-	(63)	(63)
Non-instructional programs:						
Food service operations	491,720	180,272	329,020	-	17,572	17,572
Other enterprise operations	103,368	24,551	-	-	(78,817)	(78,817)
Community service operations	13,606	5,839	-	-	(7,767)	(7,767)
	<u>608,694</u>	<u>210,662</u>	<u>329,020</u>	<u>-</u>	<u>(69,012)</u>	<u>(69,012)</u>
Total business type activities	608,757	210,662	329,020	-	(69,075)	(69,075)
Total	<u>\$ 14,431,477</u>	<u>2,172,450</u>	<u>1,508,981</u>	<u>(10,680,971)</u>	<u>(69,075)</u>	<u>(10,750,046)</u>
General Revenues:						
Property tax for:						
General purposes			\$ 4,077,523	-	-	4,077,523
Capital outlay			103,838	-	-	103,838
Income surtax			389,513	-	-	389,513
Statewide sales, services and use tax			879,145	-	-	879,145
Unrestricted state grants			5,167,462	-	-	5,167,462
Unrestricted investment earnings			1,029	605	-	1,634
Other			61,035	2,631	-	63,666
Total general revenues			<u>10,679,545</u>	<u>3,236</u>	<u>-</u>	<u>10,682,781</u>
Change in net position			(1,426)	(65,839)	-	(67,265)
Net position beginning of year			<u>7,439,156</u>	<u>361,319</u>	<u>-</u>	<u>7,800,475</u>
Net position end of year			<u>\$ 7,437,730</u>	<u>295,480</u>	<u>-</u>	<u>7,733,210</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, 2014

	General	Management	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash and pooled investments	\$ 1,573,597	456,506	166,160	687,607	150,860	3,034,730
Receivables:						
Property tax:						
Delinquent	61,545	4,031	1,655	-	-	67,231
Income surtax	333,518	-	-	-	-	333,518
Accounts	10,915	-	-	-	-	10,915
Due from other governments	364,348	-	331,017	-	-	695,365
Total Assets	\$ 2,343,923	460,537	498,832	687,607	150,860	4,141,759
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 350,938	1,305	-	-	-	352,243
Salaries and benefits payable	64,005	-	-	-	-	64,005
Advances from grantors	7,663	-	-	-	-	7,663
Total liabilities	422,606	1,305	-	-	-	423,911
Deferred inflows of resources:						
Unavailable revenue:						
Income surtax	333,518	-	-	-	-	333,518
Fund balances:						
Restricted for:						
Categorical funding	293,305	-	-	-	-	293,305
Debt service	-	-	-	687,607	-	687,607
Management levy purposes	-	459,232	-	-	-	459,232
Student activities	-	-	-	-	150,860	150,860
School infrastructure	-	-	431,057	-	-	431,057
Physical plant and equipment	-	-	67,775	-	-	67,775
Unassigned	1,294,494	-	-	-	-	1,294,494
Total fund balances	1,587,799	459,232	498,832	687,607	150,860	3,384,330
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,343,923	460,537	498,832	687,607	150,860	4,141,759

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, 2014

Total fund balances of governmental funds(page 20) \$ 3,384,330

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 6,670,301

Accounts receivable income surtax, is not yet available to finance current year expenditures and therefore, is recognized as a deferred inflow of resources in the governmental funds. 333,518

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 9,132

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. (55,861)

Pension benefits are not yet available to finance expenditures of the current year fiscal period. 88,378

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. (2,992,068)

Net position of governmental activities(page 18) \$ 7,437,730

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, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Revenues:						
Local sources:						
Local tax	\$ 4,203,154	250,538	103,838	-	-	4,557,530
Tuition	1,552,622	-	-	-	-	1,552,622
Other	251,201	7,547	155	-	241,267	500,170
State sources	5,802,885	130	879,198	-	-	6,682,213
Federal sources	515,415	-	-	-	-	515,415
Total revenues	12,325,277	258,215	983,191	-	241,267	13,807,950
Expenditures:						
Current:						
Instruction:						
Regular	4,821,850	268,522	23,111	-	-	5,113,483
Special	1,807,892	-	-	-	-	1,807,892
Other	1,727,767	-	-	-	254,800	1,982,567
	8,357,509	268,522	23,111	-	254,800	8,903,942
Support services:						
Student	443,988	-	-	-	-	443,988
Instructional staff	457,632	-	-	-	-	457,632
Administration	1,360,765	47,069	1,936	-	-	1,409,770
Operation and maintenance of plant	957,435	69,429	34,803	-	-	1,061,667
Transportation	651,359	17,633	255,843	-	-	924,835
	3,871,179	134,131	292,582	-	-	4,297,892
Non-instructional programs:						
Food service operations	-	1,374	-	-	-	1,374
Community service operations	21,670	-	-	-	-	21,670
	21,670	1,374	-	-	-	23,044
Capital outlay	-	-	11,419	-	-	11,419
Long-term debt:						
Principal	-	-	-	309,068	-	309,068
Interest and fiscal charges	-	-	-	113,545	-	113,545
	-	-	-	422,613	-	422,613
Other expenditures:						
AEA flowthrough	405,673	-	-	-	-	405,673
Total expenditures	12,656,031	404,027	327,112	422,613	254,800	14,064,583
Excess(Deficiency) of revenues over(under)expenditures	(330,754)	(145,812)	656,079	(422,613)	(13,533)	(256,633)
Other financing sources(uses):						
Proceeds from sale of equipment	7,750	-	-	-	-	7,750
Transfer in	-	-	-	1,110,220	-	1,110,220
Transfer out	(8,766)	-	(1,101,454)	-	-	(1,110,220)
Total other financing sources(uses)	(1,016)	-	(1,101,454)	1,110,220	-	7,750
Change in fund balances	(331,770)	(145,812)	(445,375)	687,607	(13,533)	(248,883)
Fund balances beginning of year	1,919,569	605,044	944,207	-	164,393	3,633,213
Fund balances end of year	\$ 1,587,799	459,232	498,832	687,607	150,860	3,384,330

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, 2014

Change in fund balances - total governmental funds(page 22) \$ (248,883)

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 and depreciation expense in the current year are as follows:

Capital outlays	\$ 327,066	
Depreciation expense	<u>(419,933)</u>	(92,867)

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. 309,068

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow of resources in the governmental funds. 13,344

Net change in Internal Service Funds charged back to expenditures made for the flex benefit program on an entity-wide basis. (236)

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. 7,678

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	69,320	
Other postemployment benefits	<u>(58,850)</u>	<u>10,470</u>

Change in net position of governmental activities (page 19) \$ (1,426)

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds						Governmental Activities:
	School Nutrition	Industrial Technology Construction	Ram Restaurant	Lil Ram Preschool	Coaches Clinic	Total	Internal Service Fund Flex Benefits
	Assets						
Current assets:							
Cash and pooled investments	\$ 12,668	52,752	6,043	1,175	18,541	91,179	9,132
Accounts receivable	642	-	-	-	-	642	-
Due from other governments	14,437	-	-	-	-	14,437	-
Inventories	6,777	148,420	-	-	-	155,197	-
Total current assets	34,524	201,172	6,043	1,175	18,541	261,455	9,132
Noncurrent assets:							
Capital assets, net of accumulated depreciation	55,563	-	4,793	-	-	60,356	-
Total Assets	90,087	201,172	10,836	1,175	18,541	321,811	9,132
Liabilities							
Current liabilities:							
Accounts payable	5,396	-	-	-	-	5,396	-
Salaries and benefits payable	7,011	-	-	-	-	7,011	-
Unearned revenue	5,109	-	-	-	-	5,109	-
Total current liabilities	17,516	-	-	-	-	17,516	-
Long-term liabilities:							
Net OPEB liability	2,978	-	-	-	-	2,978	-
Dishwasher/Oven leases	3,495	-	2,342	-	-	5,837	-
Total long-term liabilities	6,473	-	2,342	-	-	8,815	-
Total Liabilities	23,989	-	2,342	-	-	26,331	-
Net Position							
Net investment in capital assets	52,068	-	2,451	-	-	54,519	-
Unrestricted	14,030	201,172	6,043	1,175	18,541	240,961	9,132
Total Net Position	\$ 66,098	201,172	8,494	1,175	18,541	295,480	9,132

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, 2014

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities: Internal Service Fund
	School Nutrition	Industrial Technology Construction	Ram Restaurant	Lil Ram Preschool	Coaches Clinic		Flex Benefits
Operating revenues:							
Local sources:							
Charges for service	\$ 180,272	-	24,551	2,812	3,027	210,662	-
Miscellaneous	2,631	-	-	-	-	2,631	54,007
Total operating revenues	182,903	-	24,551	2,812	3,027	213,293	54,007
Operating expenses:							
Instruction:							
Regular:							
Benefits	-	-	-	-	-	-	54,243
Support services:							
Administration:							
Other	63	-	-	-	-	63	-
Non-instructional programs:							
Food service operations:							
Salaries	149,419	-	-	-	-	149,419	-
Benefits	30,985	-	-	-	-	30,985	-
Services	347	-	-	-	-	347	-
Supplies	300,579	-	-	-	-	300,579	-
Depreciation	10,045	-	-	-	-	10,045	-
Other	115	-	-	-	-	115	-
	491,490	-	-	-	-	491,490	-
Other enterprise operations:							
Services	-	41,932	718	-	-	42,650	-
Supplies	-	40,963	19,002	-	-	59,965	-
Depreciation	-	-	599	-	-	599	-
	-	82,895	20,319	-	-	103,214	-
Community service operations:							
Services	-	-	-	48	5,240	5,288	-
Supplies	-	-	-	2,892	5,426	8,318	-
	-	-	-	2,940	10,666	13,606	-
Total non-instructional programs	491,490	82,895	20,319	2,940	10,666	608,310	-
Total operating expenses	491,553	82,895	20,319	2,940	10,666	608,373	54,243
Operating income(loss)	(308,650)	(82,895)	4,232	(128)	(7,639)	(395,080)	(236)
Non-operating revenues(expenses):							
Interest expense(leases)	(230)	-	(154)	-	-	(384)	-
State sources	4,507	-	-	-	-	4,507	-
Federal sources	324,513	-	-	-	-	324,513	-
Interest income	2	603	-	-	-	605	-
Total non-operating revenues(expenses)	328,792	603	(154)	-	-	329,241	-
Change in net position	20,142	(82,292)	4,078	(128)	(7,639)	(65,839)	(236)
Net position beginning of year	45,956	283,464	4,416	1,303	26,180	361,319	9,368
Net position end of year	\$ 66,098	201,172	8,494	1,175	18,541	295,480	9,132

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds						Governmental Activities: Internal Service Fund
	Industrial	Lil			Coaches Clinic	Total	Flex Benefits
	School Nutrition	Technology Construction	Ram Restaurant	Ram Preschool			
Cash flows from operating activities:							
Cash received from operating activities	\$ 181,391	-	24,551	2,812	3,027	211,781	-
Cash received from miscellaneous operating activities	2,631	-	-	-	-	2,631	54,007
Cash payments to employees for services	(176,847)	-	-	-	-	(176,847)	(54,243)
Cash payments to suppliers for goods or services	(271,714)	(87,395)	(19,720)	(2,940)	(10,666)	(392,435)	-
Net cash provided by(used in) operating activities	(264,539)	(87,395)	4,831	(128)	(7,639)	(354,870)	(236)
Cash flows from non-capital financing activities:							
Repayments to the Management Levy Fund	(14,000)	-	-	-	-	(14,000)	-
State grants received	4,507	-	-	-	-	4,507	-
Federal grants received	289,485	-	-	-	-	289,485	-
Net cash provided by non-capital financing activities	279,992	-	-	-	-	279,992	-
Cash flows from capital financing activities:							
Principal payment on dishwasher/oven leases	(2,192)	-	(1,468)	-	-	(3,660)	-
Interest payment on dishwasher/oven leases	(230)	-	(154)	-	-	(384)	-
Net cash used in capital financing activities	(2,422)	-	(1,622)	-	-	(4,044)	-
Cash flows from investing activities:							
Interest on investment	2	603	-	-	-	605	-
Net increase(decrease) in cash and cash equivalents	13,033	(86,792)	3,209	(128)	(7,639)	(78,317)	(236)
Cash and cash equivalents beginning of year	(365)	139,544	2,834	1,303	26,180	169,496	9,368
Cash and cash equivalents end of year	\$ 12,668	52,752	6,043	1,175	18,541	91,179	9,132
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:							
Operating income(loss)	\$ (308,650)	(82,895)	4,232	(128)	(7,639)	(395,080)	(236)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:							
Commodities consumed	27,544	-	-	-	-	27,544	-
Depreciation	10,045	-	599	-	-	10,644	-
Decrease(Increase) in inventories	14	(4,500)	-	-	-	(4,486)	-
Increase in accounts receivable	(478)	-	-	-	-	(478)	-
Increase in due from other governments	(360)	-	-	-	-	(360)	-
Increase in accounts payable	1,832	-	-	-	-	1,832	-
Increase in salaries and benefits payable	3,088	-	-	-	-	3,088	-
Increase in unearned revenues	1,957	-	-	-	-	1,957	-
Increase in other postemployment benefits	469	-	-	-	-	469	-
Net cash provided by(used in) operating activities	\$ (264,539)	(87,395)	4,831	(128)	(7,639)	(354,870)	(236)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$27,544 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 3,818</u>
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u><u>\$ 3,818</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 2,200</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 1,650</u>
Change in net position	550
Net position beginning of year	<u> 3,268</u>
Net position end of year	<u><u>\$ 3,818</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, termination benefits, and insurance agreements relating to such liabilities.

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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, Deferred Inflows of Resources and Fund Balances

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

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

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

Inventories - 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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Deferred Inflows of Resources- Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services function.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio and The Education Liquidity Fund. These investments are valued at an amortized cost of \$687,613 and \$1,100,000 respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Education Liquidity Fund are registered and not subject to rating. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 69,762	-	-	69,762
Total capital assets not being depreciated	69,762	-	-	69,762
Capital assets being depreciated:				
Buildings	11,785,703	-	-	11,785,703
Land improvements	638,706	-	-	638,706
Machinery and equipment	4,247,512	327,066	151,732	4,422,846
Total capital assets being depreciated	16,671,921	327,066	151,732	16,847,255
Less accumulated depreciation for:				
Buildings	5,638,892	209,213	-	5,848,105
Land improvements	617,736	12,535	-	630,271
Machinery and equipment	3,721,887	198,185	151,732	3,768,340
Total accumulated depreciation	9,978,515	419,933	151,732	10,246,716
Total capital assets being depreciated, net	6,693,406	(92,867)	-	6,600,539
Governmental activities capital assets, net	\$ 6,763,168	(92,867)	-	6,670,301
Business type activities:				
Machinery and equipment	\$ 155,048	-	-	155,048
Less accumulated depreciation	84,048	10,644	-	94,692
Business type activities capital assets, net	\$ 71,000	(10,644)	-	60,356

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 45,749
Other		11,071
Support services:		
Instructional staff		39,906
Administration		6,180
Operation and maintenance of plant		19,014
Transportation		76,265
		<u>198,185</u>
Unallocated depreciation		<u>221,748</u>
Total governmental activities depreciation expense		<u>\$ 419,933</u>
Business type activities:		
Food service operations		\$ 10,045
Other enterprise operations		599
Total governmental activities depreciation expense		<u>\$ 10,644</u>

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 2,811,006	-	301,712	2,509,294	315,289
Energy Loan	116,197	-	7,356	108,841	7,448
Net OPEB Liability	315,083	58,850	-	373,933	-
Total	<u>\$ 3,242,286</u>	<u>58,850</u>	<u>309,068</u>	<u>2,992,068</u>	<u>322,737</u>
Business type activities:					
Dishwasher/Oven Lease (School Nutrition Fund)	\$ 5,687	-	2,192	3,495	2,302
Dishwasher Lease (Ram Restaurant Fund)	3,810	-	1,468	2,342	1,542
Net OPEB Liability (School Nutrition Fund)	2,509	469	-	2,978	-
Total	<u>\$ 12,006</u>	<u>469</u>	<u>3,660</u>	<u>8,815</u>	<u>3,844</u>

Revenue Bonds Payable

Details of the District's June 30, 2014 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
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	3.90	-	-	235,000	73,936	308,936
2018	4.10	245,000	64,155	-	-	-	245,000	64,155	309,155
2019	4.15	255,000	53,841	-	-	-	255,000	53,841	308,841
2020-2023	4.20-4.35	1,135,000	100,265	-	-	-	1,135,000	100,265	1,235,265
Total		<u>\$ 2,315,000</u>	<u>467,432</u>		<u>\$ 194,294</u>	<u>11,438</u>	<u>2,509,294</u>	<u>478,870</u>	<u>2,988,164</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 \$2,988,164. For the current year, \$301,712 of principal and \$111,634 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$879,145.

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.

Dishwasher/Oven Lease Payable

Details of the District's June 30, 2014 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
2015	4.90%	\$ 2,302	120	2,422
2016	4.90	1,193	18	1,211
Total		<u>\$ 3,495</u>	<u>138</u>	<u>3,633</u>

Details of the District's June 30, 2014 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
2015	4.90%	\$ 1,542	80	1,622
2016	4.90	800	11	811
Total		<u>\$ 2,342</u>	<u>91</u>	<u>2,433</u>

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, 2014 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
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	1.00	7,830	749	8,579
2020-2024	1.00	40,650	2,544	43,194
2025-2028	1.00	30,003	542	30,545
Total		<u>\$ 108,841</u>	<u>7,599</u>	<u>116,440</u>

(5) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,101,454
Debt Service	General	8,766
Total		<u>\$ 1,110,220</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 District also transferred the reserve and sinking accounts associated with the revenue bonded indebtedness to the Debt Service Fund during the year.

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

(6) **Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$721,161, \$605,907, and \$550,262, respectively, equal to the required contributions for each year.

(7) 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 89,510
Interest on net OPEB obligation	7,940
Adjustment to annual required contribution	(21,192)
Annual OPEB cost	<u>76,258</u>
Contributions made	<u>(16,939)</u>
Increase in net OPEB obligation	59,319
Net OPEB obligation beginning of year	<u>317,592</u>
Net OPEB obligation end of year	<u><u>\$ 376,911</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, 2014.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 144,858	7.91%	\$ 262,137
2013	70,417	21.25	317,592
2014	76,258	22.21	376,911

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$0.509 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.509 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6.023 million and the ratio of the UAAL to covered payroll was 8.45%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The 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.

(8) Supplemental Pension Plan

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

There are 148 active members in the plan as of June 30, 2014. The pension benefit is defined as 45% of the retiree's current contracted salary excluding overtime pay, coaching pay, teacher salary supplement pay, and benefits paid at time of retirement.

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.

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. 27, as amended by 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, 2014, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 186,310
Interest on net pension obligation	2,064
Adjustment to annual required contribution	<u>(10,407)</u>
Annual net pension obligation cost	177,967
Contributions made	<u>(247,287)</u>
Increase in net pension obligation	(69,320)
Net pension obligation beginning of year	<u>(19,058)</u>
Net pension obligation end of year	<u>\$ (88,378)</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, 2014.

For the year ended June 30, 2014, the District contributed \$247,287 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 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)
2014	177,967	138.95	(88,378)

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.533 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.533 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.352 million, and the ratio of the UAAL to the covered payroll was 18.35%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and 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, 2013 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 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 UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(9) Risk Management

Jefferson-Scranton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$405,673 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Property Lease

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

The District also has a lease with the City of Scranton for rental of a gymnasium to be used for after school practices and events by District athletic programs. Payment is \$5,000 per year through July 13, 2020.

(12) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Weighted Limited English Proficient	\$ 1
Gifted and Talented Programs	14,375
Beginning Teacher and Mentoring Induction Programs	1,373
Teacher Salary Supplement	3,516
Four-year Old Preschool State Aid	253,907
Successful Progression for Early Readers	19,976
Professional Development	157
Total	<u>\$ 293,305</u>

(13) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the support services functional area exceeded budgeted amount.

(14) District Consolidation

On February 5, 2013, the Jefferson-Scranton Community School District and the East Greene Community School District passed a resolution to consolidate the two Districts. The two districts will be officially consolidated as of July 1, 2014 to form Greene County Community School District.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits,43 including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(16) **Reconciliation of Governmental Fund Balances to Net Position**

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

	Net investment in Capital Assets	Restricted for Debt Service	Unassigned/ Unrestricted
Balance (Exhibit C)	\$ -	687,607	1,294,494
Capital assets, net of accumulated depreciation	6,670,301	-	-
Revenue bond capitalized indebtedness	(2,509,294)	-	-
Energy loan payable	-	-	(108,841)
Accrued interest payable	-	(55,861)	-
Income surtax receivable	-	-	333,518
Internal service fund	-	-	9,132
Net OPEB liability	-	-	(373,933)
Net pension asset	-	-	88,378
Net position (Exhibit A)	\$ 4,161,007	631,746	1,242,748

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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,610,322	213,898	6,824,220	7,746,955	7,746,955	(922,735)
State sources	6,682,213	4,507	6,686,720	5,760,906	5,760,906	925,814
Federal sources	515,415	324,513	839,928	690,000	690,000	149,928
Total revenues	13,807,950	542,918	14,350,868	14,197,861	14,197,861	153,007
Expenditures/expenses:						
Instruction	8,903,942	-	8,903,942	12,125,000	12,125,000	3,221,058
Support services	4,297,892	63	4,297,955	3,765,000	3,765,000	(532,955)
Non-instructional	23,044	608,694	631,738	683,000	683,000	51,262
Other expenditures	839,705	-	839,705	1,473,717	1,473,717	634,012
Total expenditures/expenses	14,064,583	608,757	14,673,340	18,046,717	18,046,717	3,373,377
Excess(Deficiency) of revenues over(under) expenditures/expenses	(256,633)	(65,839)	(322,472)	(3,848,856)	(3,848,856)	3,526,384
Other financing sources, net	7,750	-	7,750	210,000	210,000	(202,250)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(248,883)	(65,839)	(314,722)	(3,638,856)	(3,638,856)	3,324,134
Balances beginning of year	3,633,213	361,319	3,994,532	5,635,303	5,635,303	(1,640,771)
Balances end of year	\$ 3,384,330	295,480	3,679,810	1,996,447	1,996,447	1,683,363

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with 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 ended June 30, 2014, expenditures in the support services function exceeded the amount budgeted.

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
2014	July 1, 2011	-	509	509	0.00	6,023 *	8.45

*Increase in covered payroll in fiscal 2014 is due to the District paying out contracted 2014 July and August salaries in June 2014 as the District consolidated with East Greene CSD as of July 1, 2014. This number reflects 14 months of pay instead of 12 as shown in prior years.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	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
2014	July 1, 2013	-	1,533	1,533	0.00	8,352 *	18.35

*Increase in covered payroll in fiscal 2014 is due to the District paying out contracted 2014 July and August salaries in June 2014 as the District consolidated with East Greene CSD as of July 1, 2014. This number reflects 14 months of pay instead of 12 as shown in prior years.

See Note 8 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
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 100,040	66,120	166,160
Receivables:			
Property tax:			
Delinquent	-	1,655	1,655
Due from other governments	331,017	-	331,017
Total Assets	\$ 431,057	67,775	498,832
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities	\$ -	-	-
Deferred inflows of Resources	-	-	-
Fund balances:			
Restricted for:			
School infrastructure	431,057	-	431,057
Physical plant and equipment	-	67,775	67,775
Total fund balances	431,057	67,775	498,832
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 431,057	67,775	498,832

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, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	103,838	103,838
Other	101	54	155
State sources	879,145	53	879,198
Total revenues	<u>879,246</u>	<u>103,945</u>	<u>983,191</u>
Expenditures:			
Current:			
Instruction:			
Regular	20,079	3,032	23,111
Support services:			
Administration	1,890	46	1,936
Operation and maintenance of plant	1,777	33,026	34,803
Transportation	255,843	-	255,843
Capital outlay	9,787	1,632	11,419
Total expenditures	<u>289,376</u>	<u>37,736</u>	<u>327,112</u>
Excess of revenues over expenditures	589,870	66,209	656,079
Other financing uses:			
Transfer out	(1,101,454)	-	(1,101,454)
Change in fund balances	(511,584)	66,209	(445,375)
Fund balances beginning of year	942,641	1,566	944,207
Fund balances end of year	<u>\$ 431,057</u>	<u>67,775</u>	<u>498,832</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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>Elementary Activities:</u>					
Reading is Fundamental Student Fund	\$ 5,211	8,917	4,977	(1,323)	7,828
Fifth Grade Snack Shop	-	-	-	1,323	1,323
Nurse Emergency Fund	29	-	29	-	-
	432	-	231	-	201
	5,672	8,917	5,237	-	9,352
<u>Middle School:</u>					
Student Fund	86	18,822	18,908	-	-
Yearbook	2,585	533	498	-	2,620
Student Council	-	73	42	-	31
	2,671	19,428	19,448	-	2,651
<u>Athletics:</u>					
Baseball & Fundraiser	3,740	10,542	8,881	-	5,401
Boys Basketball & Fundraiser	2,907	4,982	6,356	-	1,533
Boys Golf & Fundraiser	-	341	341	-	-
Boys Track & Fundraiser	-	4,655	4,651	-	4
Cheerleaders	9,077	5,315	2,983	-	11,409
Cross Country & Fundraiser	1,599	4,623	5,161	-	1,061
Football & Fundraiser	13,997	16,788	18,616	-	12,169
Girls Basketball & Fundraiser	3,429	19,909	19,695	-	3,643
Girls Golf & Fundraiser	-	55	55	-	-
Girls Track & Fundraiser	799	3,994	3,572	-	1,221
Miscellaneous Activity	2,210	-	-	-	2,210
Softball & Fundraiser	3,596	5,711	7,198	-	2,109
Tournaments	3,735	8,109	11,844	-	-
Volleyball & Fundraiser	3,026	10,475	11,508	-	1,993
Wrestling & Fundraiser	161	5,464	5,027	-	598
Activity Tickets	11,264	3,576	6,664	-	8,176
Athletic Concessions	12	-	12	-	-
Athletic Fundraiser	11,368	9,763	2,268	-	18,863
Football Camp	-	53	53	-	-
Weight Building	4,217	-	-	-	4,217
Golf Tourney Fundraiser	137	-	137	-	-
	75,274	114,355	115,022	-	74,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>High School Activities/Organizations:</u>					
Art	2,241	7,552	8,884	-	909
Business Professionals of America	1,214	1,600	1,386	-	1,428
Drama	738	677	361	-	1,054
Fashions	-	81	45	-	36
FFA	-	23,665	18,268	-	5,397
French Club	3,008	-	410	-	2,598
FCCLA	754	964	1,372	-	346
Instrumental Music	4,073	12,730	10,871	-	5,932
Juvenile Court Program	136	-	-	-	136
Spanish Club	7,965	3,273	9,203	-	2,035
Speech	1,092	1,143	921	-	1,314
VICA	47	6,263	6,310	-	-
Vocal Music	9,215	17,124	19,607	-	6,732
Yearbook	-	3,555	1,904	-	1,651
Flags	102	-	-	-	102
Ram Trolley	2,153	7,750	5,709	-	4,194
Community Outreach	1,923	1,350	1,541	(12)	1,720
Physics	124	-	-	-	124
Student Council	3,105	1,071	1,675	-	2,501
National Honor Society	495	2,168	2,531	-	132
Class of 2013	297	-	297	-	-
Class of 2014	325	1,226	1,551	-	-
Class of 2015	358	5,502	3,614	-	2,246
Class of 2016	-	873	-	-	873
Alternative School	317	-	235	-	82
Interest	40,000	-	17,292	-	22,708
	<u>79,682</u>	<u>98,567</u>	<u>113,987</u>	<u>(12)</u>	<u>64,250</u>
<u>Concessions:</u>					
Elementary	906	-	906	-	-
High School	188	-	200	12	-
	<u>1,094</u>	<u>-</u>	<u>1,106</u>	<u>12</u>	<u>-</u>
Total	\$ 164,393	241,267	254,800	-	150,860

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	Strabley Scholarship	Linduska Scholarship	Mallas Memorial	Total
Assets				
Cash and pooled investments	\$ 371	16	3,431	3,818
Liabilities				
	-	-	-	-
Net Position				
Restricted for scholarships	\$ 371	16	3,431	3,818

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, 2014

	Private Purpose Trust - Scholarship Fund					Total
	Strabley Scholarship	Linduska Scholarship	Mallas/ Cooper Scholarship	Student Council Scholarship	Cheer Scholarship	
Local sources:						
Gifts and contributions	\$ -	-	1,000	600	600	2,200
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	-	-	450	600	600	1,650
Change in net position	-	-	550	-	-	550
Net position beginning of year	371	16	2,881	-	-	3,268
Net position end of year	\$ 371	16	3,431	-	-	3,818

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,557,530	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
Tuition	1,552,622	1,511,515	991,405	955,810	881,967	809,701	824,953	698,915	656,603	702,194
Other	500,170	422,272	520,169	636,541	640,804	556,160	624,377	487,481	521,277	470,621
State sources	6,682,213	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
Federal sources	515,415	404,841	472,244	704,830	1,125,356	542,449	431,318	292,548	369,102	430,901
Total	\$ 13,807,950	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
Expenditures:										
Instruction:										
Regular	\$ 5,113,483	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
Special	1,807,892	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
Other	1,982,567	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
Support services:										
Student	443,988	305,474	343,257	345,819	365,595	400,229	387,533	369,226	356,926	368,797
Instructional staff	457,632	292,818	142,640	143,478	166,811	200,084	223,720	158,277	167,782	549,337
Administration	1,409,770	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
Operation and maintenance of plant	1,061,667	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
Transportation	924,835	685,783	542,155	511,978	481,499	603,365	563,779	707,326	545,068	419,212
Non-instructional programs	23,044	20,959	17,655	17,670	14,158	13,368	12,970	10,000	10,250	10,707
Capital outlay	11,419	331,916	221,246	280,158	922,815	976,445	2,401,121	436,953	291,613	345,363
Long-term debt:										
Principal	309,083	291,914	337,200	321,353	500,000	535,905	502,671	513,030	452,526	408,113
Interest	113,530	126,360	136,047	148,442	140,770	172,765	49,883	61,916	68,985	80,526
Other expenditures:										
AEA flow-through	405,673	393,975	378,841	425,102	423,991	381,564	361,752	353,856	344,408	343,759
Total	\$ 14,064,583	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 14	\$ 55,697
National School Lunch Program	10.555	FY 14	244,398 *
Summer Food Service Program for Children	10.559	FY 14	<u>24,418</u>
			<u>324,513</u>
U.S. Department of Energy:			
Iowa Department of Administrative Services:			
Energy Loan:			
State Energy Program	81.041	FY 12	<u>108,841</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3915-G	168,075
Title I Grants to Local Educational Agencies	84.010	3915-GC	<u>49,442</u>
			<u>217,517</u>
Career and Technical Education - Basic Grants to States	84.048	FY 14	<u>18,303</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 14	<u>60,181</u>
Improving Teacher Quality State Grants (Title IIA)	84.367	FY 14	<u>42,604</u>
Grants for State Assessments and Related Activities (Title VI A)	84.369	FY 14	<u>5,583</u>
Prairie Lakes Area Education Agency 14:			
Special Education - Grants to States	84.027	FY 14	<u>45,394</u>
U.S Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			
	93.938	FY 14	<u>170</u>
Total			<u>\$ 823,106</u>

* - Includes \$27,544 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2015.

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 weakness and a significant deficiency.

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-14 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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 to be a significant deficiency.

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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

February 12, 2015
Newton, Iowa

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 Compliance
for Each Major Federal Program and on Internal Control over Compliance
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 its major federal programs for the year ended June 30, 2014. 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 of the major federal programs. 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, 2014.

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 deficiencies in internal control over compliance we consider to be a material weakness and a significant deficiency.

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-14 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-14 to be a significant deficiency.

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.

February 12, 2015
Newton, Iowa

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency 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 significant deficiency and 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, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, and custody of investments.
- 3) Receipts - recording, depositing, and posting.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting.
- 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 - We feel we are making strides to improve segregation of duties by using building secretaries and an additional to the business office staff after consolidation of school districts. We will continue to search for new ways to improve in this area of concern.

Conclusion - Response accepted.

II-B-14 Purchase Orders - Noted multiple instances of purchase orders that were dated after the ordering of supplies or services took place in the Student Activity Fund and one instance in the General Fund.

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 - We will continue to educate building secretaries and administrative staff on the proper usage of the purchase order system.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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: 2014
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: 2014
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of internal accounting control is the (2014-001) 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 - recording, depositing, and posting.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Capital assets - recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, and posting.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) 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 - We feel we are making strides to improve segregation of duties by using building secretaries and an additional to the business office staff after consolidation of school districts. We will continue to search for new ways to improve in this area of concern.

Conclusion - Response accepted.

III-B-14 Title I Reporting - We noted during our audit that Title I reports submitted to the
(2014-002) Iowa Department of Education were not reconciled to actual expenses reported
in the District's general ledger, thus creating a carryover allocation that is in excess
of the 15% of the original Title I budget allocation.

Recommendation - The District needs to reconcile Title I reports submitted to the
Iowa Department of Education to actual expenses reported in the District's general
ledger. Once this reconciliation is completed, the District should amend the Title I
budget to be within a carryover amount that is 15% of the original Title I budget
allocation. The District should contact the Iowa Department of Education to develop
a workout plan for the amount of Title I claimed in excess of actual expenses.

Response - We will continue to examine ways to properly send Title I dollars moving
forward and watch 15% carryover provision. We did speak with the Department of
Education personnel and found "Homeless" required expenditures were not recorded
as Title I funds as they should have been. An audit adjustment was suggested by
Department of Education staff and will be made on the fiscal year 2015 books.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 exceed the certified budgeted amounts in the support services functional area.

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

Response - We will continue to monitor the individual function subtotals and amend the budget as needed going forward.

Conclusion - Response accepted.

- IV-B-14 Questionable Disbursements – We noted during our audit the following instance which does not appear to meet public purpose as defined by attorney General’s opinion dated April 25, 1979.

Donations to Outside Organizations: We noted during our audit the FFA account in the Student Activity Fund donated \$50 to the Ballard Memorial for a Student’s father who passed away during the year. This money was not fundraised for this specific purpose, and we question whether this transaction meets public purpose as defined in Attorney General’s opinion dated April 25, 1979.

Recommendation - Iowa Administrative Code Chapter 281-98.70(3)(d) includes “Payments to any private organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified” as an inappropriate expenditure from the Student Activity Fund. If clubs in the Student Activity Fund wish to donate moneys to outside organizations, they must fundraise specifically for that purpose and document as such. The District should also ensure the purchases to be made with fundraised monies meet public purpose requirements as defined by Attorney General’s opinion dated April 25, 1979.

Response - Staff will be reminded of the proper use of District’s funds and will not allow donations to memorial funds in the future.

Conclusion - Response accepted.

- IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However, we noted that an employee on travel outside the District paid for a meal and did not provide the District a detailed receipt of the purchase as required by District policy 401.5 which states ““Reimbursement for actual and necessary expenses will be allowed for travel outside the school district if the employee received pre-approval for the travel. Prior to reimbursement of actual and necessary expenses, the employee must provide the school district with a detailed receipt, other than a credit card receipt or statement, indicating the date, purpose and nature of the expense for each claim item. In exceptional circumstances, the superintendent may allow a claim without proper receipt. Written documentation explaining the exceptional circumstances is maintained as part of the school district’s record of the claim. Failure to have a detailed receipt will make the expense a personal expense.”

Recommendation - The District should review its procedures regarding reimbursements for travel outside the District to ensure the District is following its policies set forth by the Board of Education.

Response - We will continue to monitor travel receipts and educate staff on the necessity of detailed receipts.

Conclusion - Response accepted.

- IV-D-14 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-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 20.80 for the fall of 2013.
- Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management on behalf of the District to resolve this matter.
- Conclusion - Response accepted.
- IV-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	942,641
Revenues:			
Sales tax revenues	\$	879,145	
Other local revenues		101	879,246
			<u>1,821,887</u>
Expenditures/transfers out:			
Equipment		277,699	
Other		11,677	
Transfers to other funds:			
Debt service fund		1,101,454	1,390,830
			<u>1,390,830</u>
Ending Balance		\$	<u>431,057</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-14 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specific examples of these instances of questioned items and recommendations are as follows:

Commissions: We noted during our audit Great American Opportunities and Jefferson Fieldhouse commissions were being receipted to the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund and as a result should be put into the General Fund. The Great American Opportunities and Jefferson Fieldhouse commissions should be receipted into the General Fund.

Response - Accounts have been closed that should not be in the Activity Fund, and commissions will be credited to the General Fund going forward.

Conclusion - Response accepted.