

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Southern Cal Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 election)</b>		
Charles Loeck	President	2006
Travis Ellis	Vice President	2004
Jim Brown	Board Member	2004
Linda Iler	Board Member	2005
Eric Richardson	Board Member	2006
<b>Board of Education (After September 2004 election)</b>		
Charles Loeck	President	2006
Jim Brown	Vice President	2007
Linda Iler	Board Member	2005
Eric Richardson	Board Member	2006
Tommy Campbell	Board Member	2007
<b>School Officials</b>		
Dwayne Cross	Superintendent	2005
Susan Lasher	District Secretary/ District Treasurer	2005
Brian Gruhn	Attorney	2005

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Southern Cal Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District, Lake City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

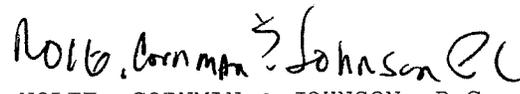
In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2005 on our consideration of Southern Cal Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

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We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southern Cal Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 24, 2005

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

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Southern Cal 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,328,034 in fiscal 2004 to \$4,322,582 in fiscal 2005, while General Fund expenditures increased from \$4,228,532 in fiscal 2004 to \$4,410,713 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$1,133,065 in fiscal 2004 to a balance of \$1,045,184 in fiscal 2005, a 7.7% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- The District started receiving local option sales and service tax in FY05. This money was used to cover expense in the Special Revenue, Physical Plant and Equipment Levy Fund.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southern Cal 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 Southern Cal 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 Southern Cal Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

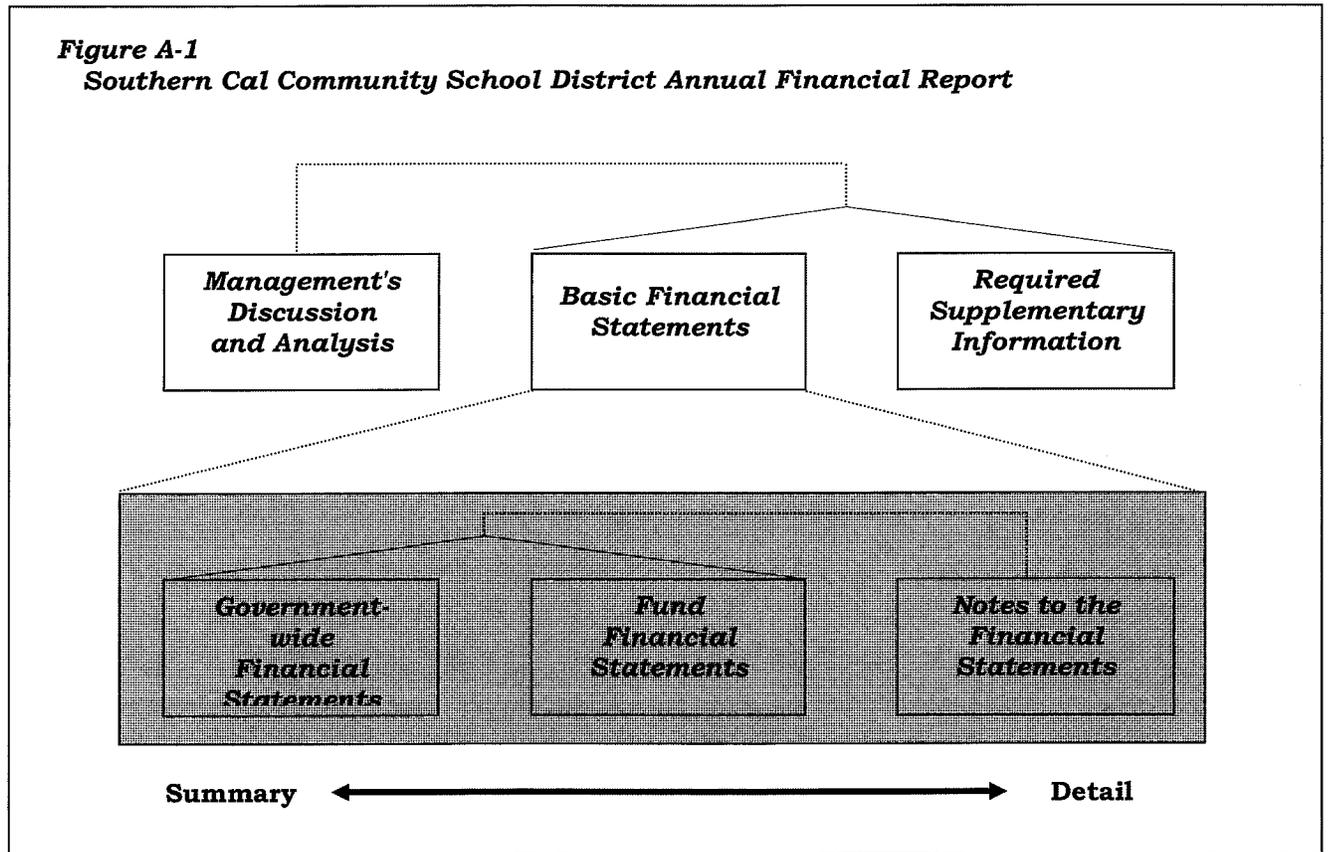


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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 services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
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
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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has two 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, Capital Projects Fund and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 3,514,416	3,414,800	6,528	7,627	3,520,944	3,422,427	2.88%
Capital assets	2,177,042	2,149,028	4,836	6,516	2,181,878	2,155,544	1.22%
Total assets	5,691,458	5,563,828	11,364	14,143	5,702,822	5,577,971	2.24%
Long-term obligations	24,314	12,660	0	0	24,314	12,660	92.05%
Other liabilities	2,230,681	2,044,776	7,565	2,788	2,238,246	2,047,564	9.31%
Total liabilities	2,254,995	2,057,436	7,565	2,788	2,262,560	2,060,224	9.82%
Net assets:							
Invested in capital assets, net of related debt	2,177,042	2,149,028	4,836	6,516	2,181,878	2,155,544	1.22%
Restricted	226,051	235,868	0	0	226,051	235,868	-4.16%
Unrestricted	1,033,370	1,121,496	(1,037)	4,839	1,032,333	1,126,335	-8.35%
Total net assets	\$ 3,436,463	3,506,392	3,799	11,355	3,440,262	3,517,747	-2.20%

The District's combined net assets decreased by 2.2%, or \$77,485, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$9,817, or 4.16% over the prior year. The decrease was primarily a result of the decrease in the Managements fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$94,002, or 8.35%. This decrease in unrestricted net assets was primarily the result of the decrease in the General fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4  
Changes of Net Assets

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Revenues:							
Program revenues:							
Charges for services	\$ 330,426	303,702	140,284	139,083	470,710	442,785	6.31%
Operating grants and contributions and restricted interest	593,884	597,287	107,179	105,799	701,063	703,086	-0.29%
General revenues:							
Property tax	1,623,892	2,116,535	0	0	1,623,892	2,116,535	-23.28%
Local option sales and services tax	242,484	0	0	0	242,484	0	100.00%
Unrestricted state grants	1,952,341	1,667,439	0	0	1,952,341	1,667,439	17.09%
Other	26,987	8,881	0	0	26,987	8,881	203.87%
Total revenues	4,770,014	4,693,844	247,463	244,882	5,017,477	4,938,726	1.59%
Program expenses:							
Governmental activities:							
Instructional	3,057,915	2,884,736	0	0	3,057,915	2,884,736	6.00%
Support services	1,512,199	1,368,959	0	0	1,512,199	1,368,959	10.46%
Non-instructional programs	5,315	5,541	255,019	248,190	260,334	253,731	2.60%
Other expenses	264,514	246,850	0	0	264,514	246,850	7.16%
Total expenses	4,839,943	4,506,086	255,019	248,190	5,094,962	4,754,276	7.17%
Changes in net assets	(69,929)	187,758	(7,556)	(3,308)	(77,485)	184,450	-142.01%
Beginning net assets	3,506,392	3,318,634	11,355	14,663	3,517,747	3,333,297	5.53%
Ending net assets	\$ 3,436,463	3,506,392	3,799	11,355	3,440,262	3,517,747	-2.20%

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the decrease in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in expenditures than in revenues, allowing for a decrease in the financial position for the year.

**Governmental Activities**

Revenues for governmental activities were \$4,770,014 and expenses were \$4,839,943.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,057,915	2,310,918
Support services	1,512,199	1,510,759
Non-instructional programs	5,315	5,315
Other expenses	264,514	88,641
Totals	<u>\$ 4,839,943</u>	<u>3,915,633</u>

- The cost financed by users of the District’s programs was \$330,426.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$593,884.
- The net cost of governmental activities was financed with \$1,623,892 in property tax, \$1,952,341 in unrestricted state revenue and \$26,737 in interest income.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$247,463 and expenses were \$255,019. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,283,735, below last year’s ending fund balances of a \$1,370,024. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due to the increased negotiated salaries and benefits.

**Governmental Fund Highlights**

- The District’s General Fund financial position changed from \$1,133,065 to \$1,045,184. A reduction in the tax levy resulted in a decrease in revenues, despite the increase in state and federal revenues. The expenditures increased \$182,181 due to an increase in negotiated salary and benefits, as well as existing expenditure commitments of the District.
- Expenditure exceeded revenues again this year in the Management Fund resulting in a decrease in fund balance of \$35,455.
- The District started to receive local option sales and service tax during the year. With these monies the Special Revenue, Physical Plant and Equipment Levy increased its fund balance by \$36,139.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$11,355 at June 30, 2004 to \$3,799 at June 30, 2005, representing a decrease of 66.5%. The revenues increased \$2,581 due to increases in charges for services and federal revenues. Expenditures increased as well, due to the increase in costs of food supplies.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$176,444 less than budgeted revenues, a variance of 3.4%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$2.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$658,849.

The original cost of the District's capital assets was \$7,170,425. Governmental funds account for \$7,065,650 with the remainder of \$104,775 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$319,629 at June 30, 2004, compared to \$297,105 reported at June 30, 2005. This decrease resulted from improvements made during the year and current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Land	\$ 52,564	52,564	0	0	52,564	52,564
Buildings	1,333,178	1,296,649	0	0	1,333,178	1,296,649	2.74%
Land improvements	297,105	319,629	0	0	297,105	319,629	-7.58%
Machinery and equipment	494,195	480,186	4,836	6,516	499,031	486,702	2.47%
Total	\$ 2,177,042	2,149,028	4,836	6,516	2,181,878	2,155,544	1.21%

### Long-Term Debt

At June 30, 2005, the District had \$24,314 in other long-term debt outstanding. This represents an increase of 92% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Compensated Absences from the General Fund of \$11,814 at June 30, 2005.

Early retirement was offered during the year; therefore a liability has been recorded on the Statement of Net Assets. At June 30, 2005, \$12,500 still has to be paid from the Special Revenue, Management Fund.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Compensated absences	\$ 11,814	11,409	3.5%
Contract Settlement	0	1,251	-100.0%
Early Retirement	12,500	0	100.0%
Totals	<u>\$ 24,314</u>	<u>12,660</u>	<u>92.1%</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:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding between state revenues and property taxes.
- The District has started to receive local option sales and service tax; with these monies they will be able to fund new projects and take care of necessary expenditures in the future.

### **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 Susan Lasher, District Secretary, Southern Cal Community School District, 709 West Main Street, Lake City, Iowa, 51449.

BASIC FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,470,585	0	1,470,585
Receivables:			
Property tax:			
Delinquent	24,828	0	24,828
Succeeding year	1,690,689	0	1,690,689
Interfund	135,394	96	135,490
Accounts	0	305	305
Accrued interest	1,247	0	1,247
Due from other governments	191,673	0	191,673
Inventories	0	6,127	6,127
Capital assets, net of accumulated depreciation (Note 5)	2,177,042	4,836	2,181,878
<b>TOTAL ASSETS</b>	<b>5,691,458</b>	<b>11,364</b>	<b>5,702,822</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	5,074	5,074
Interfund payable	135,490	0	135,490
Accounts payable	28,916	0	28,916
Salaries and benefits payable	375,586	227	375,813
Deferred revenue:			
Succeeding year property tax	1,690,689	0	1,690,689
Other	0	2,264	2,264
Long-term liabilities (Note 6):			
Portion due within one year:			
Compensated absences	11,814	0	11,814
Early retirement	12,500	0	12,500
<b>TOTAL LIABILITIES</b>	<b>2,254,995</b>	<b>7,565</b>	<b>2,262,560</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,177,042	4,836	2,181,878
Restricted for:			
Management levy	72,952	0	72,952
Physical plant and equipment levy	88,378	0	88,378
Other special revenue purposes	64,721	0	64,721
Unrestricted	1,033,370	(1,037)	1,032,333
<b>TOTAL NET ASSETS</b>	<b>\$ 3,436,463</b>	<b>3,799</b>	<b>3,440,262</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,010,222	131,576	417,031
Special instruction	507,746	0	0
Other instruction	539,947	198,390	0
	<u>3,057,915</u>	<u>329,966</u>	<u>417,031</u>
Support services:			
Student services	216,552	0	0
Instructional staff services	179,025	0	0
Administration services	445,088	0	0
Operation and maintenance of plant services	435,047	0	0
Transportation services	236,487	460	980
	<u>1,512,199</u>	<u>460</u>	<u>980</u>
Non-instructional programs:			
Community service and education operations	4,730	0	0
Food service operations	585	0	0
	<u>5,315</u>	<u>0</u>	<u>0</u>
Other expenditures:			
AEA flowthrough	175,873	0	175,873
Depreciation(unallocated)*	88,641	0	0
	<u>264,514</u>	<u>0</u>	<u>175,873</u>
Total governmental activities	4,839,943	330,426	593,884
Business-Type activities:			
Non-instructional programs:			
Nutrition services	255,019	140,284	107,179
Total business-type activities	<u>255,019</u>	<u>140,284</u>	<u>107,179</u>
Total	<u>\$ 5,094,962</u>	<u>470,710</u>	<u>701,063</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Local option sales and service tax  
  Unrestricted state grants  
  Unrestricted investment earnings  
  Gain on sale of equipment

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,461,615)	0	(1,461,615)
(507,746)	0	(507,746)
(341,557)	0	(341,557)
<u>(2,310,918)</u>	<u>0</u>	<u>(2,310,918)</u>
(216,552)	0	(216,552)
(179,025)	0	(179,025)
(445,088)	0	(445,088)
(435,047)	0	(435,047)
(235,047)	0	(235,047)
<u>(1,510,759)</u>	<u>0</u>	<u>(1,510,759)</u>
(4,730)	0	(4,730)
(585)	0	(585)
<u>(5,315)</u>	<u>0</u>	<u>(5,315)</u>
0	0	0
(88,641)	0	(88,641)
<u>(88,641)</u>	<u>0</u>	<u>(88,641)</u>
(3,915,633)	0	(3,915,633)
0	(7,556)	(7,556)
0	(7,556)	(7,556)
<u>(3,915,633)</u>	<u>(7,556)</u>	<u>(3,923,189)</u>
\$ 1,623,892	0	1,623,892
242,484	0	242,484
1,952,341	0	1,952,341
26,737	0	26,737
250	0	250
<u>3,845,704</u>	<u>0</u>	<u>3,845,704</u>
(69,929)	(7,556)	(77,485)
<u>3,506,392</u>	<u>11,355</u>	<u>3,517,747</u>
<u>\$ 3,436,463</u>	<u>3,799</u>	<u>3,440,262</u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,366,176	0	151,425	1,517,601
Receivables:				
Property tax:				
Delinquent	24,449	0	379	24,828
Succeeding year	1,614,689	0	76,000	1,690,689
Interfund	0	135,394	0	135,394
Accrued interest	1,247	0	0	1,247
Due from other governments	56,279	0	135,394	191,673
<b>TOTAL ASSETS</b>	<b>\$ 3,062,840</b>	<b>135,394</b>	<b>363,198</b>	<b>3,561,432</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Excess of warrants issued over bank balance	\$ 0	47,016	0	47,016
Interfund payable	0	0	135,490	135,490
Accounts payable	27,381	0	1,535	28,916
Salaries and benefits payable	375,586	0	0	375,586
Deferred revenue:				
Succeeding year property tax	1,614,689	0	76,000	1,690,689
Total liabilities	2,017,656	47,016	213,025	2,277,697
<b>Fund balances:</b>				
<b>Unreserved:</b>				
General	1,045,184	0	0	1,045,184
Physical plant and equipment levy	0	88,378	0	88,378
Management levy	0	0	85,452	85,452
Other special revenue purposes	0	0	64,721	64,721
Total fund balances	1,045,184	88,378	150,173	1,283,735
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,062,840</b>	<b>135,394</b>	<b>363,198</b>	<b>3,561,432</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,283,735
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,177,042
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(24,314)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 3,436,463</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,599,061	0	24,831	1,623,892
Local option sales and service tax	0	0	242,484	242,484
Tuition	131,576	0	0	131,576
Other	45,741	0	179,846	225,587
State sources	2,359,912	0	21	2,359,933
Federal sources	186,292	0	0	186,292
Total revenues	<u>4,322,582</u>	<u>0</u>	<u>447,182</u>	<u>4,769,764</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,919,357	50,278	25,612	1,995,247
Special instruction	507,746	0	0	507,746
Other instruction	366,245	0	174,676	540,921
	<u>2,793,348</u>	<u>50,278</u>	<u>200,288</u>	<u>3,043,914</u>
Support services:				
Student services	209,080	0	5,155	214,235
Instructional staff services	178,494	0	1,905	180,399
Administration services	424,718	0	12,029	436,747
Operation and maintenance of plant services	407,656	126,092	6,308	540,056
Transportation services	216,814	29,975	12,975	259,764
	<u>1,436,762</u>	<u>156,067</u>	<u>38,372</u>	<u>1,631,201</u>
Non-instructional programs:				
Community service and education operations	4,730	0	0	4,730
Food service operations	0	0	585	585
	<u>4,730</u>	<u>0</u>	<u>585</u>	<u>5,315</u>
Other expenditures:				
AEA flowthrough	175,873	0	0	175,873
Total expenditures	<u>4,410,713</u>	<u>206,345</u>	<u>239,245</u>	<u>4,856,303</u>
Excess(deficiency) of revenues over (under) expenditures	(88,131)	(206,345)	207,937	(86,539)
Other financing sources(uses):				
Transfers in	0	242,484	0	242,484
Transfers out	0	0	(242,484)	(242,484)
Sale of equipment	250	0	0	250
Total other financing sources(uses)	<u>250</u>	<u>242,484</u>	<u>(242,484)</u>	<u>250</u>
Net change in fund balances	(87,881)	36,139	(34,547)	(86,289)
Fund balance beginning of year	<u>1,133,065</u>	<u>52,239</u>	<u>184,720</u>	<u>1,370,024</u>
Fund balance end of year	<u>\$ 1,045,184</u>	<u>88,378</u>	<u>150,173</u>	<u>1,283,735</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18) \$ (86,289)

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Amounts for capital outlay expenditures and depreciation expense are as follows:

Capital outlay expenditures	\$ 685,183	
Depreciation expense	(657,169)	28,014

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.

Contract settlement	\$ 1,251	
Compensated absences	(405)	
Early Retirement	(12,500)	(11,654)

Changes in net assets of governmental activities (page 15) \$ (69,929)

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2005

	<u>School Nutrition</u>
ASSETS	
Receivables:	
Interfund	\$ 96
Accounts	305
Inventories	6,127
Capital assets, net of accumulated depreciation(Note 5)	<u>4,836</u>
TOTAL ASSETS	<u>11,364</u>
LIABILITIES	
Excess of warrants issued over bank balance	5,074
Salaries and benefits payable	227
Deferred revenue:	
Other	<u>2,264</u>
TOTAL LIABILITIES	<u>7,565</u>
NET ASSETS	
Investment in capital assets, net of related debt	4,836
Unrestricted	<u>(1,037)</u>
TOTAL NET ASSETS	<u>\$ 3,799</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 140,284
TOTAL OPERATING REVENUES	140,284
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	92,041
Benefits	25,033
Services	2,755
Supplies	133,510
Depreciation	1,680
TOTAL OPERATING EXPENSES	255,019
OPERATING LOSS	(114,735)
NON-OPERATING REVENUES:	
State sources	3,260
Federal sources	103,919
TOTAL NON-OPERATING REVENUES	107,179
Change in net assets	(7,556)
Net assets beginning of year	11,355
Net assets end of year	\$ 3,799

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 140,171
Cash received from miscellaneous	188
Cash payments to employees for services	(117,124)
Cash payments to suppliers for goods or services	(122,146)
Net cash used in operating activities	(98,911)
Cash flows from non-capital financing activities:	
State grants received	3,260
Federal grants received	91,045
Net cash provided by non-capital financing activities	94,305
Cash flows from capital and other financing activities:	
Interfund loan	4
Net cash provided by capital and other financing activities	4
Net decrease in cash and cash equivalents	(4,602)
Cash and cash equivalents at beginning of year	(472)
Cash and cash equivalents at end of year	\$ (5,074)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (114,735)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	12,874
Depreciation	1,680
Decrease in inventories	1,245
Increase in accounts receivable	(150)
Decrease in salaries and benefits payable	(50)
Increase in deferred revenue	225
Net cash used in operating activities	\$ (98,911)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (5,074)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$12,874.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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

The Southern Cal Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve 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 Lake City and Lohrville, Iowa, and the predominate agricultural territory in Calhoun, Sac, Greene and Carroll Counties. 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, Southern Cal Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southern Cal 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 Calhoun, Sac, Greene and Carroll Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

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 Special Revenue - Physical Plant and Equipment Levy (PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus

and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, are reported in the applicable governmental or business-type activities columns in the

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

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

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the

governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 915,730</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Interfund Receivables and Payables**

Individual interfund receivable and payable balances at June 30, 2005 are as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	\$ 135,394
Enterprise, School Nutrition	Special Revenue, Student Activity	96
		<u>\$ 135,490</u>

The Special Revenue, Student Activity Fund is repaying fees collected for student lunches to the Enterprise, School Nutrition Fund. The balance will be repaid by June 30, 2005.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	<u>\$ 242,484</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,564	0	0	52,564
Total capital assets not being depreciated	<u>52,564</u>	<u>0</u>	<u>0</u>	<u>52,564</u>
Capital assets being depreciated:				
Buildings	3,477,969	101,315	9,983	3,569,301
Land improvements	610,725	1,331	538	611,518
Machinery and equipment	2,308,355	582,537	58,625	2,832,267
Total capital assets being depreciated	<u>6,397,049</u>	<u>685,183</u>	<u>69,146</u>	<u>7,013,086</u>
Less accumulated depreciation for:				
Buildings	2,181,320	64,786	9,983	2,236,123
Land improvements	291,096	23,855	538	314,413
Machinery and equipment	1,828,169	568,528	58,625	2,338,072
Total accumulated depreciation	<u>4,300,585</u>	<u>657,169</u>	<u>69,146</u>	<u>4,888,608</u>
Total capital assets being depreciated, net	<u>2,096,464</u>	<u>28,014</u>	<u>0</u>	<u>2,124,478</u>
Governmental activities capital assets, net	<u>\$ 2,149,028</u>	<u>28,014</u>	<u>0</u>	<u>2,177,042</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 104,775	0	0	104,775
Less accumulated depreciation	98,259	1,680	0	99,939
Business-type activities capital assets, net	\$ 6,516	(1,680)	0	4,836

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 513,671
Other	4,626
Support services:	
Student	2,317
Instructional staff	72
Administration	9,500
Operation and maintenance of plant	1,536
Transportation	36,806
	568,528
Unallocated depreciation	88,641
Total governmental activities depreciation expense	\$ 657,169
Business-type activities:	
Food services	\$ 1,680
Total business-type activities depreciation expense	\$ 1,680

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated Absences	\$ 11,409	11,814	11,409	11,814	11,804
Contract Settlement	1,251	0	1,251	0	0
Early retirement	0	12,500	0	12,500	12,500
Total	\$ 12,660	24,314	12,660	24,314	24,304

#### Early Retirement

The District offers a voluntary early retirement plan to any full-time District employee who is working at least thirty hours per week and currently performing their assigned duties within the school district, has been with the District for twenty or more years, and who on or before June 30 of the retirement year is between the ages of fifty-five and sixty-six. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is \$12,500. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### (7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$152,520, \$147,184 and \$149,310 respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment is going to be 2% of the 2004-05 and 2005-06 premiums. As of June 30, 2005 the District had paid \$9,597 of the assessment. The remainder if the 2% assessment will be paid on a monthly basis along with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$479,847.

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

The 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.

**(9) 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 \$175,873 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Unrestricted Net Assets**

The District's School Nutrition Fund has a deficit unrestricted net assets of \$1,037 as of June 30, 2005.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 2,223,539	140,284
Intermediate sources	0	0
State sources	2,359,933	3,260
Federal sources	186,292	103,919
Total revenues	<u>4,769,764</u>	<u>247,463</u>
Expenditures:		
Instruction	3,043,914	0
Support services	1,631,201	0
Non-instructional programs	5,315	255,019
Other expenditures	175,873	0
Total expenditures	<u>4,856,303</u>	<u>255,019</u>
Deficiency of revenues under expenditures	(86,539)	(7,556)
Other financing sources, net	250	0
Deficiency of revenues and other financing sources under expenditures	(86,289)	(7,556)
Balance beginning of year	<u>1,370,024</u>	<u>11,355</u>
Balance end of year	<u>\$ 1,283,735</u>	<u>3,799</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,363,823	2,519,467	2,519,467	(155,644)
0	12,000	12,000	(12,000)
2,363,193	2,417,204	2,417,204	(54,011)
290,211	245,000	245,000	45,211
<u>5,017,227</u>	<u>5,193,671</u>	<u>5,193,671</u>	<u>(176,444)</u>
3,043,914	3,619,500	3,619,500	575,586
1,631,201	2,153,758	2,153,758	522,557
260,334	291,000	291,000	30,666
175,873	250,878	250,878	75,005
<u>5,111,322</u>	<u>6,315,136</u>	<u>6,315,136</u>	<u>1,203,814</u>
(94,095)	(1,121,465)	(1,121,465)	(1,027,370)
250	10,000	10,000	(9,750)
(93,845)	(1,111,465)	(1,111,465)	(1,037,120)
1,381,379	1,185,927	1,185,927	195,452
<u>1,287,534</u>	<u>74,462</u>	<u>74,462</u>	<u>(841,668)</u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds					
	Manage- ment	Student Activity	Expend- able Trust	Total Special Revenue Funds	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 85,073	64,713	1,639	151,425	0	151,425
Receivables:						
Property tax:						
Current year delinquent	379	0	0	379	0	379
Succeeding year	76,000	0	0	76,000	0	76,000
Due from other governments	0	0	0	0	135,394	135,394
<b>TOTAL ASSETS</b>	<b>\$ 161,452</b>	<b>64,713</b>	<b>1,639</b>	<b>227,804</b>	<b>135,394</b>	<b>363,198</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities:</b>						
Interfund payable	\$ 0	96	0	96	135,394	135,490
Accounts payable	0	1,535	0	1,535	0	1,535
Deferred revenue:						
Succeeding year property tax	76,000	0	0	76,000	0	76,000
	76,000	1,631	0	77,631	135,394	213,025
<b>Fund equity:</b>						
<b>Fund balances:</b>						
<b>Unreserved:</b>						
Undesignated	85,452	63,082	1,639	150,173	0	150,173
Total fund balances	85,452	63,082	1,639	150,173	0	150,173
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 161,452</b>	<b>64,713</b>	<b>1,639</b>	<b>227,804</b>	<b>135,394</b>	<b>363,198</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					
	Manage- ment	Student Activity	Expend- able Trust	Total Special Revenue Funds	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 24,831	0	0	24,831	0	24,831
Local option sales and service tax	0	0	0	0	242,484	242,484
Other	2,162	177,162	522	179,846	0	179,846
State sources	21	0	0	21	0	21
<b>TOTAL REVENUES</b>	<b>27,014</b>	<b>177,162</b>	<b>522</b>	<b>204,698</b>	<b>242,484</b>	<b>447,182</b>
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	25,612	0	0	25,612	0	25,612
Other instruction	0	174,676	0	174,676	0	174,676
Support services:						
Student support	3,055	0	2,100	5,155	0	5,155
Instructional staff support	1,905	0	0	1,905	0	1,905
Administration services	12,029	0	0	12,029	0	12,029
Operation and maintenance of plant services	6,308	0	0	6,308	0	6,308
Student transportation	12,975	0	0	12,975	0	12,975
Non-instructional programs:						
Food service operations	585	0	0	585	0	585
<b>TOTAL EXPENDITURES</b>	<b>62,469</b>	<b>174,676</b>	<b>2,100</b>	<b>239,245</b>	<b>0</b>	<b>239,245</b>
Excess(deficiency) of revenues over(under) expenditures	(35,455)	2,486	(1,578)	(34,547)	242,484	207,937
Other financing uses:						
Transfers out	0	0	0	0	(242,484)	(242,484)
Net change in fund balance	(35,455)	2,486	(1,578)	(34,547)	0	(34,547)
Fund balance beginning of year	120,907	60,596	3,217	184,720	0	184,720
Fund balance end of year	\$ 85,452	63,082	1,639	150,173	0	150,173

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>Activities:</b>				
Academic Competitions	\$ 316	0	(321)	637
Activity Tickets	0	7,465	7,465	0
Athletic Awards	0	2,322	2,287	35
Baseball	(54)	2,374	2,320	0
Softball	(1,102)	7,546	6,444	0
Basketball	4,267	8,394	7,431	5,230
Cross Country	1,443	1,462	1,299	1,606
Drama	662	896	1,313	245
Football	1,368	9,978	7,604	3,742
Golf	826	640	902	564
Memorial Scoreboard	194	0	0	194
Music	44	5,194	5,059	179
Music Awards	0	650	650	0
Football Camp	2,118	5,088	4,184	3,022
Girls Basketball Camp	733	3,204	3,772	165
Boys Basketball Camp	2,094	5,056	5,341	1,809
Track Resurfacing	11,598	3,144	972	13,770
Track	617	12,858	13,475	0
Volleyball	250	5,474	5,424	300
Wrestling	605	5,409	6,014	0
State Athletic Competitions	463	447	(626)	1,536
	<u>26,442</u>	<u>87,601</u>	<u>81,009</u>	<u>33,034</u>
<b>Classes:</b>				
Elementary	582	960	836	706
Class of 2005	2,185	1,137	3,322	0
Class of 2006	664	11,667	9,213	3,118
Class of 2007	486	475	3	958
Class of 2008	39	205	10	234
Class of 2009	0	710	0	710
Class Wenck	0	0	0	0
Class Richardson	0	270	270	0
Class Feld	0	170	170	0
Class Gentry	0	67	67	0
	<u>3,956</u>	<u>15,661</u>	<u>13,891</u>	<u>5,726</u>
<b>Clubs/Organizations:</b>				
Assoc. Foreign Students	129	0	0	129
FB & BB Cheerleaders	1,101	1,244	1,946	399
Wrestling Cheerleaders	695	207	132	770
Dance Team	2,420	5,005	4,855	2,570
National Honor Society	53	487	13	527
Student Council	557	847	258	1,146
Leadership Activities	0	96	(330)	426
	<u>4,955</u>	<u>7,886</u>	<u>6,874</u>	<u>5,967</u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>Miscellaneous Accounts:</b>				
Interest	27	1,178	124	1,081
General Athletics	(29)	20	(543)	534
Field Trips	0	698	698	0
7-12 Projects	3,005	1,232	1,886	2,351
Public Relations	0	1,622	1,622	0
	<u>3,003</u>	<u>4,750</u>	<u>3,787</u>	<u>3,966</u>
<b>School Projects:</b>				
Annual	757	6,393	6,610	540
4-6 Yearbook	0	244	244	0
7-8 Yearbook	72	287	282	77
Curtain Fund	3,001	0	0	3,001
HS Pop Machines	0	9,891	9,391	500
Elementary Vending	201	1,468	1,419	250
Elementary Student Council	19	0	0	19
Lincoln Elementary	123	491	614	0
Tech Trends	1,021	1,148	2,169	0
Booster Club	0	5,760	5,760	0
SB Concessions	0	1,898	(150)	2,048
	<u>5,194</u>	<u>27,580</u>	<u>26,339</u>	<u>6,435</u>
<b>Student Resale Items:</b>				
Band Resale	0	1,170	1,170	0
Home Ec Resale	0	739	739	0
	<u>0</u>	<u>1,909</u>	<u>1,909</u>	<u>0</u>
<b>Vocational Organizations:</b>				
FFA	14,543	33,406	39,727	8,222
HOSA	1,353	0	40	1,313
	<u>15,896</u>	<u>33,406</u>	<u>39,767</u>	<u>9,535</u>
<b>Transfer Accounts:</b>				
Hot Lunch Sales	100	0	100	0
	<u>100</u>	<u>0</u>	<u>100</u>	<u>0</u>
<b>Other Accounts:</b>				
Vo Tech Bldg Fundraiser	1,000	0	1,000	0
Flagpole Fundraiser	50	0	0	50
	<u>1,050</u>	<u>0</u>	<u>1,000</u>	<u>50</u>
Accounts payable	0	(1,631)	0	(1,631)
<b>Total</b>	<u>\$ 60,596</u>	<u>177,162</u>	<u>174,676</u>	<u>63,082</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,866,376	2,116,535	2,249,552	2,150,787
Tuition	131,576	93,216	136,305	151,237
Other	225,587	219,367	282,267	286,959
Intermediate sources	0	11,510	9,197	7,037
State sources	2,359,933	2,083,026	2,052,457	2,289,149
Federal sources	186,292	170,190	138,324	126,667
<b>Total</b>	<b>\$ 4,769,764</b>	<b>4,693,844</b>	<b>4,868,102</b>	<b>5,011,836</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,995,247	1,951,514	2,002,382	2,101,771
Special instruction	507,746	531,786	520,911	535,675
Other instruction	540,921	434,826	415,661	406,812
Support services:				
Student services	214,235	225,416	218,137	185,117
Instructional staff services	180,399	143,133	182,307	173,807
Administration services	436,747	433,748	459,888	431,355
Operation and maintenance of plant services	540,056	544,005	501,005	493,823
Transportation services	259,764	169,776	161,418	165,437
Non-instructional programs	5,315	5,541	992	2,953
Other expenditures:				
Facilities acquisitions	0	0	0	15,090
Long-term debt:				
Principal	0	0	18,000	85,204
Interest and fiscal charges	0	0	0	4,032
AEA flow-through	175,873	178,412	189,787	195,590
<b>Total</b>	<b>\$ 4,856,303</b>	<b>4,618,157</b>	<b>4,670,488</b>	<b>4,796,666</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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  
Southern Cal Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 24, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Cal Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

Compliance and Other Matters

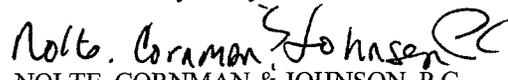
As part of obtaining reasonable assurance about whether Southern Cal Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southern Cal 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.

October 24, 2005

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.
- II-C-05 Questionable Disbursements - We noted instance of disbursements in the Activity Fund that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place to ensure that all disbursements meet public purpose.

Response - The District will review the procedures in place to ensure that all disbursements meet public purpose.

Conclusion - Response accepted.

- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Campbell, Board Member Salesman at Macke Motors	Vehicle	\$30,135

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with Tom Campbell does not appear to represent a conflict of interest.

- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-05 Deficit Unrestricted Net Assets - It was noted during our audit that the School Nutrition Fund has a deficit unrestricted net assets of \$1,037.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor this fund and look for cost saving measures.

Conclusion - Response accepted.