

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Financial Statements		25-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	40-41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	42
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 <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-47

Southern Cal Community School District

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 election)</b>		
Jim Brown	President	2010
Tommy Campbell	Vice President	2010
Alan Wedemeyer	Board Member	2009
Larry Irwin	Board Member	2009
Mark Schleisman	Board Member	2008
<b>Board of Education (After September 2008 election)</b>		
Jim Brown	President	2009 *
Tommy Campbell	Vice President	2011 *
Alan Wedemeyer	Board Member	2009
Larry Irwin	Board Member	2009
Mark Schleisman	Board Member	2011
<b>School Officials</b>		
Eric Wood	Superintendent	2009
Carol Collins	District Secretary/ Business Manager	2009
Brian Gruhn	Attorney	2009

\*Board terms extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**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

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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2010 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 13 and 36 through 37 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 five years ended June 30, 2008 (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.

March 5, 2010

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,761,100 in fiscal 2008 to \$5,070,826 in fiscal 2009, while General Fund expenditures increased from \$5,055,314 in fiscal 2008 to \$5,145,201 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$300,904 in fiscal 2008 to a balance of \$226,529 in fiscal 2009, a 24.72% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local sources such as property tax and tuition fees charged to other Districts for open enrollment. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- As of June 30, 2009, the District's solvency ratio is 4.26% as compared to 6.19% for the previous year.

### **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 custodian 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 non-major funds.

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

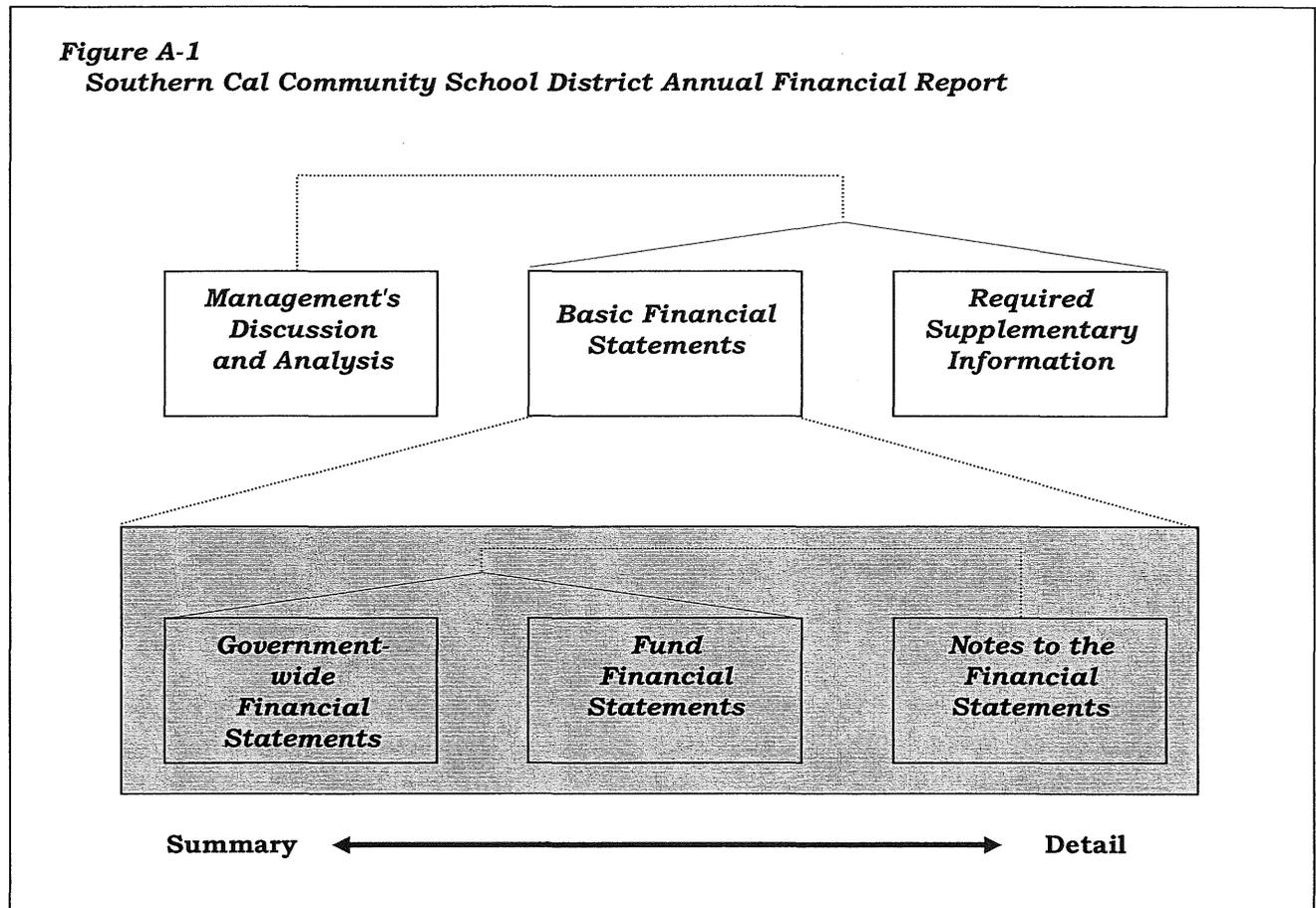


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## **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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects.

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.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust Funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,771,289	4,360,187	53,679	43,220	4,824,968	4,403,407	9.57%
Capital assets	2,284,492	2,195,649	30,951	19,824	2,315,443	2,215,473	4.51%
Total assets	7,055,781	6,555,836	84,630	63,044	7,140,411	6,618,880	7.88%
Long-term obligations	8,767	14,508	0	0	8,767	14,508	-39.57%
Other liabilities	3,656,600	3,219,379	37,901	9,956	3,694,501	3,229,335	14.40%
Total liabilities	3,665,367	3,233,887	37,901	9,956	3,703,268	3,243,843	14.16%
Net assets:							
Invested in capital assets, net of related debt	2,284,492	2,195,649	30,951	19,824	2,315,443	2,215,473	4.51%
Restricted	893,689	835,702	0	0	893,689	835,702	6.94%
Unrestricted	212,233	290,598	15,778	33,264	228,011	323,862	-29.60%
Total net assets	\$ 3,390,414	3,321,949	46,729	53,088	3,437,143	3,375,037	1.84%

The District's combined net assets increased by 1.84%, or \$62,106, from 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$57,987, or 6.94% over the prior year.

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 \$95,851, or 29.60%. 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, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 418,870	365,013	168,064	163,107	586,934	528,120	11.14%
Operating grants and contributions and restricted interest	838,500	791,982	137,700	116,986	976,200	908,968	7.40%
Capital grants and contributions and restricted interest	6,084	11,580	0	0	6,084	11,580	-47.46%
General revenues:							
Local tax	2,134,522	1,882,245	0	0	2,134,522	1,882,245	13.40%
Statewide sales and services tax	315,694	230,958	0	0	315,694	230,958	36.69%
Unrestricted state grants	1,929,499	2,009,963	0	0	1,929,499	2,009,963	-4.00%
Other	102,645	109,150	0	0	102,645	109,150	-5.96%
Transfers	(14,793)	(2,238)	14,793	2,238	0	0	0.00%
Total revenues and transfers	5,731,021	5,398,653	320,557	282,331	6,051,578	5,680,984	6.52%
Program expenses:							
Governmental activities:							
Instruction	3,604,316	3,472,650	0	0	3,604,316	3,472,650	3.79%
Support services	1,724,863	1,856,027	4,285	5,203	1,729,148	1,861,230	-7.10%
Non-instructional programs	0	1,000	322,631	261,696	322,631	262,696	22.82%
Other expenses	333,377	271,310	0	0	333,377	271,310	22.88%
Total expenses	5,662,556	5,600,987	326,916	266,899	5,989,472	5,867,886	2.07%
Change in net assets	68,465	(202,334)	(6,359)	15,432	62,106	(186,902)	133.23%
Beginning net assets	3,321,949	3,524,283	53,088	37,656	3,375,037	3,561,939	-5.25%
Ending net assets	\$ 3,390,414	3,321,949	46,729	53,088	3,437,143	3,375,037	1.84%

In fiscal 2009, property tax and unrestricted state grants account for 70.91% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.39% of the revenue from business type activities.

The District's total revenues were approximately \$6.05 million of which \$5.73 million was for governmental activities and less than \$0.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.52% increase in revenues and a 2.07% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$5,731,021 and expenses were \$5,662,556.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,604,316	3,472,650	3.79%	2,545,482	2,506,391	1.56%
Support services	1,724,863	1,856,027	-7.07%	1,712,205	1,839,710	-6.93%
Non-instructional	0	1,000	-100.00%	0	1,000	-100.00%
Other expenses	333,377	271,310	22.88%	141,415	85,311	65.76%
Totals	\$ 5,662,556	5,600,987	1.10%	4,399,102	4,432,412	-0.75%

- The cost financed by users of the District's programs was \$418,870.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$844,584.
- The net cost of governmental activities was financed with \$2,134,522 in local tax, \$1,929,499 in unrestricted state grants, \$315,694 in statewide sales and service tax, \$33,203 in interest income, and \$69,442 in other general revenue.

### Business Type Activities

Revenues of the District's business type activities were \$320,557 and expenses were \$326,916. 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 \$1,114,689, a decrease from last year's ending fund balance of a \$1,140,808. However, the primary reason for the decrease in combined fund balances in fiscal 2009 is due to the decrease in the District's General Fund balance.

### Governmental Fund Highlights

- The District's General Fund financial position changed from \$300,904 to \$226,529. Although revenues increased as compared to fiscal 2008, the increase in revenues was not enough to offset the increase in General Fund expenditures. The expenditures increased, due to the increase in negotiated salary and benefits, as well as existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$422,605 to \$435,861, due to sale of real property.
- The Management Levy fund balance increased from \$136,107 in 2008, to \$167,580 in 2009, due to the increase in local tax revenue.

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- The Capital Projects fund balance increased during the current year, from \$216,986 to \$223,228. The Capital Projects fund assists the District in maintaining its infrastructure and creating the funding for future projects.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$53,088 at June 30, 2008 to \$46,729 at June 30, 2009, representing a decrease of 11.98%. The Nutrition Fund received capital contributions from the Capital Projects Fund for new kitchen equipment.

Without taking capital contributions into consideration, the Nutrition Fund expenditures exceeded revenues by \$21,152.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$73,634 less than budgeted revenues, a variance of 1.20%. The most significant variance resulted from the District receiving more 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.

During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amounts budgeted as well as its General Fund unspent authorized budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2009, the District had invested \$2.32 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 4 to the financial statements. Depreciation expense for the year was \$218,597.

The original cost of the District's capital assets was \$7,610,771. Governmental funds account for \$7,470,286 with the remainder of \$140,485 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's investment in construction in progress totaled \$34,438 at June 30, 2009, compared to \$0 reported at June 30, 2008. The difference was attributable to construction projects started and not completed.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 31,327	34,051	0	0	31,327	34,051	-8.00%
Construction in progress	34,438	0	0	0	34,438	0	100.00%
Buildings	1,388,852	1,365,396	0	0	1,388,852	1,365,396	1.72%
Land improvements	268,347	279,686	0	0	268,347	279,686	-4.05%
Machinery and equipment	561,528	516,516	30,951	19,824	592,479	536,340	10.47%
Total	\$ 2,284,492	2,195,649	30,951	19,824	2,315,443	2,215,473	4.51%

### Long-Term Debt

At June 30, 2009, the District had \$8,767 in long-term debt outstanding. This represents a decrease of 39.57% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$4,834 outstanding in compensated absences payable from the General Fund as of June 30, 2009.

At June 30, 2009, the District had \$3,933 in early retirement benefit that is to be paid from the Special Revenue, Management Levy Fund.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Compensated absences	\$ 4,834	3,954	22.26%
Early Retirement	3,933	10,554	-62.73%
Totals	\$ 8,767	14,508	-39.57%

### 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.
- The District has started to receive statewide sales and service tax; with these monies they will be able to fund new projects and take care of necessary expenditures in the future.
- Forecasts for higher utility costs and gas/diesel fuel in the fall and winter of 2009 will require constant monitoring. Fluctuations of great magnitude in utility costs and gas/diesel fuel will negatively impact the General Fund budget.

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- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
  - The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

### **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 Carol Collins, 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, 2009

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 937,591	0	937,591
Other	1,379,814	45,855	1,425,669
Receivables:			
Property tax:			
Delinquent	30,922	0	30,922
Succeeding year	2,255,492	0	2,255,492
Accounts	75,215	55	75,270
Accrued ISCAP interest	3,305	0	3,305
Due from other governments	88,950	0	88,950
Inventories	0	7,769	7,769
Capital assets, net of accumulated depreciation	2,284,492	30,951	2,315,443
<b>TOTAL ASSETS</b>	<b>7,055,781</b>	<b>84,630</b>	<b>7,140,411</b>
<b>LIABILITIES</b>			
Accounts payable	67,963	3,659	71,622
Salaries and benefits payable	389,437	31,093	420,530
ISCAP warrants payable	924,000	0	924,000
ISCAP accrued interest payable	4,735	0	4,735
ISCAP unamortized premium	14,973	0	14,973
Deferred revenue:			
Succeeding year property tax	2,255,492	0	2,255,492
Unearned revenue	0	3,149	3,149
Long-term liabilities:			
Portion due within one year:			
Compensated absences	3,933	0	3,933
Early retirement	4,834	0	4,834
<b>TOTAL LIABILITIES</b>	<b>3,665,367</b>	<b>37,901</b>	<b>3,703,268</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,284,492	30,951	2,315,443
Restricted for:			
Categorical funding	10,363	0	10,363
Management levy	162,746	0	162,746
Physical plant and equipment levy	435,861	0	435,861
Capital projects	223,228	0	223,228
Other special revenue purposes	61,491	0	61,491
Unrestricted	212,233	15,778	228,011
<b>TOTAL NET ASSETS</b>	<b>\$ 3,390,414</b>	<b>46,729</b>	<b>3,437,143</b>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,367,488	157,456	619,637	0	(1,590,395)	0	(1,590,395)
Special	537,733	24,041	26,901	0	(486,791)	0	(486,791)
Other	699,095	224,715	0	6,084	(468,296)	0	(468,296)
	<u>3,604,316</u>	<u>406,212</u>	<u>646,538</u>	<u>6,084</u>	<u>(2,545,482)</u>	<u>0</u>	<u>(2,545,482)</u>
Support services:							
Student	159,382	0	0	0	(159,382)	0	(159,382)
Instructional staff	166,593	0	0	0	(166,593)	0	(166,593)
Administration	543,306	0	0	0	(543,306)	0	(543,306)
Operation and maintenance of plant	479,152	0	0	0	(479,152)	0	(479,152)
Transportation	376,430	12,658	0	0	(363,772)	0	(363,772)
	<u>1,724,863</u>	<u>12,658</u>	<u>0</u>	<u>0</u>	<u>(1,712,205)</u>	<u>0</u>	<u>(1,712,205)</u>
Other expenditures:							
Facilities acquisition	52,567	0	0	0	(52,567)	0	(52,567)
AEA flowthrough	191,962	0	191,962	0	0	0	0
Depreciation(unallocated)*	88,848	0	0	0	(88,848)	0	(88,848)
	<u>333,377</u>	<u>0</u>	<u>191,962</u>	<u>0</u>	<u>(141,415)</u>	<u>0</u>	<u>(141,415)</u>
Total governmental activities	5,662,556	418,870	838,500	6,084	(4,399,102)	0	(4,399,102)
Business Type activities:							
Support services:							
Operation and maintenance of plant	4,285	0	0	0	0	(4,285)	(4,285)
Non-instructional programs:							
Nutrition services	322,631	168,064	137,700	0	0	(16,867)	(16,867)
Total business type activities	<u>326,916</u>	<u>168,064</u>	<u>137,700</u>	<u>0</u>	<u>0</u>	<u>(21,152)</u>	<u>(21,152)</u>
Total	<u>\$ 5,989,472</u>	<u>586,934</u>	<u>976,200</u>	<u>6,084</u>	<u>(4,399,102)</u>	<u>(21,152)</u>	<u>(4,420,254)</u>
<b>General Revenues and Transfers:</b>							
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,134,522	0	2,134,522
Statewide sales and service tax					315,694	0	315,694
Unrestricted state grants					1,929,499	0	1,929,499
Unrestricted investment earnings					33,203	0	33,203
Other general revenues					69,442	0	69,442
Transfers					(14,793)	14,793	0
Total general revenues and transfers					<u>4,467,567</u>	<u>14,793</u>	<u>4,482,360</u>
Change in net assets					68,465	(6,359)	62,106
Net assets beginning of year					3,321,949	53,088	3,375,037
Net assets end of year					<u>\$ 3,390,414</u>	<u>46,729</u>	<u>3,437,143</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 937,591	0	937,591
Other	580,883	798,931	1,379,814
Receivables:			
Property tax:			
Delinquent	29,473	1,449	30,922
Succeeding year	2,150,492	105,000	2,255,492
ISCAP accrued interest	3,305	0	3,305
Accounts	75,214	1	75,215
Due from other governments	0	88,950	88,950
<b>TOTAL ASSETS</b>	<b>\$ 3,776,958</b>	<b>994,331</b>	<b>4,771,289</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 66,792	1,171	67,963
Salaries and benefits payable	389,437	0	389,437
ISCAP warrants payable	924,000	0	924,000
ISCAP accrued interest payable	4,735	0	4,735
ISCAP unamortized premium	14,973	0	14,973
Deferred revenue:			
Succeeding year property tax	2,150,492	105,000	2,255,492
<b>Total liabilities</b>	<b>3,550,429</b>	<b>106,171</b>	<b>3,656,600</b>
Fund balances:			
Reserved for:			
Categorical funding	10,363	0	10,363
Unreserved fund balance	216,166	888,160	1,104,326
<b>Total fund balances</b>	<b>226,529</b>	<b>888,160</b>	<b>1,114,689</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,776,958</b>	<b>994,331</b>	<b>4,771,289</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, 2009

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,114,689
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,284,492
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>(8,767)</u>
<b>Net assets of governmental activities (page 14)</b>	<u><u>\$ 3,390,414</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, 2009

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 2,034,539	415,677	2,450,216
Tuition	181,497	0	181,497
Other	71,394	246,452	317,846
Intermediate sources	15,000	0	15,000
State sources	2,537,852	63	2,537,915
Federal sources	230,084	0	230,084
Total revenues	<u>5,070,366</u>	<u>662,192</u>	<u>5,732,558</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	2,379,121	58,810	2,437,931
Special	537,733	0	537,733
Other	463,370	235,725	699,095
	<u>3,380,224</u>	<u>294,535</u>	<u>3,674,759</u>
Support services:			
Student	159,382	0	159,382
Instructional staff	166,593	0	166,593
Administration	534,488	7,789	542,277
Operation and maintenance of plant	425,675	70,381	496,056
Transportation	286,877	66,518	353,395
	<u>1,573,015</u>	<u>144,688</u>	<u>1,717,703</u>
Other expenditures:			
Facilities acquisition	0	187,969	187,969
AEA flowthrough	191,962	0	191,962
	<u>191,962</u>	<u>187,969</u>	<u>379,931</u>
Total expenditures	<u>5,145,201</u>	<u>627,192</u>	<u>5,772,393</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(74,835)</u>	<u>35,000</u>	<u>(39,835)</u>
Other financing sources:			
Sale of real property	0	13,256	13,256
Sale of equipment	460	0	460
Total other financing sources	<u>460</u>	<u>13,256</u>	<u>13,716</u>
Net change in fund balances	(74,375)	48,256	(26,119)
Fund balance beginning of year	300,904	839,904	1,140,808
Fund balance end of year	<u>\$ 226,529</u>	<u>888,160</u>	<u>1,114,689</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, 2009

Net change in fund balances - total governmental funds (page 18) \$ (26,119)

**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, depreciation expense and loss on the disposal of assets, are as follows:

Capital outlay expenditures	\$ 311,538	
Depreciation expense	(214,931)	
Loss on disposal of assets	<u>(7,764)</u>	88,843

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.

Compensated absences	\$ 6,621	
Early Retirement	<u>(880)</u>	<u>5,741</u>

Changes in net assets of governmental activities (page 15) \$ 68,465

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2009

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 45,855
Accounts receivable	55
Inventories	7,769
Capital assets, net of accumulated depreciation	30,951
TOTAL ASSETS	<u>84,630</u>
LIABILITIES	
Accounts payable	3,659
Salary and benefits payable	31,093
Unearned revenues	3,149
TOTAL LIABILITES	<u>37,901</u>
NET ASSETS	
Invested in capital assets	30,951
Unrestricted	15,778
TOTAL NET ASSETS	<u>\$ 46,729</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, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 167,064
Other local revenue	1,000
TOTAL OPERATING REVENUES	168,064
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	4,285
Non-instructional programs:	
Food service operations:	
Salaries	91,378
Benefits	56,036
Services	130
Supplies	171,421
Depreciation	3,666
Total non-instructional programs	322,631
TOTAL OPERATING EXPENSES	326,916
OPERATING LOSS	(158,852)
NON-OPERATING REVENUES:	
State sources	3,217
Federal sources	134,483
TOTAL NON-OPERATING REVENUES	137,700
Change in net assets before other financing sources	(21,152)
Other financing sources:	
Capital contributions	14,793
Changes in net assets	(6,359)
Net assets beginning of year	53,088
Net assets end of year	\$ 46,729

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 166,776
Cash received from miscellaneous	1,000
Cash payments to employees for services	(118,581)
Cash payments to suppliers for goods or services	(161,870)
Net cash used in operating activities	(112,675)
Cash flows from non-capital financing activities:	
State grants received	3,217
Federal grants received	118,522
Net cash provided by non-capital financing activities	121,739
Net increase in cash and cash equivalents	9,064
Cash and cash equivalents at beginning of year	36,791
Cash and cash equivalents at end of year	\$ 45,855
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (158,852)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,961
Depreciation	3,666
Increase in inventories	(1,345)
Increase in accounts receivable	(50)
Decrease in accounts payable	(650)
Increase in salaries and benefits payable	28,833
Decrease in unearned revenue	(238)
Net cash used in operating activities	\$ (112,675)

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

During the year ended June 30, 2009, the District received  
Federal commodities valued at \$15,961.

During the year ended June 30, 2009, the Nutrition Fund received  
capital contributions of \$14,793 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 350
Liabilities	<u>0</u>
Net Assets	
Reserved for scholarships	<u>\$ 350</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          350</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>                  500</u>
Change in net assets	(150)
Net assets beginning of year	<u>                  500</u>
Net assets end of year	<u><u>                  350</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 Non-fiduciary 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 non-major 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 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.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 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 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method 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.

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

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, 2009. 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 Balances - 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. Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level.

During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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 of June 30, 2009 as follows:

	Amortized Cost
Diversified portfolio	\$ 1,255,256

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) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 349,423	3,232	345,000	4,537
2009-10A	6/25/09	6/23/10	588,168	73	579,000	198
Total			\$ 937,591	3,305	924,000	4,735

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	125,000	125,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investment
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 34,051	0	2,724	31,327
Construction in progress	0	34,438	0	34,438
Total capital assets not being depreciated	34,051	34,438	2,724	65,765
Capital assets being depreciated:				
Buildings	3,443,352	81,779	0	3,525,131
Land improvements	666,162	19,185	0	685,347
Machinery and equipment	3,123,610	176,136	105,703	3,194,043
Total capital assets being depreciated	7,233,124	277,100	105,703	7,404,521
Less accumulated depreciation for:				
Buildings	2,076,149	60,130	0	2,136,279
Land improvements	388,283	28,717	0	417,000
Machinery and equipment	2,607,094	126,084	100,663	2,632,515
Total accumulated depreciation	5,071,526	214,931	100,663	5,185,794
Total capital assets being depreciated, net	2,161,598	62,169	5,040	2,218,727
Governmental activities capital assets, net	\$ 2,195,649	96,607	7,764	2,284,492
Business type activities:				
Machinery and equipment	\$ 125,692	14,793	0	140,485
Less accumulated depreciation	105,868	3,666	0	109,534
Business type activities capital assets, net	\$ 19,824	11,127	0	30,951

Governmental expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,628
Support services:	
Administration	1,029
Operation and maintenance of plant	4,809
Transportation	96,618
Unallocated depreciation	<u>88,847</u>
Total governmental activities depreciation expense	<u>\$ 214,931</u>
Business type activities:	
Food services	<u>\$ 3,666</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated Absences	\$ 3,954	4,834	3,954	4,834	4,834
Early retirement	10,554	0	6,621	3,933	3,933
Total	<u>\$ 14,508</u>	<u>4,834</u>	<u>10,575</u>	<u>8,767</u>	<u>8,767</u>

Early Retirement

The District offers a voluntary early retirement plan to full-time certified employees on a year by year basis at the discretion of the District's Board of Education. No plan was offered for the 2008-09 school year beyond the negotiated payment (benefit) to eligible staff retiring at the end of the school year for unused sick leave. Eligible staff must be at least 55 years of age, have at least 10 years of service to the District and submit a letter of resignation. Employees may elect to continue their existing single or family coverage under the District's health insurance plan as long as the monthly premiums are paid and the insurer allows the employee coverage. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement. Early retirement expenditures for the year ended June 30, 2009 totaled \$6,621.

**(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 4.05% of their annual covered salary and the District is required to contribute 6.35%

of annual covered payroll for the years ended June 30, 2009, 2008, and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$196,254, \$180,313 and \$161,784, respectively, equal to the required contributions for each year.

**(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and accidental death and dismemberment. District contributions to ISEBA for the year ended June 30, 2009 were \$19,120.

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.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,962 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amounts budgeted. The District's also exceeded its General Fund unspent authorized budget for the year ended June 30, 2009.

**(10) Other Post-employment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The

District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Beginning Teacher Mentoring	\$ 1,185
Market Factor	1,472
Market Factor Incentives	4,106
Professional Development for Core Curriculum	3,600
Total reserved for categorical funding	<u>\$ 10,363</u>

**(12) Construction Commitment**

The District has entered into a contract for the construction of a bus barn. As of June 30, 2009, costs of \$34,438 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2009 will be paid as work on the project progresses and will be capitalized upon completion.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 2,949,559	168,064	3,117,623	3,092,060	3,092,060	25,563
Intermediate sources	15,000	0	15,000	0	0	15,000
State sources	2,537,915	3,217	2,541,132	2,751,896	2,751,896	(210,764)
Federal sources	230,084	134,483	364,567	268,000	268,000	96,567
Total revenues	5,732,558	305,764	6,038,322	6,111,956	6,111,956	(73,634)
<b>Expenditures/Expenses:</b>						
Instruction	3,674,759	0	3,674,759	3,690,000	3,850,000	175,241
Support services	1,717,703	4,285	1,721,988	1,943,000	1,750,000	28,012
Non-instructional programs	0	322,631	322,631	265,000	325,000	2,369
Other expenditures	379,931	0	379,931	195,218	360,000	(19,931)
Total expenditures/expenses	5,772,393	326,916	6,099,309	6,093,218	6,285,000	185,691
Excess(Deficiency) of revenues over(under) expenditures/expenses	(39,835)	(21,152)	(60,987)	18,738	(173,044)	112,057
Other financing sources, net	13,716	14,793	28,509	0	0	28,509
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(26,119)	(6,359)	(32,478)	18,738	(173,044)	140,566
Balance beginning of year	1,140,808	53,088	1,193,896	1,018,438	1,018,438	175,458
Balance end of year	\$ 1,114,689	46,729	1,161,418	1,037,176	845,394	316,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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.

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. During the year the District did adopt one budget amendment increasing budgeted expenditures by \$191,782.

During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amounts budgeted as well as its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total		Other Nonmajor Governmental Funds
				Special Revenue Funds	Capital Projects	
<b>Assets</b>						
Cash and pooled investments	\$ 61,491	166,951	435,861	664,303	134,628	798,931
Receivables:						
Property tax:						
Current year delinquent	0	1,449	0	1,449	0	1,449
Succeeding year	0	105,000	0	105,000	0	105,000
Accounts	0	1	0	1	0	1
Due from other governments	0	0	0	0	88,950	88,950
<b>Total Assets</b>	<b>\$ 61,491</b>	<b>273,401</b>	<b>435,861</b>	<b>770,753</b>	<b>223,578</b>	<b>994,331</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 0	821	0	821	350	1,171
Deferred revenue:						
Succeeding year property tax	0	105,000	0	105,000	0	105,000
<b>Total liabilities</b>	<b>0</b>	<b>105,821</b>	<b>0</b>	<b>105,821</b>	<b>350</b>	<b>106,171</b>
<b>Fund balances:</b>						
Unreserved	61,491	167,580	435,861	664,932	223,228	888,160
<b>Total fund balances</b>	<b>61,491</b>	<b>167,580</b>	<b>435,861</b>	<b>664,932</b>	<b>223,228</b>	<b>888,160</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 61,491</b>	<b>273,401</b>	<b>435,861</b>	<b>770,753</b>	<b>223,578</b>	<b>994,331</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, 2009

	Special Revenue Funds					Total
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 0	99,983	0	99,983	315,694	415,677
Other	224,715	8,705	0	233,420	13,032	246,452
State sources	0	63	0	63	0	63
<b>TOTAL REVENUES</b>	<b>224,715</b>	<b>108,751</b>	<b>0</b>	<b>333,466</b>	<b>328,726</b>	<b>662,192</b>
EXPENDITURES:						
Current:						
Instruction:						
Regular	0	35,092	0	35,092	23,718	58,810
Other	227,430	0	0	227,430	8,295	235,725
Support services:						
Administration	0	3,857	0	3,857	3,932	7,789
Operation and maintenance of plant	0	26,025	0	26,025	44,356	70,381
Student transportation	0	12,304	0	12,304	54,214	66,518
Other expenditures:						
Facilities acquisitions	0	0	0	0	187,969	187,969
<b>TOTAL EXPENDITURES</b>	<b>227,430</b>	<b>77,278</b>	<b>0</b>	<b>304,708</b>	<b>322,484</b>	<b>627,192</b>
Excess(deficiency) of revenues over(under) expenditures	(2,715)	31,473	0	28,758	6,242	35,000
OTHER FINANCING SOURCES:						
Sale of real property	0	0	13,256	13,256	0	13,256
Net change in fund balance	(2,715)	31,473	13,256	42,014	6,242	48,256
Fund balance beginning of year	64,206	136,107	422,605	622,918	216,986	839,904
Fund balance end of year	\$ 61,491	167,580	435,861	664,932	223,228	888,160

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>Activities:</b>				
Academic Competitions	\$ 947	383	186	1,144
Activity Tickets	30	0	30	0
Athletic Awards	0	2,004	2,004	0
Baseball	858	250	728	380
Softball	0	778	256	522
Basketball	2,230	8,625	7,938	2,917
Cross Country	1,314	3,500	3,049	1,765
Speech	1,239	247	1,290	196
Football	6,263	13,886	13,374	6,775
Golf	1,375	603	1,130	848
Music	(28)	8,151	7,993	130
Music Awards	(102)	217	131	(16)
Football Camp	2,261	32,977	27,608	7,630
Girls Basketball Camp	998	4,564	4,919	643
Boys Basketball Camp	1,868	3,066	3,464	1,470
Track	1,252	9,685	10,116	821
Volleyball	1,011	12,186	11,069	2,128
Wrestling	1,129	3,813	4,942	0
State Athletic Competitions	3,937	22,633	25,089	1,481
Drama	525	1,263	553	1,235
	<u>27,107</u>	<u>128,831</u>	<u>125,869</u>	<u>30,069</u>
<b>Classes:</b>				
Elementary	548	257	494	311
Class of 2009	3,948	0	3,948	0
Class of 2010	2,641	12,268	10,775	4,134
Class of 2011	1,304	3,384	1,739	2,949
Class of 2012	0	525	159	366
	<u>8,441</u>	<u>16,434</u>	<u>17,115</u>	<u>7,760</u>
<b>Clubs/Organizations:</b>				
Assoc. Foreign Students	129	0	0	129
FB & BB Cheerleaders	82	10,457	8,507	2,032
Dance Team	2,777	5,497	6,784	1,490
National Honor Society	485	638	357	766
Student Council	1,754	1,536	934	2,356
Leadership Activities	645	608	0	1,253
	<u>5,872</u>	<u>18,736</u>	<u>16,582</u>	<u>8,026</u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts:				
General Athletics	4,937	3,664	6,645	1,956
Field Trips	0	398	398	0
7-12 Projects	1,430	365	1,125	670
Public Relations	0	38	0	38
	<u>6,367</u>	<u>4,465</u>	<u>8,168</u>	<u>2,664</u>
School Projects:				
Annual	3,914	7,015	6,975	3,954
4-6 Yearbook	380	0	380	0
7-8 Yearbook	50	160	120	90
Curtain Fund	3,001	0	3,001	0
HS Pop Machines	200	6,994	6,794	400
Elementary Student Council	46	0	0	46
Art Projects	26	120	132	14
Tech Trends	0	179	136	43
Booster Club	0	957	957	0
	<u>7,617</u>	<u>15,425</u>	<u>18,495</u>	<u>4,547</u>
Vocational Organizations:				
FFA	7,606	40,824	40,269	8,161
HOSA	270	0	6	264
	<u>7,876</u>	<u>40,824</u>	<u>40,275</u>	<u>8,425</u>
Other Accounts:				
Football Sign Fundraiser	926	0	926	0
	<u>926</u>	<u>0</u>	<u>926</u>	<u>0</u>
Total	<u>\$ 64,206</u>	<u>224,715</u>	<u>227,430</u>	<u>61,491</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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,450,216	2,113,203	2,091,889	1,917,997	1,866,376	2,116,535
Tuition	181,497	138,182	135,802	98,028	131,576	93,216
Other	317,846	340,506	296,519	270,932	225,587	219,367
Intermediate sources	15,000	0	0	0	0	11,510
State sources	2,537,915	2,634,072	2,382,174	2,397,510	2,359,933	2,083,026
Federal sources	230,084	174,928	198,668	166,716	186,292	170,190
Total	<u>\$ 5,732,558</u>	<u>5,400,891</u>	<u>5,105,052</u>	<u>4,851,183</u>	<u>4,769,764</u>	<u>4,693,844</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,437,931	2,346,074	2,125,130	2,109,405	1,995,247	1,951,514
Special	537,733	522,718	467,570	522,280	507,746	531,786
Other	699,095	611,385	590,928	529,754	540,921	434,826
Support services:						
Student	159,382	149,470	140,885	187,915	214,235	225,416
Instructional staff	166,593	190,250	183,829	247,289	180,399	143,133
Administration	542,277	581,207	512,647	438,969	436,747	433,748
Operation and maintenance of plant	496,056	549,271	506,917	507,032	540,056	544,005
Transportation	353,395	318,174	305,514	220,760	259,764	169,776
Non-instructional programs	0	1,000	0	0	5,315	5,541
Other expenditures:						
Facilities acquisitions	187,969	66,929	68,306	80,870	0	0
AEA flowthrough	191,962	185,999	180,287	175,739	175,873	178,412
Total	<u>\$ 5,772,393</u>	<u>5,522,477</u>	<u>5,082,013</u>	<u>5,020,013</u>	<u>4,856,303</u>	<u>4,618,157</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education of the  
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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southern Cal Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southern Cal Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southern Cal Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Southern Cal Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southern Cal Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southern Cal Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southern Cal Community School District and other parties to whom 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.

March 5, 2010

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 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 cash and checks received at the building are prepared for deposit by the District's Business Manager and deposited at the bank by the Superintendent's secretary. All other monies are electronically deposited into the District's accounts. Both the Business Manager and the Activity/Nutrition secretary prepare cash receipts journals for their respective funds. The Superintendent's secretary counts and receipts money received within the District which is accompanied by a cash record sheet completed by coaches, sponsors for Activity Fund accounts and nutrition personnel.

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 continue to investigate available options.

Conclusion - Response accepted.

I-B-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process. We noted many of the purchase orders are actually completed after the product has been ordered and at times may be completed after the receipt of the products.

Recommendation - The advantage of using a purchase order system is that the approval of the items being purchased is noted prior to the 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 the 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 the ordering of the supplies takes place.

Response - Business office staff and administration will cover purchasing authorization procedures at the all-staff meeting in August. Staff members will be reminded of the proper procedures when inquiring about a possible purchase. Any purchases made without proper prior approval are subject to denial of payment by the District.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the other expenditures program area as well as its General Fund unspent authorized budget.

Recommendation - The budget should be amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures are allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - Construction which was scheduled to begin in July 2009 started early in June 2009. These payments for the construction of the bus barn caused the expenditures to be exceeded. The District will contact the Iowa Department of Education and the School Board Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Campbell, Board Vice-President Salesman, C&H Auto	Purchase car(per bid)	\$13,850
Carol Collins, Business Manager	Purchase utility vehicle	\$5,500

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Member Tom Campbell does not appear to be a conflict of interest.

In accordance with the Attorney General's opinion, dated July 2, 1990 of the code of Iowa, the above transaction with Carol Collins does not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-09 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-I-09 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-J-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			315,694
Expenditures/transfers out:			
School Infrastructure			
Buildings	\$ 187,521		
Equipment	128,173		315,694
			<hr/>
Ending Balance		<u>\$</u>	<u>0</u>

- II-L-09 Authorized Check Signatures - We noted during our audit that one check only had one signature.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President can designate an authorized signer only upon approval in the board minutes.

Response - The instance of a second signature not appearing on a check was a simple oversight. The accounting program which produced the check noted is no longer used as of December 2008. All checks are produced from the same software which allows printing of approved signatures.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed budgeted amounts; however the District exceeded its General Fund unspent authorized budget by \$61,389.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - We have contacted the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.