

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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Southern Cal Community School District

Officials		
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 election)		
Jim Brown	President	2009
Tommy Campbell	Vice President	2011
Alan Wedemeyer	Board Member	2009
Larry Irwin	Board Member	2009
Mark Schleisman	Board Member	2011
Board of Education (After September 2009 election)		
Jim Brown	President	2013
Tommy Campbell	Vice President	2011
Alan Wedemeyer	Board Member	2013
Larry Irwin	Board Member	2013
Mark Schleisman	Board Member	2011
School Officials		
Eric Wood	Superintendent	2010
Carol Collins	District Secretary/ Business Manager	2010
Brian Gruhn	Attorney	2010

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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, 2010, 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, 2010, 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 23, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of

the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 PC

NOLTE, CORNMANN & JOHNSON, P.C.

March 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,070,826 in fiscal 2009 to \$4,834,919 in fiscal 2010, while General Fund expenditures increased from \$5,145,201 in fiscal 2009 to \$5,322,093 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from positive \$226,529 in fiscal 2009 to a deficit balance of \$260,245 in fiscal 2010, a 215.06% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state sources. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- As of June 30, 2010, the District's solvency ratio is negative 6.09% as compared to a positive 4.26% 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 as well presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

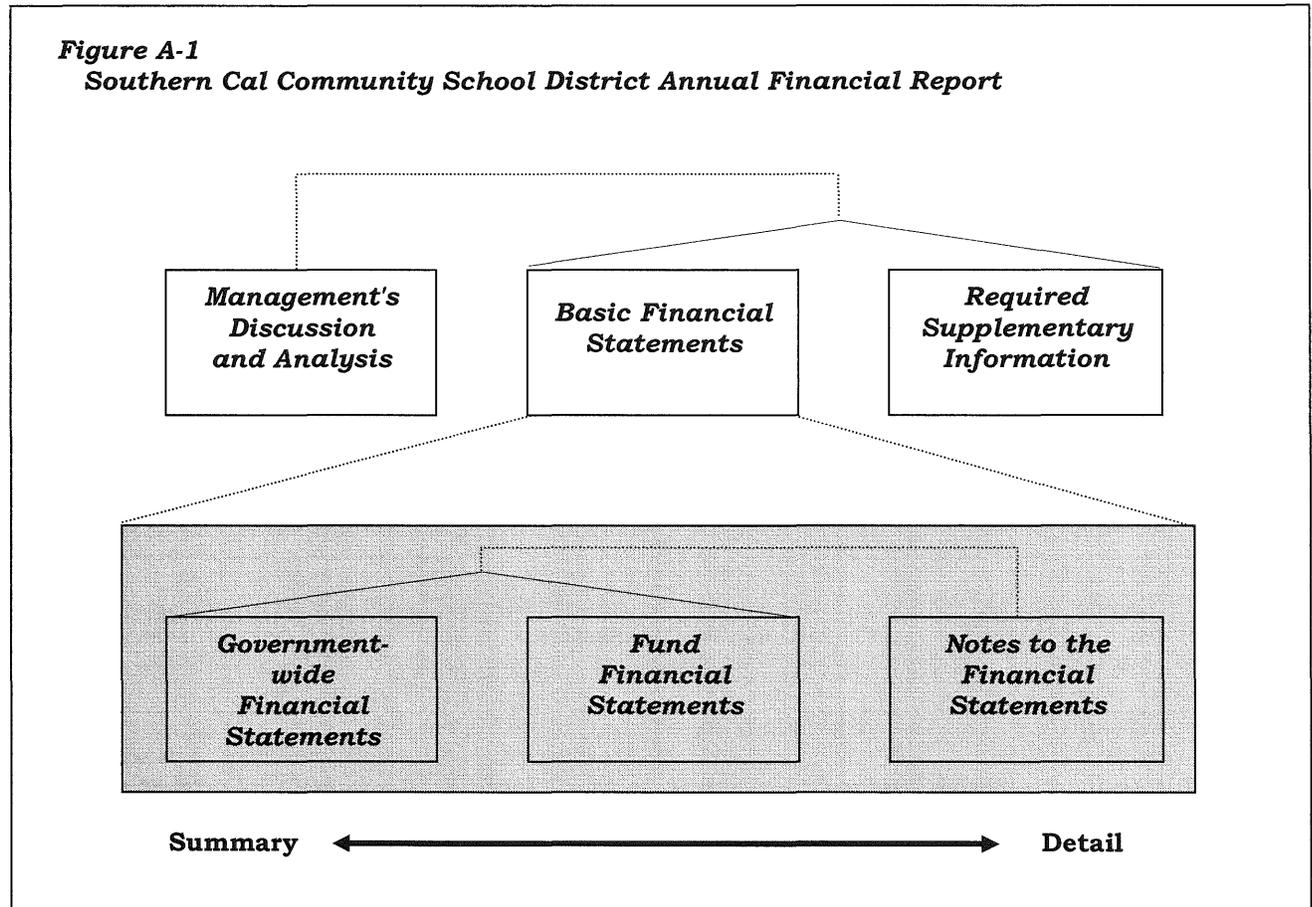


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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.

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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 5,717,238	4,771,289	11,891	53,679	5,729,129	4,824,968	18.74%
Capital assets	2,681,956	2,284,492	32,974	30,951	2,714,930	2,315,443	17.25%
Total assets	8,399,194	7,055,781	44,865	84,630	8,444,059	7,140,411	18.26%
Long-term obligations	122,965	8,767	1,552	0	124,517	8,767	1320.29%
Other liabilities	5,371,003	3,656,600	3,651	37,901	5,374,654	3,694,501	45.48%
Total liabilities	5,493,968	3,665,367	5,203	37,901	5,499,171	3,703,268	48.50%
Net assets:							
Invested in capital assets, net of related debt	2,681,956	2,284,492	32,974	30,951	2,714,930	2,315,443	17.25%
Restricted	550,461	893,689	0	0	550,461	893,689	-38.41%
Unrestricted	(327,191)	212,233	6,688	15,778	(320,503)	228,011	-240.56%
Total net assets	\$ 2,905,226	3,390,414	39,662	46,729	2,944,888	3,437,143	-14.32%

The District's combined net assets decreased by 14.32%, or \$492,255, 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 decreased \$343,228, or 38.41% 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 \$548,514, or 240.56%. 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, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 328,602	418,870	151,443	168,064	480,045	586,934	-18.21%
Operating grants and contributions and restricted interest	1,096,042	838,500	150,041	137,700	1,246,083	976,200	27.65%
Capital grants and contributions and restricted interest	7,258	6,084	0	0	7,258	6,084	19.30%
General revenues:							
Local tax	2,248,331	2,134,522	0	0	2,248,331	2,134,522	5.33%
Statewide sales, services and use tax	318,372	315,694	0	0	318,372	315,694	0.85%
Unrestricted state grants	1,424,696	1,929,499	0	0	1,424,696	1,929,499	-26.16%
Other	74,991	102,645	1,015	0	76,006	102,645	-25.95%
Transfers	(5,840)	(14,793)	5,840	14,793	0	0	0.00%
Total revenues and transfers	5,492,452	5,731,021	308,339	320,557	5,800,791	6,051,578	-4.14%
Program expenses:							
Governmental activities:							
Instruction	4,028,852	3,604,316	0	0	4,028,852	3,604,316	11.78%
Support services	1,545,609	1,724,863	7,507	4,285	1,553,116	1,729,148	-10.18%
Non-instructional programs	1,789	0	307,899	322,631	309,688	322,631	-4.01%
Other expenses	401,390	333,377	0	0	401,390	333,377	20.40%
Total expenses	5,977,640	5,662,556	315,406	326,916	6,293,046	5,989,472	5.07%
Change in net assets	(485,188)	68,465	(7,067)	(6,359)	(492,255)	62,106	892.60%
Beginning net assets	3,390,414	3,321,949	46,729	53,088	3,437,143	3,375,037	1.84%
Ending net assets	\$ 2,905,226	3,390,414	39,662	46,729	2,944,888	3,437,143	-14.32%

In fiscal 2010, property tax and unrestricted state grants account for 66.87% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.78% of the revenue from business type activities.

The District's total revenues were approximately \$5.80 million of which \$5.49 million was for governmental activities and less than \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.14% decrease in revenues and a 5.07% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$5,492,452 and expenses were \$5,977,640.

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		
	2010	2009	Change	2010	2009	Change
			2009-10			2009-10
Instruction	\$ 4,028,852	3,604,316	11.78%	2,828,140	2,545,482	11.10%
Support services	1,545,609	1,724,863	-10.39%	1,529,992	1,712,205	-10.64%
Non-instructional	1,789	0	100.00%	1,789	0	100.00%
Other expenses	401,390	333,377	20.40%	185,817	141,415	31.40%
Totals	\$ 5,977,640	5,662,556	5.56%	4,545,738	4,399,102	3.33%

- The cost financed by users of the District's programs was \$328,602.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,103,300.
- The net cost of governmental activities was financed with \$2,248,331 in local tax, \$1,424,696 in unrestricted state grants, \$318,372 in statewide sales, services and use tax, \$7,392 in interest income, and \$67,599 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$308,339 and expenses were \$315,406. 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 \$346,235, a decrease from last year's ending fund balance of a \$1,114,689. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to the decrease in the District's General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position changed from positive \$226,529 to a deficit \$260,645. Revenues decreased as compared to fiscal 2009, primarily due to the September 2009 10% across-the-board cut. The expenditures increased, due to the increase in negotiated salary and benefits, as well as existing expenditure commitments of the District.
- The Capital Projects fund balance increased during the current year, from \$223,228 to \$138,753. 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 \$46,729 at June 30, 2009 to \$39,662 at June 30, 2010, representing a decrease of 15.12%. 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 \$12,907.

BUDGETARY HIGHLIGHTS

The District's revenues were \$707,176 less than budgeted revenues, a variance of 10.91%. The most significant variance resulted from the District receiving more in federal 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, 2010, expenditures in the non-instructional function exceeded the amounts budgeted as well as its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$2.71 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$239,013.

The original cost of the District's capital assets was \$7,963,200. Governmental funds account for \$7,866,979 with the remainder of \$96,221 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 \$0 at June 30, 2010, compared to \$34,438 reported at June 30, 2009. The difference was contributable to construction projects being completed during the fiscal year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 31,327	31,327	0	0	31,327	31,327	0.00%
Construction in progress	0	34,438	0	0	0	34,438	-100.00%
Buildings	1,767,516	1,388,852	0	0	1,767,516	1,388,852	27.26%
Land improvements	244,383	268,347	0	0	244,383	268,347	-8.93%
Machinery and equipment	638,730	561,528	32,974	30,951	671,704	592,479	13.37%
Total	\$ 2,681,956	2,284,492	32,974	30,951	2,714,930	2,315,443	17.25%

Long-Term Debt

At June 30, 2010, the District had \$124,517 in long-term debt outstanding. This represents an increase of 1320.29% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had \$5,708 outstanding in compensated absences payable from the General Fund as of June 30, 2010.

At June 30, 2010, the District had \$90,219 in early retirement benefit that is to be paid from the Special Revenue, Management Levy Fund.

The District had total outstanding Net OPEB liability payable from the General and Nutrition Fund totaling \$28,590 at June 30, 2010.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities June 30,		Business type Activities June 30,		Total School District June 30,		Total Change June 30, 2009-10
	2010	2009	2010	2009	2010	2009	2009-10
Early retirement	90,219	3,933	0	0	90,219	3,933	2193.90%
Compensated absences	5,708	4,834	0	0	5,708	4,834	18.08%
Net OPEB obligation	27,038	0	1,552	0	28,590	0	100.00%
Total	\$ 122,965	8,767	1,552	0	124,517	8,767	1320.29%

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, services and use 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 2010 will require constant monitoring. Fluctuations of great magnitude in utility costs and gas/diesel fuel will negatively impact the General Fund budget.
- 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% resulted 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.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 711,862	2,504	714,366
Receivables:			
Property tax:			
Delinquent	30,662	0	30,662
Succeeding year	4,793,499	0	4,793,499
Accounts	12,000	41	12,041
Due from other governments	169,215	0	169,215
Inventories	0	9,346	9,346
Capital assets, net of accumulated depreciation	2,681,956	32,974	2,714,930
TOTAL ASSETS	8,399,194	44,865	8,444,059
LIABILITIES			
Accounts payable	124,471	0	124,471
Salaries and benefits payable	450,966	48	451,014
Deferred revenue:			
Succeeding year property tax	4,793,499	0	4,793,499
Other	2,067	0	2,067
Unearned revenue	0	3,603	3,603
Long-term liabilities:			
Portion due within one year:			
Compensated absences	5,708	0	5,708
Early retirement	60,146	0	60,146
Portion due after one year:			
Early retirement	30,073	0	30,073
Net OPEB liability	27,038	1,552	28,590
TOTAL LIABILITIES	5,493,968	5,203	5,499,171
NET ASSETS			
Invested in capital assets, net of related debt	2,681,956	32,974	2,714,930
Restricted for:			
Categorical funding	33,800	0	33,800
Management levy	101,355	0	101,355
Physical plant and equipment levy	221,439	0	221,439
Capital projects	138,753	0	138,753
Other special revenue purposes	55,114	0	55,114
Unrestricted	(327,191)	6,688	(320,503)
TOTAL NET ASSETS	\$ 2,905,226	39,662	2,944,888

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,835,044	116,410	701,631	0	(2,017,003)	0	(2,017,003)
Special	567,138	14,423	83,797	0	(468,918)	0	(468,918)
Other	626,670	183,001	101,450	0	(342,219)	0	(342,219)
	<u>4,028,852</u>	<u>313,834</u>	<u>886,878</u>	<u>0</u>	<u>(2,828,140)</u>	<u>0</u>	<u>(2,828,140)</u>
Support services:							
Student	169,254	0	0	0	(169,254)	0	(169,254)
Instructional staff	140,923	0	0	0	(140,923)	0	(140,923)
Administration	517,996	0	0	0	(517,996)	0	(517,996)
Operation and maintenance of plant	428,394	0	0	0	(428,394)	0	(428,394)
Transportation	289,042	14,768	849	0	(273,425)	0	(273,425)
	<u>1,545,609</u>	<u>14,768</u>	<u>849</u>	<u>0</u>	<u>(1,529,992)</u>	<u>0</u>	<u>(1,529,992)</u>
Non-instructional programs:							
Food service operations	1,789	0	0	0	(1,789)	0	(1,789)
	<u>1,789</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,789)</u>	<u>0</u>	<u>(1,789)</u>
Other expenditures:							
Facilities acquisition	92,777	0	0	7,258	(85,519)	0	(85,519)
AEA flowthrough	208,315	0	208,315	0	0	0	0
Depreciation(unallocated)*	100,298	0	0	0	(100,298)	0	(100,298)
	<u>401,390</u>	<u>0</u>	<u>208,315</u>	<u>7,258</u>	<u>(185,817)</u>	<u>0</u>	<u>(185,817)</u>
Total governmental activities	5,977,640	328,602	1,096,042	7,258	(4,545,738)	0	(4,545,738)
Business Type activities:							
Support services:							
Operation and maintenance of plant	7,507	0	0	0	0	(7,507)	(7,507)
Non-instructional programs:							
Nutrition services	307,899	151,443	150,041	0	0	(6,415)	(6,415)
Total business type activities	<u>315,406</u>	<u>151,443</u>	<u>150,041</u>	<u>0</u>	<u>0</u>	<u>(13,922)</u>	<u>(13,922)</u>
Total	<u>\$ 6,293,046</u>	<u>480,045</u>	<u>1,246,083</u>	<u>7,258</u>	<u>(4,545,738)</u>	<u>(13,922)</u>	<u>(4,559,660)</u>
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,248,331	0	2,248,331
Statewide sales, services and use tax					318,372	0	318,372
Unrestricted state grants					1,424,696	0	1,424,696
Unrestricted investment earnings					7,392	0	7,392
Other general revenues					67,599	1,015	68,614
Transfers					(5,840)	5,840	0
Total general revenues and transfers					<u>4,060,550</u>	<u>6,855</u>	<u>4,067,405</u>
Change in net assets					(485,188)	(7,067)	(492,255)
Net assets beginning of year					<u>3,390,414</u>	<u>46,729</u>	<u>3,437,143</u>
Net assets end of year					<u>\$ 2,905,226</u>	<u>39,662</u>	<u>2,944,888</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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 245,168	0	466,694	711,862
Receivables:				
Property tax:				
Delinquent	29,235	0	1,427	30,662
Succeeding year	4,538,499	0	255,000	4,793,499
Accounts	11,994	0	6	12,000
Due from other governments	26,493	142,722	0	169,215
TOTAL ASSETS	\$ 4,851,389	142,722	723,127	5,717,238
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 120,502	3,969	0	124,471
Salaries and benefits payable	450,966	0	0	450,966
Deferred revenue:				
Succeeding year property tax	4,538,499	0	255,000	4,793,499
Other	2,067	0	0	2,067
Total liabilities	5,112,034	3,969	255,000	5,371,003
Fund balances:				
Reserved for:				
Categorical funding	33,800	0	0	33,800
Unreserved fund balance	(294,445)	138,753	468,127	312,435
Total fund balances	(260,645)	138,753	468,127	346,235
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,851,389	142,722	723,127	5,717,238

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, 2010

Total fund balances of governmental funds (page 20)	\$ 346,235
 <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.	2,681,956
Long-term liabilities, including compensated absences and early retirement, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(122,965)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 2,905,226</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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,143,660	318,372	104,671	2,566,703
Tuition	120,083	0	0	120,083
Other	40,903	48,211	192,060	281,174
State sources	2,058,574	0	59	2,058,633
Federal sources	464,261	0	0	464,261
Total revenues	<u>4,827,481</u>	<u>366,583</u>	<u>296,790</u>	<u>5,490,854</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,586,417	80,334	42,273	2,709,024
Special	565,184	0	0	565,184
Other	510,318	3,125	189,378	702,821
	<u>3,661,919</u>	<u>83,459</u>	<u>231,651</u>	<u>3,977,029</u>
Support services:				
Student	167,987	0	0	167,987
Instructional staff	139,996	0	0	139,996
Administration	502,205	9,169	3,493	514,867
Operation and maintenance of plant	391,440	12,624	27,085	431,149
Transportation	250,231	41,051	15,155	306,437
	<u>1,451,859</u>	<u>62,844</u>	<u>45,733</u>	<u>1,560,436</u>
Non-instructional programs:				
Food service operations	0	0	1,789	1,789
	<u>0</u>	<u>0</u>	<u>1,789</u>	<u>1,789</u>
Other expenditures:				
Facilities acquisition	0	519,177	0	519,177
AEA flowthrough	208,315	0	0	208,315
	<u>208,315</u>	<u>519,177</u>	<u>0</u>	<u>727,492</u>
Total expenditures	<u>5,322,093</u>	<u>665,480</u>	<u>279,173</u>	<u>6,266,746</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(494,612)</u>	<u>(298,897)</u>	<u>17,617</u>	<u>(775,892)</u>
Other financing sources(uses):				
Transfers in	0	214,422	0	214,422
Transfers out	0	0	(214,422)	(214,422)
Sale of equipment	7,438	0	0	7,438
Total other financing sources(uses)	<u>7,438</u>	<u>214,422</u>	<u>(214,422)</u>	<u>7,438</u>
Net change in fund balances	<u>(487,174)</u>	<u>(84,475)</u>	<u>(196,805)</u>	<u>(768,454)</u>
Fund balance beginning of year	<u>226,529</u>	<u>223,228</u>	<u>664,932</u>	<u>1,114,689</u>
Fund balance end of year	<u>\$ (260,645)</u>	<u>138,753</u>	<u>468,127</u>	<u>346,235</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
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (768,454)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Amounts for capital outlay expenditures and depreciation expense:

Capital outlay expenditures	\$ 632,660	
Depreciation expense	(235,196)	397,464

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	\$ (874)	
Early Retirement	(86,286)	
Other postemployment benefits	(27,038)	(114,198)

Changes in net assets of governmental activities (page 19) \$ (485,188)

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 2,504
Accounts receivable	41
Inventories	9,346
Capital assets, net of accumulated depreciation	<u>32,974</u>
TOTAL ASSETS	<u>44,865</u>
LIABILITIES	
Salary and benefits payable	48
Unearned revenues	3,603
Net OPEB liability	<u>1,552</u>
TOTAL LIABILITES	<u>5,203</u>
NET ASSETS	
Invested in capital assets	32,974
Unrestricted	<u>6,688</u>
TOTAL NET ASSETS	<u>\$ 39,662</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, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 151,443
Miscellaneous	1,015
TOTAL OPERATING REVENUES	152,458
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Salaries	5,090
Benefits	1,930
Services	487
	7,507
Non-instructional programs:	
Food service operations:	
Salaries	87,166
Benefits	47,285
Supplies	169,631
Depreciation	3,817
Total non-instructional programs	307,899
TOTAL OPERATING EXPENSES	315,406
OPERATING LOSS	(162,948)
NON-OPERATING REVENUES:	
State sources	2,799
Federal sources	147,242
TOTAL NON-OPERATING REVENUES	150,041
Change in net assets before other financing sources	(12,907)
Other financing sources:	
Capital contributions	5,840
Changes in net assets	(7,067)
Net assets beginning of year	46,729
Net assets end of year	\$ 39,662

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 151,911
Cash received from miscellaneous	1,015
Cash payments to employees for services	(170,964)
Cash payments to suppliers for goods or services	(152,214)
Net cash used in operating activities	(170,252)
Cash flows from non-capital financing activities:	
State grants received	2,799
Federal grants received	124,102
Net cash provided by non-capital financing activities	126,901
Net decrease in cash and cash equivalents	(43,351)
Cash and cash equivalents at beginning of year	45,855
Cash and cash equivalents at end of year	\$ 2,504
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (162,948)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,140
Depreciation	3,817
Increase in inventories	(1,577)
Decrease in accounts receivable	14
Decrease in accounts payable	(3,659)
Decrease in salaries and benefits payable	(31,045)
Increase in unearned revenue	454
Increase in other postemployment benefit	1,552
Net cash used in operating activities	\$ (170,252)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$23,140.

During the year ended June 30, 2010, the Nutrition Fund received capital contributions of \$5,840 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2010

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 0
Deductions:	
Instruction:	
Scholarships awarded	350
Change in net assets	(350)
Net assets beginning of year	350
Net assets end of year	\$ 0

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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 1% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Land improvements	500
Intangibles	25,000
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
Intangibles	2 or more 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, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level.

During the year ended June 30, 2010, expenditures in the non-instructional expenditures function exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 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.

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$485,849 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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. Bankers Trust Co. NA is the trustee for the program.

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. The District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th 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. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's participation in ISCAP as of June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ 0	175,000	175,000	0
2009-10B	1/21/09	1/21/10	0	155,000	155,000	0
Total			\$ 0	330,000	330,000	0

During the year ended June 30, 2010, the District paid \$20,010 of interest on the ISCAP warrants.

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Special Revenue, Physical Plant and Equipment Levy	\$ 214,422

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,327	0	0	31,327
Construction in progress	34,438	285,362	319,800	0
Total capital assets not being depreciated	<u>65,765</u>	<u>285,362</u>	<u>319,800</u>	<u>31,327</u>
Capital assets being depreciated:				
Buildings	3,525,131	449,994	0	3,975,125
Land improvements	685,347	5,004	0	690,351
Machinery and equipment	3,194,043	212,100	235,967	3,170,176
Total capital assets being depreciated	<u>7,404,521</u>	<u>667,098</u>	<u>235,967</u>	<u>7,835,652</u>
Less accumulated depreciation for:				
Buildings	2,136,279	71,330	0	2,207,609
Land improvements	417,000	28,968	0	445,968
Machinery and equipment	2,632,515	134,898	235,967	2,531,446
Total accumulated depreciation	<u>5,185,794</u>	<u>235,196</u>	<u>235,967</u>	<u>5,185,023</u>
Total capital assets being depreciated, net	<u>2,218,727</u>	<u>431,902</u>	<u>0</u>	<u>2,650,629</u>
Governmental activities capital assets, net	<u>\$ 2,284,492</u>	<u>717,264</u>	<u>319,800</u>	<u>2,681,956</u>
Business type activities:				
Machinery and equipment	\$ 140,485	5,840	50,104	96,221
Less accumulated depreciation	109,534	3,817	50,104	63,247
Business type activities capital assets, net	<u>\$ 30,951</u>	<u>2,023</u>	<u>0</u>	<u>32,974</u>

Governmental activities:	
Instruction:	
Regular	\$ 101,749
Other	4,128
Support services:	
Administration	1,346
Operation and maintenance of plant	5,537
Transportation	22,138
Unallocated depreciation	100,298
	<hr/>
Total governmental activities depreciation expense	\$ 235,196
	<hr/>
Business type activities:	
Food services	\$ 3,817
	<hr/>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 4,834	5,708	4,834	5,708	5,708
Early retirement	3,933	90,219	3,933	90,219	60,146
Net OPEB liability	0	27,038	0	27,038	0
Total	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 8,767	122,965	8,767	122,965	65,854
Business type activities:					
Net OPEB liability	\$ 0	1,552	0	1,552	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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. A plan was offered for the 2009-10 school year, which will pay retirees one-half of their salary schedule. Payments will be made in 3 installments over a 12 month period. 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, 2010 totaled \$3,933.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$207,422, \$196,254, and \$180,313, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 65 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 31,756
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>31,756</u>
Contributions made	<u>(3,166)</u>
Increase in net OPEB obligation	28,590
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 28,590</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$3,166 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 31,756	9.97%	\$ 28,590

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$292,074, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,074. The covered payroll (annual payroll of active employees covered by the plan) was \$2,527,727, and the ratio of the UAAL to covered payroll was 11.55%. As of June 30, 2010 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees under age 65 are illustrated per month in the following table.

	Single	Family
PPO 500	\$ 741.48	\$ -
PPO 1000	-	1,853.69
HSA 2000	628.45	-
HSA 2500	558.45	-
HSA 4000	-	1,315.00
HSA 5000	-	1,133.16

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) 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, 2010 were \$38,738.

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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$208,315 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2010, expenditures in the non-instructional expenditures function exceeded the amounts budgeted. The District's also exceeded its General Fund unspent authorized budget for the year ended June 30, 2010.

(12) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Beginning Teacher Mentoring	\$ 1,260
Basic salary	27,474
Market Factor Incentives	2,887
Professional Development for Core Curriculum	2,179
Total	<u>\$ 33,800</u>

(13) Deficit Fund Balance/Net Assets

The General Fund had deficit unreserved fund balance at June 30, 2010 of \$294,445. The District also had a deficit unrestricted net assets balance in the governmental activities of \$327,191.

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, 2010

	Governmental		Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total			Actual	
	Actual	Actual	Actual	Original	Final	Variance	
Revenues:							
Local sources	\$ 2,967,960	152,458	3,120,418	3,382,792	3,382,792	(262,374)	
State sources	2,058,633	2,799	2,061,432	2,682,237	2,682,237	(620,805)	
Federal sources	464,261	147,242	611,503	435,500	435,500	176,003	
Total revenues	5,490,854	302,499	5,793,353	6,500,529	6,500,529	(707,176)	
Expenditures/Expenses:							
Instruction	3,977,029	0	3,977,029	4,123,000	4,123,000	145,971	
Support services	1,560,436	7,507	1,567,943	1,875,700	1,875,700	307,757	
Non-instructional programs	1,789	307,899	309,688	282,500	300,000	(9,688)	
Other expenditures	727,492	0	727,492	912,989	912,989	185,497	
Total expenditures/expenses	6,266,746	315,406	6,582,152	7,194,189	7,211,689	629,537	
Deficiency of revenues under expenditures/expenses	(775,892)	(12,907)	(788,799)	(693,660)	(711,160)	(77,639)	
Other financing sources, net	7,438	5,840	13,278	5,000	5,000	8,278	
Deficiency of revenues and other financing sources under expenditures/expenses	(768,454)	(7,067)	(775,521)	(688,660)	(706,160)	(69,361)	
Balance beginning of year	1,114,689	46,729	1,161,418	1,172,261	1,172,261	(10,843)	
Balance end of year	\$ 346,235	39,662	385,897	483,601	466,101	(80,204)	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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 \$17,500.

During the year ended June 30, 2010, expenditures in the non-instructional function exceeded the amounts budgeted as well as its General Fund unspent authorized budget.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 292,074	\$ 292,074	0.00%	\$ 2,527,727	11.55%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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, 2010

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets				
Cash and pooled investments	\$ 190,141	55,114	221,439	466,694
Receivables:				
Property tax:				
Delinquent	1,427	0	0	1,427
Succeeding year	255,000	0	0	255,000
Accounts	6	0	0	6
Total Assets	\$ 446,574	55,114	221,439	723,127
Liabilities and Fund Balances				
Liabilities				
Deferred revenue:				
Succeeding year property tax	255,000	0	0	255,000
Total liabilities	255,000	0	0	255,000
Fund balances:				
Unreserved	191,574	55,114	221,439	468,127
Total fund balances	191,574	55,114	221,439	468,127
Total Liabilities and Fund Balances	\$ 446,574	55,114	221,439	723,127

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, 2010

	Special Revenue Funds			Total Special Revenue Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 104,671	0	0	104,671
Other	9,059	183,001	0	192,060
State sources	59	0	0	59
TOTAL REVENUES	<u>113,789</u>	<u>183,001</u>	<u>0</u>	<u>296,790</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	42,273	0	0	42,273
Other	0	189,378	0	189,378
Support services:				
Administration	3,493	0	0	3,493
Operation and maintenance of plant	27,085	0	0	27,085
Student transportation	15,155	0	0	15,155
Non-instructional programs:				
Food service operations	1,789	0	0	1,789
TOTAL EXPENDITURES	<u>89,795</u>	<u>189,378</u>	<u>0</u>	<u>279,173</u>
Excess (deficiency) of revenues over (under) expenditures	23,994	(6,377)	0	17,617
OTHER FINANCING USES:				
Transfers out	0	0	(214,422)	(214,422)
Net change in fund balance	23,994	(6,377)	(214,422)	(196,805)
Fund balance beginning of year	167,580	61,491	435,861	664,932
Fund balance end of year	<u>\$ 191,574</u>	<u>55,114</u>	<u>221,439</u>	<u>468,127</u>

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activities:				
Academic Competitions	\$ 1,144	380	391	1,133
Activity Tickets	0	23,161	0	23,161
Athletic Awards	0	1,865	1,865	0
Baseball	380	0	380	0
Softball	522	0	522	0
Basketball	2,917	4,879	7,796	0
Cross Country	1,765	194	1,959	0
Speech	196	1,600	697	1,099
Football	6,775	7,349	14,124	0
Golf	848	540	1,388	0
Music	130	5,973	5,714	389
Music Awards	(16)	647	631	0
Football Camp	7,630	19,346	26,976	0
Girls Basketball Camp	643	6,797	7,081	359
Boys Basketball Camp	1,470	1,422	2,892	0
Track	821	7,492	8,313	0
Volleyball	2,128	8,172	10,300	0
State Athletic Competitions	1,481	6,472	7,953	0
Drama	1,235	1,491	826	1,900
	<u>30,069</u>	<u>97,780</u>	<u>99,808</u>	<u>28,041</u>
Classes:				
Elementary	311	650	392	569
Class of 2010	4,134	520	2,787	1,867
Class of 2011	2,949	8,423	9,109	2,263
Class of 2012	366	954	330	990
Class of 2013	0	1,693	599	1,094
	<u>7,760</u>	<u>12,240</u>	<u>13,217</u>	<u>6,783</u>
Clubs/Organizations:				
Assoc. Foreign Students	129	0	0	129
FB & BB Cheerleaders	2,032	8,069	10,101	0
Dance Team	1,490	8,975	9,603	862
National Honor Society	766	540	624	682
Student Council	2,356	1,299	1,062	2,593
Leadership Activities	1,253	565	192	1,626
	<u>8,026</u>	<u>19,448</u>	<u>21,582</u>	<u>5,892</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts:				
General Athletics	1,956	3,795	4,444	1,307
7-12 Projects	670	681	1,139	212
Public Relations	38	470	508	0
	<u>2,664</u>	<u>4,946</u>	<u>6,091</u>	<u>1,519</u>
School Projects:				
Annual	3,954	7,290	7,075	4,169
7-8 Yearbook	90	208	157	141
HS Pop Machines	400	5,629	5,629	400
Elementary Student Council	46	0	0	46
Art Projects	14	571	561	24
Tech Trends	43	741	360	424
	<u>4,547</u>	<u>14,439</u>	<u>13,782</u>	<u>5,204</u>
Vocational Organizations:				
FFA	8,161	33,899	35,209	6,851
HOSA	264	0	0	264
	<u>8,425</u>	<u>33,899</u>	<u>35,209</u>	<u>7,115</u>
Total	<u>\$ 61,491</u>	<u>183,001</u>	<u>189,378</u>	<u>55,114</u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,566,723	2,450,216	2,113,203	2,091,889	1,917,997	1,866,376	2,116,535
Tuition	120,083	181,497	138,182	135,802	98,028	131,576	93,216
Other	281,154	317,846	340,506	296,519	270,932	225,587	219,367
Intermediate sources	0	15,000	0	0	0	0	11,510
State sources	2,058,633	2,537,915	2,634,072	2,382,174	2,397,510	2,359,933	2,083,026
Federal sources	464,261	230,084	174,928	198,668	166,716	186,292	170,190
Total	<u>\$ 5,490,854</u>	<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	\$ 2,709,024	2,437,931	2,346,074	2,125,130	2,109,405	1,995,247	1,951,514
Special	565,184	537,733	522,718	467,570	522,280	507,746	531,786
Other	702,821	699,095	611,385	590,928	529,754	540,921	434,826
Support services:							
Student	167,987	159,382	149,470	140,885	187,915	214,235	225,416
Instructional staff	139,996	166,593	190,250	183,829	247,289	180,399	143,133
Administration	514,867	542,277	581,207	512,647	438,969	436,747	433,748
Operation and maintenance of plant	431,149	496,056	549,271	506,917	507,032	540,056	544,005
Transportation	306,437	353,395	318,174	305,514	220,760	259,764	169,776
Non-instructional programs	1,789	0	1,000	0	0	5,315	5,541
Other expenditures:							
Facilities acquisitions	519,177	187,969	66,929	68,306	80,870	0	0
AEA flowthrough	208,315	191,962	185,999	180,287	175,739	175,873	178,412
Total	<u>\$ 6,266,746</u>	<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

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 10	\$ <u>33,923</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	31,645
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	<u>115,597</u> *
			<u>147,242</u>
U.S. DEPARTMENT OF LABOR:			
IOWA DEPARTMENT OF LABOR:			
EMPLOYEE BENEFITS SECURITY ADMINISTRATION (COBRA PREMIUM ASSISTANCE), RECOVERY ACT	17.151	FY 10	<u>4,383</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	73,638
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>16,276</u>
			<u>89,914</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>1,690</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>24,046</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>3,172</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>214,623</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	26,270
ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	<u>57,467</u>
			<u>83,737</u>

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
U.S. DEPARTMENT OF EDUCATION (CONTINUED):			
IOWA DEPARTMENT OF EDUCATION (CONTINUED):			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	6,557
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
CENTERS FOR DISEASE CONTROL AND PREVENTION - INVESTIGATIONS AND TECHNICAL ASSISTANCE	93.778	FY 10	60
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	FY 10	2,156
TOTAL			\$ 611,503

* - Includes \$19,888 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Finding and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Finding and Questioned Costs as items II-B-10 and II-C-10 to be significant deficiencies.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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 23, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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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:

Compliance

We have audited the compliance of Southern Cal Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Southern Cal Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Southern Cal Community School District's management. Our responsibility is to express an opinion on Southern Cal Community School District's compliance based on our audit.

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

In our opinion, Southern Cal Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Members American Institute & Iowa Society of Certified Public Accountants

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Finding and Questionable Costs as item III-A-10 as a material weakness.

Southern Cal Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit 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, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2011

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act.
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southern Cal Community School District did not qualify as a low-risk auditee.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 through shared operational functions and duties as Southern Cal proceeds with Whole Grade Sharing and possible reorganization with Rockwell City/Lytton CSD in order to identify and remedy internal control issues.

Conclusion - Response accepted.

II-B-10 Employee Purchases From School Vendors - We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from employees submitted to vendors for personal items included on invoices made to the school district.

Recommendation - The District should not allow employees to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an employee account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount to be paid must be documented and attached to the paid invoice as support for payment.

Response - We have worked with vendors to set up separate accounts and a system for payments for employee purchases.

Conclusion - Response accepted.

II-C-10 Exclusive Vendor Contract - We noted during the audit that within the Student Activity Fund there was revenue received from an exclusive vendor contract with Pepsi.

Recommendation - According to guidance provided by the Iowa Department of Education, the Auditor of State and the Attorney Generals Opinion dated February 15, 2000, the exclusive vendor contract is allowable, but the revenue from the exclusive vendor contract must be recorded only in the District's General Fund. Under

Dillon's Rule, there is no statutory requirement or authority to record the revenue in another fund other than the General Fund.

Once exclusive vendor contract revenues are recorded in the General Fund, they can be subsequently spent for purposes including athletics, other extracurricular activities to the extent the expenditure would be allowable and appropriate from the General Fund.

Response - The exclusive vendor payment from Pepsi will be deposited into the General Fund in the future, and administration will allocate the revenue so it will continue to benefit the activity programs it had previously been supporting, along with the administrative controls that are required.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund - Education State Grants,
Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

Federal Award Year: 2010

U.S. Department of Agriculture

Passed through the Iowa Department of Education

III-A-10 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 through shared operational functions and duties as Southern Cal proceeds with Whole Grade Sharing and possible reorganization with Rockwell City/Lytton CSD in order to identify and remedy internal control issues.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 exceeded the amount budgeted in the non-instructional 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 - The non-instructional expenditures exceeded the amended budget due to the district's expensing of the year's payroll in July 2010 to the Nutrition Fund for all duties during the entire year. The payroll duties were originally expensed to the General Fund as had been past practice. The Nutrition Fund will continue to be responsible for payroll for staff on a monthly basis instead of once a year which will create improved monitoring of the budget.

The district appeared before the School Budget Review Committee in December 2010 where the plan was accepted and is continuing to address the negative unspent balance created in future budgeting. The district will participate in the Instructional Support Levy funding starting in FY11 and many cuts to expenditures have been made over the FY10, FY11 and FY12 years. The district started sharing of all athletic programs with Rockwell City/Lytton CSD in the Fall of 2010 and Whole Grade Sharing will begin in the Fall of 2011. Also, additional funding created by shared operational functions will be created during the FY11 year to be realized in FY12.

Conclusion - Response accepted.

IV-B-10 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.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 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)	\$20,370
Tim Brown, Board President Owns Limo Service	Purchased service	\$100

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

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the Board President is not currently signing the approved Board minutes.

Recommendation - The District should ensure the Board President is signing all District Board minutes as they are approved.

Response - The minutes will be signed on a timely basis by the Board President and Board Secretary at the board meeting where they are approved.

Conclusion - Response accepted.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 2 as open enrolled out students was overstated by 1.0 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance	\$ 0
Statewide sales, services and use tax revenue	318,372
Expenditures/transfers out:	
School Infrastructure	
Other improvements	318,372
Ending Balance	<u><u>\$ 0</u></u>

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical, plant and equipment levy	<u>\$1.67000</u>	<u>\$ 294,010</u>

IV-M-10 Financial Condition - The General Fund had a deficit unreserved fund balance of \$294,445. The District also had deficit net assets in the governmental activities of \$327,191.

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

Response - The District will monitor expenditures in the General Fund and work towards a solvent position. The General Fund deficit was partially due to state budget cuts, which left the District with little time to adjust expenses.

Conclusion - Response accepted.