

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Southern Cal Community School District

Officials

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

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District, Lake City, Iowa, as of and for the year ended June 30, 2011, 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, 2011, 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 27, 2012 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 16 and 42 through 44 are not required parts of

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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 seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,834,919 in fiscal 2010 to \$5,415,873 in fiscal 2011, while General Fund expenditures decreased from \$5,322,093 in fiscal 2010 to \$5,209,374 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit balance of \$260,245 in fiscal 2010 to a deficit balance of \$54,146 in fiscal 2011, a 79.23% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state source revenues. The decrease in expenditures was due primarily to a decrease in instructional expenditures.

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.

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

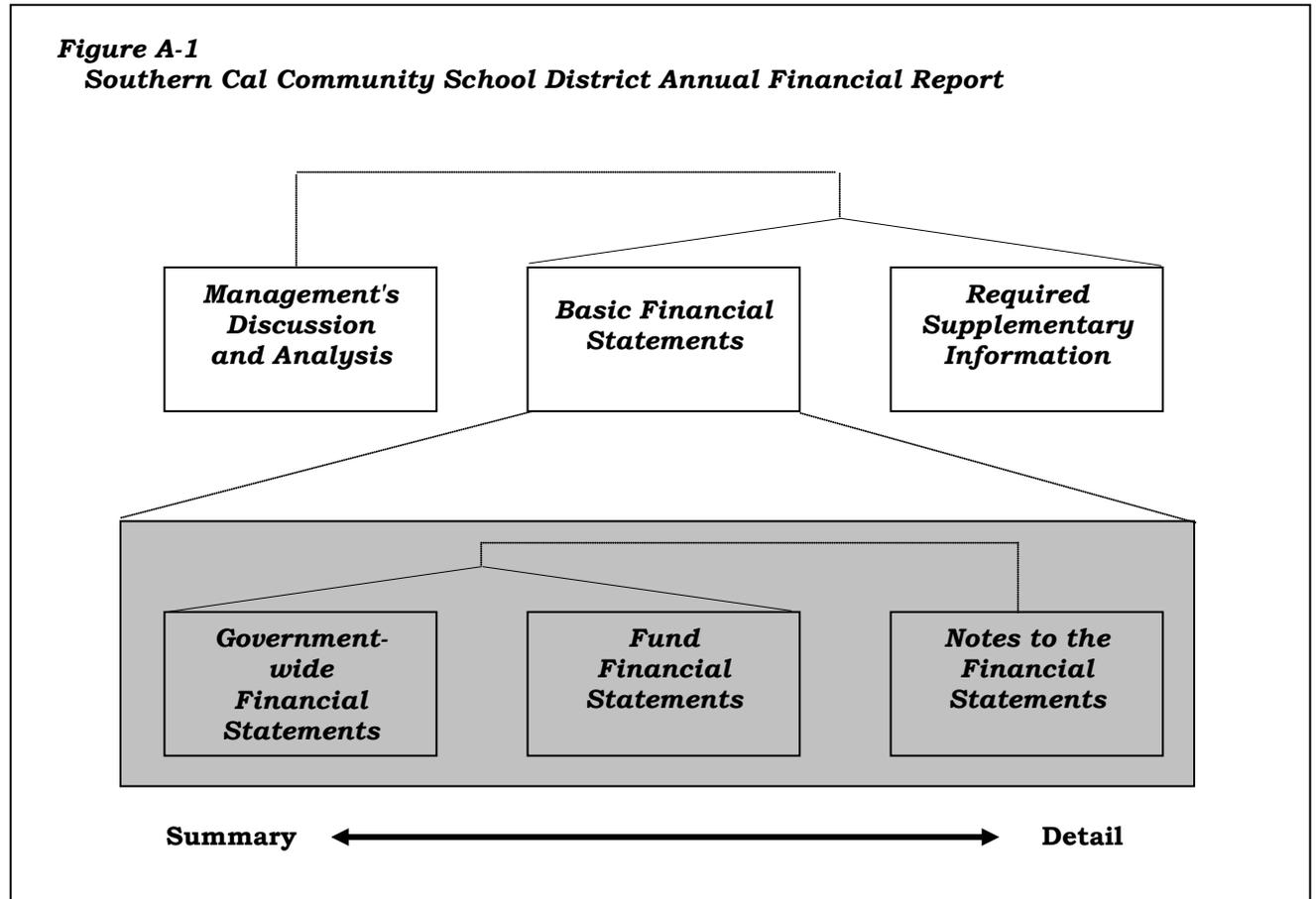


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 3,929,184	5,717,238	32,050	11,891	3,961,234	5,729,129	-30.86%
Capital assets	2,677,024	2,681,956	31,630	32,974	2,708,654	2,714,930	-0.23%
Total assets	6,606,208	8,399,194	63,680	44,865	6,669,888	8,444,059	-21.01%
Long-term obligations	84,414	122,965	3,074	1,552	87,488	124,517	-29.74%
Other liabilities	3,340,981	5,371,003	15,724	3,651	3,356,705	5,374,654	-37.55%
Total liabilities	3,425,395	5,493,968	18,798	5,203	3,444,193	5,499,171	-37.37%
Net assets:							
Invested in capital assets, net of related debt	2,677,024	2,681,956	31,630	32,974	2,708,654	2,714,930	-0.23%
Restricted	658,301	550,461	0	0	658,301	550,461	19.59%
Unrestricted	(154,512)	(327,191)	13,252	6,688	(141,260)	(320,503)	55.93%
Total net assets	\$ 3,180,813	2,905,226	44,882	39,662	3,225,695	2,944,888	9.54%

The District's combined net assets increased by 9.54%, or \$280,807, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$107,840, or 19.59% 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 – increased \$179,243, or 55.93%. The increase is primarily the result of the increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 630,213	328,602	150,719	151,443	780,932	480,045	62.68%
Operating grants, contributions and restricted interest	541,263	1,096,042	152,233	150,041	693,496	1,246,083	-44.35%
Capital grants, contributions and restricted interest	8,065	7,258	0	0	8,065	7,258	11.12%
General revenues:							
Property tax	2,538,059	2,248,331	0	0	2,538,059	2,248,331	12.89%
Statewide sales, services and use tax	342,178	318,372	0	0	342,178	318,372	7.48%
Unrestricted state grants	1,948,611	1,424,696	0	0	1,948,611	1,424,696	36.77%
Nonspecific program federal grants	152,011	0	0	0	152,011	0	100.00%
Other	198,102	74,991	3,527	1,015	201,629	76,006	165.28%
Transfers	(1,968)	(5,840)	1,968	5,840	0	0	0.00%
Total revenues and transfers	6,356,534	5,492,452	308,447	308,339	6,664,981	5,800,791	14.90%
Program expenses:							
Governmental activities:							
Instruction	3,949,661	4,028,852	0	0	3,949,661	4,028,852	-1.97%
Support services	1,813,484	1,545,609	23,657	7,507	1,837,141	1,553,116	18.29%
Non-instructional programs	3,934	1,789	279,570	307,899	283,504	309,688	-8.45%
Other expenses	313,868	401,390	0	0	313,868	401,390	-21.80%
Total expenses	6,080,947	5,977,640	303,227	315,406	6,384,174	6,293,046	1.45%
Change in net assets	275,587	(485,188)	5,220	(7,067)	280,807	(492,255)	157.05%
Beginning net assets	2,905,226	3,390,414	39,662	46,729	2,944,888	3,437,143	-14.32%
Ending net assets	\$ 3,180,813	2,905,226	44,882	39,662	3,225,695	2,944,888	9.54%

In fiscal 2011, property tax and unrestricted state grants account for 70.58% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.22% of the revenue from business type activities.

The District's total revenues were approximately \$6.67 million of which approximately \$6.36 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14.90% increase in revenues and a 1.45% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$6,356,534 and expenses were \$6,080,947.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional, and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change	2011	2010	Change
			2010-11			2010-11
Instruction	\$ 3,949,661	4,028,852	-1.97%	3,038,330	2,828,140	7.43%
Support services	1,813,484	1,545,609	17.33%	1,756,418	1,529,992	14.80%
Non-instructional	3,934	1,789	119.90%	3,934	1,789	119.90%
Other expenses	313,868	401,390	-21.80%	102,724	185,817	-44.72%
Totals	\$ 6,080,947	5,977,640	1.73%	4,901,406	4,545,738	7.82%

For the year ended June 30, 2011:

- The cost financed by users of the District’s programs was \$630,213.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$549,328.
- The net cost of governmental activities was financed with \$2,538,059 in property tax, \$1,948,611 in unrestricted state grants, \$342,178 in statewide sales, services and use tax, \$152,011 in nonspecific program federal grants, \$1,560 in interest income, and \$194,574 in other general revenue net of transfers.

Business Type Activities

Revenues of the District’s business type activities were \$308,447 and expenses were \$303,227. 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, investment income and capital contributions.

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 \$588,203, an increase from last year’s ending fund balance of a \$346,235. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in the District’s General Fund balance.

Governmental Fund Highlights

- The District’s General Fund financial position increased from a deficit \$260,645 to a deficit \$54,146. Revenues increased as compared to fiscal 2010, primarily due to the increase in local and state sources. The expenditures decreased, due to the decrease in instructional expenditures during the year.
- The Capital Projects fund balance increased during the current year, from \$360,192 to \$375,049. The Capital Projects fund assists the District in maintaining its infrastructure and creating the funding for future projects. The beginning balance was restated as a result of the Physical Plant and Equipment Levy fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. This increase resulted from the Statewide Sales, Services and Use Tax Fund revenues outpacing expenditures during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$39,662 at June 30, 2010 to \$44,882 at June 30, 2011, representing an increase of 13.16%. The Nutrition Fund received capital contributions from the Statewide Sales, Services and Use Tax Fund for new kitchen equipment.

BUDGETARY HIGHLIGHTS

Over the course of the year, Southern Cal Community School District amended its budget one time to reflect additional expenditures in the non-instructional programs and other expenditures functional areas.

The District's revenues were \$265,180 more than budgeted revenues, a variance of 4.14%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$2,708,654, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$245,910.

The original cost of the District's capital assets was \$8,035,398. Governmental funds account for \$7,936,529 with the remainder of \$98,869 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's investment in construction in progress totaled \$66,366 at June 30, 2011, compared to \$0 reported at June 30, 2010. The difference was attributable to architect fees for the new music building construction project.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 31,326	31,327	0	0	31,326	31,327	0.00%
Construction in progress	66,366	0	0	0	66,366	0	100.00%
Buildings	1,699,128	1,767,516	0	0	1,699,128	1,767,516	-3.87%
Land improvements	215,238	244,383	0	0	215,238	244,383	-11.93%
Machinery and equipment	664,966	638,730	31,630	32,974	696,596	671,704	3.71%
Total	\$ 2,677,024	2,681,956	31,630	32,974	2,708,654	2,714,930	-0.23%

Long-Term Debt

At June 30, 2011, the District had \$87,488 in long-term debt outstanding. This represents a decrease of 29.74% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$790 outstanding in compensated absences payable from the General Fund as of June 30, 2011.

The District had \$30,073 in early retirement benefits payable at June 30, 2011, that are 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 \$56,635 at June 30, 2011.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Early retirement	30,073	90,219	0	0	30,073	90,219	-66.67%
Compensated absences	790	5,708	0	0	790	5,708	-86.16%
Net OPEB obligation	53,551	27,038	3,074	1,552	56,625	28,590	98.06%
Total	\$ 84,414	122,965	3,074	1,552	87,488	124,517	-29.74%

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 2011 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.

-
- The District has approved a three-year Whole Grade Sharing agreement with Rockwell City-Lytton CSD to begin in the 2011-2012 school year. Financial impacts anticipated are an increase in state aid for sharing incentives beginning in FY13, an increase in local revenues for Whole Grade Sharing expenses paid to the District, and a decrease in expenditures for personnel due to staff reductions and efficiencies.
 - The District has completed the first of three years of an athletic sharing agreement with Rockwell City-Lytton CSD. The District has maintained control of its own Activity Fund as well as absorbed all Activity Fund revenues and expenditures for the shared athletic programs for the current fiscal year. All Activity Funds, including co-curricular activities, for both districts will be merged into Southern Cal's Activity Fund in FY12, thus increasing Activity Fund revenues and expenditures.

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, PO Box 45, Lake City, Iowa, 51449-0045.

BASIC FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 923,988	12,421	936,409
Receivables:			
Property tax:			
Delinquent	35,813	0	35,813
Succeeding year	2,711,231	0	2,711,231
Accounts	9,233	393	9,626
Due from other governments	248,919	6,331	255,250
Inventories	0	12,905	12,905
Capital assets, net of accumulated depreciation	2,677,024	31,630	2,708,654
TOTAL ASSETS	6,606,208	63,680	6,669,888
LIABILITIES			
Accounts payable	86,799	10,171	96,970
Deposits payable	17,500	0	17,500
Salaries and benefits payable	525,138	2,254	527,392
Deferred revenue:			
Succeeding year property tax	2,711,231	0	2,711,231
Other	313	0	313
Unearned revenue	0	3,299	3,299
Long-term liabilities:			
Portion due within one year:			
Compensated absences	790	0	790
Early retirement	30,073	0	30,073
Portion due after one year:			
Net OPEB liability	53,551	3,074	56,625
TOTAL LIABILITIES	3,425,395	18,798	3,444,193
NET ASSETS			
Invested in capital assets, net of related debt	2,677,024	31,630	2,708,654
Restricted for:			
Categorical funding	46,025	0	46,025
Management levy purposes	187,484	0	187,484
Student activities	49,743	0	49,743
School infrastructure	152,610	0	152,610
Physical plant and equipment	222,439	0	222,439
Unrestricted	(154,512)	13,252	(141,260)
TOTAL NET ASSETS	\$ 3,180,813	44,882	3,225,695

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Contributions and Restricted Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Governmental and Business Activities Type		Total
					Governmental Activities	Business Type	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,674,766	128,021	161,810	0	(2,384,935)	0	(2,384,935)
Special	482,334	993	26,528	0	(454,813)	0	(454,813)
Other	792,561	481,707	112,272	0	(198,582)	0	(198,582)
	<u>3,949,661</u>	<u>610,721</u>	<u>300,610</u>	<u>0</u>	<u>(3,038,330)</u>	<u>0</u>	<u>(3,038,330)</u>
Support services:							
Student	155,304	0	0	0	(155,304)	0	(155,304)
Instructional	181,536	0	3,101	0	(178,435)	0	(178,435)
Administration	560,801	0	1,430	0	(559,371)	0	(559,371)
Operation and maintenance of plant	663,673	0	0	8,065	(655,608)	0	(655,608)
Transportation	252,170	19,492	24,978	0	(207,700)	0	(207,700)
	<u>1,813,484</u>	<u>19,492</u>	<u>29,509</u>	<u>8,065</u>	<u>(1,756,418)</u>	<u>0</u>	<u>(1,756,418)</u>
Non-instructional programs:							
Food service operations	3,934	0	0	0	(3,934)	0	(3,934)
Other expenditures:							
AEA flowthrough	211,144	0	211,144	0	0	0	0
Depreciation(unallocated)*	102,724	0	0	0	(102,724)	0	(102,724)
	<u>313,868</u>	<u>0</u>	<u>211,144</u>	<u>0</u>	<u>(102,724)</u>	<u>0</u>	<u>(102,724)</u>
Total governmental activities	6,080,947	630,213	541,263	8,065	(4,901,406)	0	(4,901,406)
Business Type activities:							
Support services:							
Operation and maintenance of plant	23,657	0	0	0	0	(23,657)	(23,657)
Non-instructional programs:							
Nutrition services	279,570	150,719	152,233	0	0	23,382	23,382
Total business type activities	<u>303,227</u>	<u>150,719</u>	<u>152,233</u>	<u>0</u>	<u>0</u>	<u>(275)</u>	<u>(275)</u>
Total	\$ 6,384,174	780,932	693,496	8,065	(4,901,406)	(275)	(4,901,681)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,538,059	0	2,538,059
Statewide sales, services and use tax					342,178	0	342,178
Unrestricted state grants					1,948,611	0	1,948,611
Nonspecific program federal grants					152,011	0	152,011
Unrestricted investment earnings					1,560	0	1,560
Other general revenues					196,542	3,527	200,069
Transfers					(1,968)	1,968	0
Total general revenues and transfers					<u>5,176,993</u>	<u>5,495</u>	<u>5,182,488</u>
Change in net assets					275,587	5,220	280,807
Net assets beginning of year					<u>2,905,226</u>	<u>39,662</u>	<u>2,944,888</u>
Net assets end of year					<u>\$ 3,180,813</u>	<u>44,882</u>	<u>3,225,695</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 390,552	269,647	263,789	923,988
Receivables:				
Property tax:				
Delinquent	33,696	0	2,117	35,813
Succeeding year	2,546,323	64,908	100,000	2,711,231
Accounts	7,839	0	1,394	9,233
Due from other governments	124,623	124,296	0	248,919
TOTAL ASSETS	\$ 3,103,033	458,851	367,300	3,929,184
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 85,405	1,394	0	86,799
Deposits payable	0	17,500	0	17,500
Salaries and benefits payable	525,138	0	0	525,138
Deferred revenue:				
Succeeding year property tax	2,546,323	64,908	100,000	2,711,231
Other	313	0	0	313
Total liabilities	3,157,179	83,802	100,000	3,340,981
Fund balances:				
Restricted for:				
Categorical funding	46,025	0	0	46,025
Management levy purposes	0	0	217,557	217,557
Student activities	0	0	49,743	49,743
School infrastructure	0	152,610	0	152,610
Physical plant and equipment	0	222,439	0	222,439
Unassigned	(100,171)	0	0	(100,171)
Total fund balances	(54,146)	375,049	267,300	588,203
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,103,033	458,851	367,300	3,929,184

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, 2011

Total fund balances of governmental funds(page 20)	\$	588,203
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,677,024
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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.		(84,414)
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Net assets of governmental activities(page 18)	\$	<u>3,180,813</u>
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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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,388,039	342,178	150,020	2,880,237
Tuition	116,828	0	0	116,828
Other	266,970	106,033	346,549	719,552
State sources	2,293,859	0	73	2,293,932
Federal sources	347,953	0	0	347,953
Total revenues	<u>5,413,649</u>	<u>448,211</u>	<u>496,642</u>	<u>6,358,502</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,496,319	53,585	98,929	2,648,833
Special	480,419	0	0	480,419
Other	561,522	17,529	344,800	923,851
	<u>3,538,260</u>	<u>71,114</u>	<u>443,729</u>	<u>4,053,103</u>
Support services:				
Student	151,308	2,754	0	154,062
Instructional	180,628	0	0	180,628
Administration	513,319	39,014	3,570	555,903
Operation and maintenance of plant	394,007	1,212	18,264	413,483
Transportation	220,708	0	8,501	229,209
	<u>1,459,970</u>	<u>42,980</u>	<u>30,335</u>	<u>1,533,285</u>
Non-instructional programs:				
Food service operations	0	1,968	1,966	3,934
Other expenditures:				
Facilities acquisition	0	318,292	0	318,292
AEA flowthrough	211,144	0	0	211,144
	<u>211,144</u>	<u>318,292</u>	<u>0</u>	<u>529,436</u>
Total expenditures	<u>5,209,374</u>	<u>434,354</u>	<u>476,030</u>	<u>6,119,758</u>
Excess of revenues over expenditures	<u>204,275</u>	<u>13,857</u>	<u>20,612</u>	<u>238,744</u>
Other financing sources:				
Sale of property and equipment	2,224	1,000	0	3,224
Net change in fund balances	206,499	14,857	20,612	241,968
Fund balance beginning of year, as restated	(260,645)	360,192	246,688	346,235
Fund balance end of year	<u>\$ (54,146)</u>	<u>375,049</u>	<u>267,300</u>	<u>588,203</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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 241,968

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

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

Capital outlay expenditures	\$ 242,899	
Depreciation expense	(241,918)	
Loss on disposal of assets	(5,913)	(4,932)

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	\$ 4,918	
Early retirement	60,146	
Other postemployment benefits	(26,513)	38,551

Changes in net assets of governmental activities(page 19) \$ 275,587

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 12,421
Accounts receivable	393
Due from other governments	6,331
Inventories	12,905
Capital assets, net of accumulated depreciation	<u>31,630</u>
TOTAL ASSETS	<u>63,680</u>
LIABILITIES	
Accounts payable	10,171
Salary and benefits payable	2,254
Unearned revenues	3,299
Net OPEB liability	<u>3,074</u>
TOTAL LIABILITES	<u>18,798</u>
NET ASSETS	
Invested in capital assets	31,630
Unrestricted	<u>13,252</u>
TOTAL NET ASSETS	<u>\$ 44,882</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, 2011

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 150,719
Miscellaneous	3,527
TOTAL OPERATING REVENUES	154,246
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Salaries	9,165
Benefits	2,589
Services	2,134
Supplies	9,769
	23,657
Non-instructional programs:	
Food service operations:	
Salaries	88,645
Benefits	14,561
Supplies	172,372
Depreciation	3,992
Total non-instructional programs	279,570
TOTAL OPERATING EXPENSES	303,227
OPERATING LOSS	(148,981)
NON-OPERATING REVENUES:	
State sources	2,499
Federal sources	149,734
TOTAL NON-OPERATING REVENUES	152,233
Change in net assets before other financing sources	3,252
Other financing sources:	
Capital contributions	1,968
Changes in net assets	5,220
Net assets beginning of year	39,662
Net assets end of year	\$ 44,882

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 150,063
Cash received from miscellaneous	3,527
Cash payments to employees for services	(111,232)
Cash payments to suppliers for goods or services	(158,364)
Net cash used in operating activities	(116,006)
Cash flows from non-capital financing activities:	
State grants received	2,499
Federal grants received	124,104
Net cash provided by non-capital financing activities	126,603
Cash flows from capital and other financing activities:	
Purchase of assets	(680)
Net increase in cash and cash equivalents	9,917
Cash and cash equivalents at beginning of year	2,504
Cash and cash equivalents at end of year	\$ 12,421
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (148,981)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,299
Depreciation	3,992
Increase in inventories	(3,559)
Increase in accounts receivable	(352)
Increase in accounts payable	10,171
Increase in salaries and benefits payable	2,206
Decrease in unearned revenue	(304)
Increase in other postemployment benefit	1,522
Net cash used in operating activities	\$ (116,006)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$19,299.

During the year ended June 30, 2011, the Nutrition Fund received capital contributions of \$1,968 from the Statewide, Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 400</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 400</u>
Change in net assets	0
Net assets beginning of year	<u> 0</u>
Net assets end of year	<u><u>\$ 0</u></u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District reports the following non-major 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.

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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. During the year ended June 30, 2011, the District exceeded its General Fund unspent authorized balance.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 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, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$801,277 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 2010-11A warrants was 2.50%. The interest rate on the Series 2010-11B 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, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/25/10	6/23/11	\$ 0	425,000	425,000	0
2010-11B	1/21/11	1/21/12	0	135,000	135,000	0
Total			\$ 0	560,000	560,000	0

During the year ended June 30, 2011, the District paid \$1,416 of interest on ISCAP warrants.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,327	0	1	31,326
Construction in progress	0	66,366	0	66,366
Total capital assets not being depreciated	31,327	66,366	1	97,692
Capital assets being depreciated:				
Buildings	3,975,125	5,191	9,680	3,970,636
Land improvements	690,351	0	40,564	649,787
Machinery and equipment	3,170,176	171,342	123,104	3,218,414
Total capital assets being depreciated	7,835,652	176,533	173,348	7,838,837
Less accumulated depreciation for:				
Buildings	2,207,609	73,579	9,680	2,271,508
Land improvements	445,968	29,145	40,564	434,549
Machinery and equipment	2,531,446	139,194	117,192	2,553,448
Total accumulated depreciation	5,185,023	241,918	167,436	5,259,505
Total capital assets being depreciated, net	2,650,629	(65,385)	5,912	2,579,332
Governmental activities capital assets, net	\$ 2,681,956	981	5,913	2,677,024
Business type activities:				
Machinery and equipment	\$ 96,221	2,648	0	98,869
Less accumulated depreciation	63,247	3,992	0	67,239
Business type activities capital assets, net	\$ 32,974	(1,344)	0	31,630

Governmental expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 105,004
Other	4,258
Support services:	
Administration	1,388
Operation and maintenance of plant	5,711
Transportation	22,833
Unallocated depreciation	<u>102,724</u>
Total governmental activities depreciation expense	<u>\$ 241,918</u>
Business type activities:	
Food services	<u>\$ 3,992</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 5,708	790	5,708	790	790
Early retirement	90,219	0	60,146	30,073	30,073
Net OPEB liability	27,038	26,513	0	53,551	0
Total	<u>\$ 122,965</u>	<u>27,303</u>	<u>65,854</u>	<u>84,414</u>	<u>30,863</u>
Business type activities:					
Net OPEB liability	\$ 1,552	1,522	0	3,074	0

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 2010-11 school year, which will pay retirees one-half of their salary schedule. Payments will be made in 3 installments over an 18 month period. Eligible staff must be at least 55 years of age on or before July 31, 2011, and have served as a certified public school employee (teacher) for 18 years, and currently assigned in an elementary classroom as a majority of the teacher's duties or currently assigned in grade levels 7 or 8 as a majority of the teacher's duties. 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, 2011 totaled \$60,146.

(6) Pension and Retirement Benefits

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

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$206,922, \$207,422, and \$196,254, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

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 Districts OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 34,218
Interest on net OPEB obligation	715
Adjustment to annual required contribution	(3,008)
Annual OPEB cost	<u>31,925</u>
Contributions made	(3,890)
Increase in net OPEB obligation	<u>28,035</u>
Net OPEB obligation beginning of year	<u>28,590</u>
Net OPEB obligation end of year	<u><u>\$ 56,625</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, 2011.

For the year ended June 30, 2011, the District contributed \$3,890 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 31,756	9.97%	\$ 28,590
2011	31,925	12.18%	56,625

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$2,018,988, and the ratio of the UAAL to covered payroll was 14.47%. As of June 30, 2011 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.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and accidental death and dismemberment. District contributions to ISEBA for the year ended June 30, 2011 were \$35,902.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$211,144 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Home school assistance	\$ 1,779
Basic salary	35,073
Market factor incentives	2,717
Professional development for core curriculum	6,456
Total	<u>\$ 46,025</u>

(11) Deficit Fund Balance/Net Assets

The General Fund had deficit unassigned fund balance at June 30, 2011 of \$100,171, and a total deficit fund balance of \$54,146. The District also had a deficit unrestricted net assets balance in the governmental activities of \$154,512.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 138,753	221,439
Change in fund type classifications per implementation of GASB Statement No. 54	221,439	(221,439)
Balances July 1, 2010, as restated	<u>\$ 360,192</u>	<u>0</u>

(13) Construction Commitment

As of June 30, 2011, architect costs of \$66,366 had been incurred on construction contracts associated with the construction of a new music building. The construction contract had not been awarded as of June 30, 2011.

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, 2011

	Governmental		Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total			Actual	
	Actual	Actual	Actual	Original	Final	Variance	
Revenues:							
Local sources	\$ 3,716,617	154,246	3,870,863	3,523,424	3,523,424	347,439	
State sources	2,293,932	2,499	2,296,431	2,601,377	2,601,377	(304,946)	
Federal sources	347,953	149,734	497,687	275,000	275,000	222,687	
Total revenues	6,358,502	306,479	6,664,981	6,399,801	6,399,801	265,180	
Expenditures/Expenses:							
Instruction	4,053,103	0	4,053,103	4,398,628	4,398,628	345,525	
Support services	1,533,285	23,657	1,556,942	1,688,000	1,688,000	131,058	
Non-instructional programs	3,934	279,570	283,504	304,429	375,000	91,496	
Other expenditures	529,436	0	529,436	512,528	545,000	15,564	
Total expenditures/expenses	6,119,758	303,227	6,422,985	6,903,585	7,006,628	583,643	
Excess(Deficiency) of revenues over (under) expenditures/expenses	238,744	3,252	241,996	(503,784)	(606,827)	848,823	
Other financing sources, net	3,224	1,968	5,192	0	0	5,192	
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	241,968	5,220	247,188	(503,784)	(606,827)	854,015	
Balance beginning of year	346,235	39,662	385,897	614,645	614,645	(228,748)	
Balance end of year	\$ 588,203	44,882	633,085	110,861	7,818	625,267	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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 \$103,043.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 292,074	\$ 292,074	0.00%	\$ 2,527,727	11.55%
2011	July 1, 2009	0	292,074	292,074	0.00%	2,018,988	14.47%

See Note 7 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total Special Revenue Funds
Assets			
Cash and pooled investments	\$ 215,440	48,349	263,789
Receivables:			
Property tax:			
Delinquent	2,117	0	2,117
Succeeding year	100,000	0	100,000
Accounts	0	1,394	1,394
Total Assets	\$ 317,557	49,743	367,300
Liabilities and Fund Balances			
Liabilities			
Deferred revenue:			
Succeeding year property tax	\$ 100,000	0	100,000
Fund balances:			
Restricted for:			
Management levy purposes	217,557	0	217,557
Student activities	0	49,743	49,743
Total fund balances	217,557	49,743	267,300
Total Liabilities and Fund Balances	\$ 317,557	49,743	367,300

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, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total Special Revenue Funds
REVENUES:			
Local sources:			
Local tax	\$ 150,020	0	150,020
Other	7,120	339,429	346,549
State sources	73	0	73
TOTAL REVENUES	<u>157,213</u>	<u>339,429</u>	<u>496,642</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	98,929	0	98,929
Other	0	344,800	344,800
Support services:			
Administration	3,570	0	3,570
Operation and maintenance of plant	18,264	0	18,264
Transportation	8,501	0	8,501
Non-instructional programs:			
Food service operations	1,966	0	1,966
TOTAL EXPENDITURES	<u>131,230</u>	<u>344,800</u>	<u>476,030</u>
Excess(Deficiency) of revenues over(under) expenditures	25,983	(5,371)	20,612
Fund balance beginning of year, as restated	<u>191,574</u>	<u>55,114</u>	<u>246,688</u>
Fund balance end of year	<u>\$ 217,557</u>	<u>49,743</u>	<u>267,300</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 47,208	222,439	269,647
Receivables:			
Property tax:			
Succeeding year	0	64,908	64,908
Due from other governments	124,296	0	124,296
Total Assets	\$ 171,504	287,347	458,851
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,394	0	1,394
Deposit payable	17,500	0	17,500
Deferred revenue:			
Succeeding year property tax	0	64,908	64,908
Total liabilities	18,894	64,908	83,802
Fund balances:			
Restricted for:			
School infrastructure	152,610	0	152,610
Physical plant and equipment	0	222,439	222,439
Total fund balances	152,610	222,439	375,049
Total Liabilities and Fund Balances	\$ 171,504	287,347	458,851

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 342,178	0	342,178
Other	106,033	0	106,033
TOTAL REVENUES	448,211	0	448,211
EXPENDITURES:			
Current:			
Instruction:			
Regular	53,585	0	53,585
Other	17,529	0	17,529
Support services:			
Student	2,754	0	2,754
Administration	39,014	0	39,014
Operation and maintenance of plant	1,212	0	1,212
Non-instructional programs:			
Food service operations	1,968	0	1,968
Other expenditures:			
Facilities acquisitions	318,292	0	318,292
TOTAL EXPENDITURES	434,354	0	434,354
Excess of revenues over expenditures	13,857	0	13,857
OTHER FINANCING SOURCES:			
Sale of real property	0	1,000	1,000
Net change in fund balance	13,857	1,000	14,857
Fund balance beginning of year, as restated	138,753	221,439	360,192
Fund balance end of year	\$ 152,610	222,439	375,049

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activities:				
Academic Competitions	\$ 1,133	360	425	1,068
Activity Tickets	22,571	398	21,587	1,382
Athletic Awards	0	879	879	0
Baseball	0	3,452	3,452	0
Softball	0	3,649	3,104	545
Girls Basketball	0	4,221	3,971	250
Boys Basketball	0	4,889	4,653	236
Cross Country	0	3,939	2,789	1,150
Speech	1,099	730	1,334	495
Football	0	18,646	16,752	1,894
Girls Golf	0	529	454	75
Boys Golf	0	645	570	75
Music	389	5,083	5,452	20
Band	0	20	0	20
Football Camp	0	19,625	19,625	0
Girls Basketball Camp	359	6,981	5,988	1,352
Boys Basketball Camp	0	2,776	2,709	67
Cheer Camp	0	5,946	5,610	336
Girls Track	0	6,003	5,603	400
Boys Track	0	24,671	24,271	400
Volleyball	0	12,388	12,150	238
Wrestling	0	14,509	14,009	500
State Athletic Competitions	0	1,047	1,047	0
Drama	1,900	931	389	2,442
	<u>27,451</u>	<u>142,317</u>	<u>156,823</u>	<u>12,945</u>
Classes:				
Elementary	569	471	683	357
Class of 2010	1,867	0	1,120	747
Class of 2011	2,263	414	2,677	0
Class of 2012	990	9,403	7,154	3,239
Class of 2013	1,094	255	13	1,336
Class of 2014	0	270	186	84
Class of 2015	0	130	0	130
	<u>6,783</u>	<u>10,943</u>	<u>11,833</u>	<u>5,893</u>
Clubs/Organizations:				
Assoc. Foreign Students	129	0	0	129
FB & BB Cheerleaders	1,150	9,175	8,754	1,571
Wrestling Cheerleaders	0	1,452	1,177	275
Dance Team	862	9,293	8,339	1,816
National Honor Society	682	342	593	431
Student Council	2,593	1,576	1,202	2,967
Leadership Activities	1,626	315	176	1,765
	<u>7,042</u>	<u>22,153</u>	<u>20,241</u>	<u>8,954</u>

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts:				
General Athletics	1,307	5,926	5,310	1,923
Titans Uniforms	0	109,129	104,322	4,807
Field Trips	0	455	455	0
7-12 Projects	212	588	362	438
Public Relations	0	454	454	0
	<u>1,519</u>	<u>116,552</u>	<u>110,903</u>	<u>7,168</u>
School Projects:				
Annual	4,169	6,730	7,322	3,577
7-8 Yearbook	141	185	166	160
HS Pop Machines	400	3,520	3,720	200
Elementary Student Council	46	20	26	40
Art Projects	24	30	54	0
Tech Trends	424	0	424	0
Booster Club	0	51	51	0
	<u>5,204</u>	<u>10,536</u>	<u>11,763</u>	<u>3,977</u>
Vocational Organizations:				
FFA	6,851	36,928	33,237	10,542
HOSA	264	0	0	264
	<u>7,115</u>	<u>36,928</u>	<u>33,237</u>	<u>10,806</u>
Total	<u>\$ 55,114</u>	<u>339,429</u>	<u>344,800</u>	<u>49,743</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,880,237	2,566,723	2,450,216	2,113,203	2,091,889	1,917,997	1,866,376	2,116,535
Tuition	116,828	120,083	181,497	138,182	135,802	98,028	131,576	93,216
Other	719,552	281,154	317,846	340,506	296,519	270,932	225,587	219,367
Intermediate sources	0	0	15,000	0	0	0	0	11,510
State sources	2,293,932	2,058,633	2,537,915	2,634,072	2,382,174	2,397,510	2,359,933	2,083,026
Federal sources	347,953	464,261	230,084	174,928	198,668	166,716	186,292	170,190
Total	<u>\$ 6,358,502</u>	<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	\$ 2,648,833	2,709,024	2,437,931	2,346,074	2,125,130	2,109,405	1,995,247	1,951,514
Special	480,419	565,184	537,733	522,718	467,570	522,280	507,746	531,786
Other	923,851	702,821	699,095	611,385	590,928	529,754	540,921	434,826
Support services:								
Student	154,062	167,987	159,382	149,470	140,885	187,915	214,235	225,416
Instructional	180,628	139,996	166,593	190,250	183,829	247,289	180,399	143,133
Administration	555,903	514,867	542,277	581,207	512,647	438,969	436,747	433,748
Operation and maintenance of plant	413,483	431,149	496,056	549,271	506,917	507,032	540,056	544,005
Transportation	229,209	306,437	353,395	318,174	305,514	220,760	259,764	169,776
Non-instructional programs	3,934	1,789	0	1,000	0	0	5,315	5,541
Other expenditures:								
Facilities acquisitions	318,292	519,177	187,969	66,929	68,306	80,870	0	0
AEA flowthrough	211,144	208,315	191,962	185,999	180,287	175,739	175,873	178,412
Total	<u>\$ 6,119,758</u>	<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

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2012. 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, 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 I of the accompanying Schedule of Finding as item I-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Cal Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southern Cal Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 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
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - For the year ended June 30, 2011, the District exceeded its General Fund unspent authorized budget.
- Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.
- Response - The District has completed its third year of a negative unspent balance and worked with the SBRC to develop a continued plan to correct and improve the unspent balance. The most recent plan has been submitted and accepted by the SBRC in March 2012. The District expects that increases in revenues due to the Instructional Support Levy and Whole Grade Sharing in combination with a reduction of expenditures due to personnel reduction and shared expenses in the Whole Grade Sharing agreement will result in a positive unspent balance at the end of FY12.
- Conclusion - Response accepted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance noted 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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	138,753
Revenues/transfers in:			
Sales tax revenues	\$	342,178	
Other local revenues		106,033	448,211
			<u>586,964</u>
Expenditures/transfers out:			
School infrastructure construction		16,704	
Equipment		88,095	
Other		329,555	434,354
			<u>434,354</u>
Ending Balance		\$	<u>152,610</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 Financial Condition - The General Fund had a deficit unassigned fund balance of \$100,171, and a total deficit balance of \$54,146. The District also had deficit unrestricted net assets in the governmental activities of \$154,512.

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

Response - The District is working to improve its financial position and reduce and eliminate deficits in fund balances.

Conclusion - Response accepted.