

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Southern Cal Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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(Before September 2011 Election)

Board of Education

Jim Brown	President	2013
Larry Irwin	Vice President	2013
Alan Wedemeyer	Board Member	2013
Tommy Campbell	Board Member	2011
Mark Schleisman	Board Member	2011

(After September 2011 Election)

Board of Education

Jim Brown	President	2013
Mark Schleisman	Vice President	2015
Alan Wedemeyer	Board Member	2013
Larry Irwin	Board Member	2013
Judy Hungate	Board Member	2015

School Officials

Jeff Kruse	Superintendent	2012
Carol Collins	District Secretary/ Business Manager	2012
Rick Franck	Attorney	2012

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2012, 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, 2012, 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 7, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Findings Progress for the Retiree Health Plan on pages 7

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through 17 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in a appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,415,873 in fiscal 2011 to \$6,635,683 in fiscal 2012, while General Fund expenditures increased from \$5,209,374 in fiscal 2011 to \$5,843,711 in fiscal 2012. The District's General Fund balance increased from a deficit balance of \$54,156 in fiscal 2011 to a positive balance of \$737,826 in fiscal 2012, a 1,462.66% increase from the prior year.
- The increase in General Fund revenues was attributable to whole grade sharing revenue from Rockwell City-Lytton Community School District and state revenues for operational sharing incentives. The increase in expenditures was due primarily to an increase in instructional expenditures related to whole grade sharing with Rockwell City-Lytton Community School District.

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.

Supplementary Information provides detailed information about the non-major governmental funds.

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

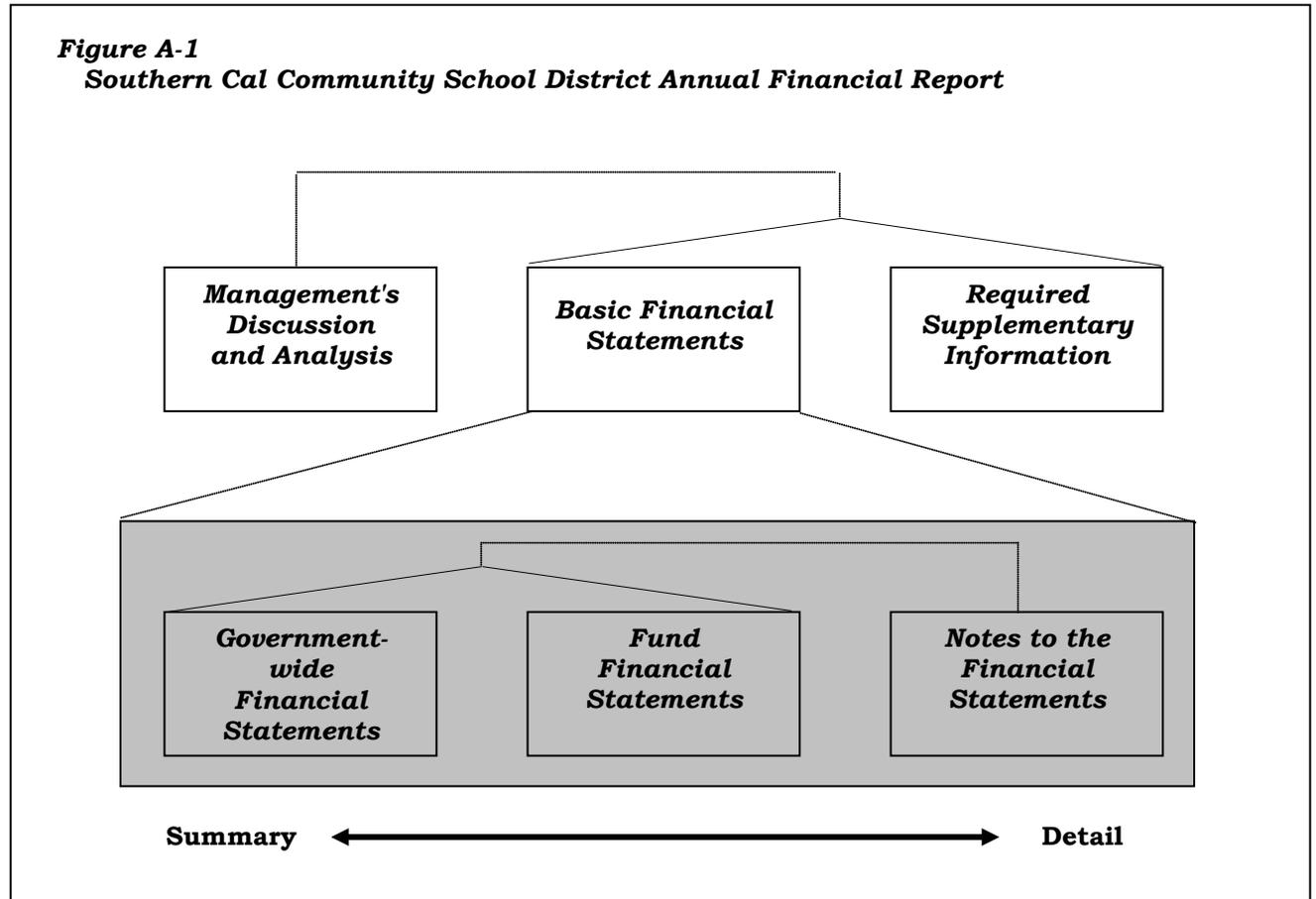


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 net assets • Statement of revenues, expenses and changes in fund 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, Debt Service Fund and the Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise 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 Net Assets, Statement of Revenues, Expenses and Changes in Fund 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, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 5,242,394	3,929,184	32,917	32,050	5,275,311	3,961,234	33.17%
Capital assets	4,398,238	2,677,024	27,338	31,630	4,425,576	2,708,654	63.39%
Total assets	9,640,632	6,606,208	60,255	63,680	9,700,887	6,669,888	45.44%
Long-term obligations	2,042,081	84,414	4,693	3,074	2,046,774	87,488	2239.49%
Other liabilities	3,548,602	3,340,981	3,274	15,724	3,551,876	3,356,705	5.81%
Total liabilities	5,590,683	3,425,395	7,967	18,798	5,598,650	3,444,193	62.55%
Net assets:							
Invested in capital assets, net of related debt	2,548,238	2,677,024	27,338	31,630	2,575,576	2,708,654	-4.91%
Restricted	919,133	658,301	0	0	919,133	658,301	39.62%
Unrestricted	582,578	(154,512)	24,950	13,252	607,528	(141,260)	530.08%
Total net assets	\$ 4,049,949	3,180,813	52,288	44,882	4,102,237	3,225,695	27.17%

The District's combined net assets increased by 27.17%, or \$876,542, 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 \$260,832, or 39.62% over the prior year. This increase was primarily the result of a increase in fund balance of the Debt Service Fund.

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 \$748,788, or 530.08%. The increase is primarily the result of the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,501,981	630,213	165,801	150,719	1,667,782	780,932	113.56%
Operating grants, contributions and restricted interest	468,782	541,263	142,046	152,233	610,828	693,496	-11.92%
Capital grants, contributions and restricted interest	2,616	8,065	0	0	2,616	8,065	-67.56%
General revenues:							
Property tax	2,711,326	2,538,059	0	0	2,711,326	2,538,059	6.83%
Statewide sales, services and use tax	374,483	342,178	0	0	374,483	342,178	9.44%
Unrestricted state grants	2,299,052	1,948,611	0	0	2,299,052	1,948,611	17.98%
Nonspecific program federal grants	1,482	152,011	0	0	1,482	152,011	-99.03%
Unrestricted investment earnings	4,415	1,560	0	0	4,415	1,560	183.01%
Other	170,645	196,542	880	3,527	171,525	200,069	-14.27%
Transfers	0	(1,968)	0	1,968	0	0	0.00%
Total revenues and transfers	7,534,782	6,356,534	308,727	308,447	7,843,509	6,664,981	17.68%
Program expenses:							
Governmental activities:							
Instruction	4,581,157	3,949,661	0	0	4,581,157	3,949,661	15.99%
Support services	1,755,683	1,813,484	19,660	23,657	1,775,343	1,837,141	-3.36%
Non-instructional programs	1,949	3,934	281,661	279,570	283,610	283,504	0.04%
Other expenses	326,857	313,868	0	0	326,857	313,868	4.14%
Total expenses	6,665,646	6,080,947	301,321	303,227	6,966,967	6,384,174	9.13%
Change in net assets	869,136	275,587	7,406	5,220	876,542	280,807	-212.15%
Beginning net assets	3,180,813	2,905,226	44,882	39,662	3,225,695	2,944,888	9.54%
Ending net assets	\$ 4,049,949	3,180,813	52,288	44,882	4,102,237	3,225,695	27.17%

In fiscal 2012, property tax and unrestricted state grants account for 66.50% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.71% of the revenue from business type activities.

The District's total revenues were approximately \$7.84 million of which approximately \$7.53 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 17.68% increase in revenues and a 9.13% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$7,534,782 and expenses were \$6,665,646.

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, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,581,157	3,949,661	15.99%	3,685,840	3,038,330	21.31%
Support services	1,755,683	1,813,484	-3.19%	864,323	1,756,418	-50.79%
Non-instructional	1,949	3,934	-50.46%	1,949	3,934	-50.46%
Other expenses	326,857	313,868	4.14%	140,155	102,724	36.44%
Totals	\$ 6,665,646	6,080,947	9.62%	4,692,267	4,901,406	-4.27%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,501,981.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$471,398.
- The net cost of governmental activities was financed with \$2,711,326 in property tax, \$2,299,052 in unrestricted state grants, \$374,483 in statewide sales, services and use tax, \$1,482 in nonspecific program federal grants, \$4,415 in interest income, and \$170,645 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$308,727 and expenses were \$301,321. 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.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,693,792, an increase from last year's ending fund balance of a \$588,203. The primary reason for the increase in combined fund balances in fiscal 2012 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 \$54,146 at June 30, 2011 to a positive balance of \$737,826 at June 30, 2012. Revenues increased as compared to fiscal 2011, primarily due to the increase in local sharing dollars and state sources. The expenditures increased, due to the increase in instructional expenditures during the year.
- The Capital Projects fund balance increased during the current year, from \$375,049 at June 30, 2011 to \$449,336 at June 30, 2012. This increase resulted from the Statewide Sales, Services and Use Tax Fund balance increasing from \$152,610 at June 30, 2011 to \$238,649 at June 30, 2012. The Physical Plant and Equipment Levy Fund balance decreased from \$222,439 at June 30, 2012 to \$210,687 at the end of fiscal 2012.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$44,882 at June 30, 2011 to \$52,288 at June 30, 2012, representing an increase of 16.50%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$1,058,760 more than budgeted revenues, a variance of 15.60%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to an increase in the amount of anticipated expenses related to whole grade sharing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$4,425,576, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$222,334.

The original cost of the District's capital assets was \$9,947,733. Governmental funds account for \$9,848,864 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 \$1,854,770 at June 30, 2012, compared to \$66,366 reported at June 30, 2011. The difference was contributable to progress made on contracts regarding a high school addition and remodeling project.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 31,326	31,326	0	0	31,326	31,326	0.00%
Construction in progress	1,854,770	66,366	0	0	1,854,770	66,366	2694.76%
Buildings	1,624,956	1,699,128	0	0	1,624,956	1,699,128	-4.37%
Land improvements	185,303	215,238	0	0	185,303	215,238	-13.91%
Machinery and equipment	701,883	664,966	27,338	31,630	729,221	696,596	4.68%
Total	\$ 4,398,238	2,677,024	27,338	31,630	4,425,576	2,708,654	63.39%

Long-Term Debt

At June 30, 2012, the District had \$2,046,774 in long-term debt outstanding. This represents a increase of 2239.49% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had \$1,850,000 in revenue bonds payable as of June 30, 2012.

The District had \$4,859 outstanding in compensated absences payable from the General Fund as of June 30, 2012.

The District had \$105,481 in early retirement benefits payable at June 30, 2012, 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 \$86,434 at June 30, 2012.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenue bonds	1,850,000	0	0	0	1,850,000	0	100.00%
Early retirement	105,481	30,073	0	0	105,481	30,073	250.75%
Compensated absences	4,859	790	0	0	4,859	790	515.06%
Net OPEB obligation	81,741	53,551	4,693	3,074	86,434	56,625	52.64%
Total	\$ 2,042,081	84,414	4,693	3,074	2,046,774	87,488	2239.49%

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. A portion of future sales tax receipts are pledged for payment of revenue bonds related to the high school addition and remodeling project.
- Fluctuations in health care premiums over recent years make forecasting future cost difficult and remain a concern for the District. Also the requirements of the Health Care Reform Act on benefit offerings and expenses will impact future decision-making processes for personnel levels.
- 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 staffing levels and District expenses related to personnel to utilize efficiencies created by whole grade sharing.
- 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.
- On February 5, 2013, the District and the Rockwell City-Lytton Community School District held a public vote for consolidation of the two districts. Residents of the District passed a resolution to merge with Rockwell City-Lytton Community School District on a 79.81% vote. Residents of the Rockwell City-Lytton Community School District passed a resolution to merge with the District on a 79.06% vote. The two districts will be officially consolidated as of July 1, 2014.
- The Southern Cal board of directors voted to close the elementary building in Lohrville at the end of 2011-2012 school year and expand whole grade sharing with Rockwell City-Lytton Community School District to include all K-12 students. A forecast of the personnel and facility savings coupled with the increased temporary sharing incentives.
- Forecasting for future decreases in revenues related to declining enrollment and loss of sharing incentives from the state require current budget monitoring and planning future instructional programming and staffing.

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.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 2,179,439	25,022	2,204,461
Receivables:			
Property tax:			
Delinquent	38,017	0	38,017
Succeeding year	2,643,833	0	2,643,833
Accounts	3,857	37	3,894
Due from other governments	377,248	0	377,248
Inventories	0	7,858	7,858
Capital assets, net of accumulated depreciation	4,398,238	27,338	4,425,576
TOTAL ASSETS	9,640,632	60,255	9,700,887
LIABILITIES			
Accounts payable	490,892	8	490,900
Salaries and benefits payable	413,877	0	413,877
Deferred revenue:			
Succeeding year property tax	2,643,833	0	2,643,833
Unearned revenue	0	3,266	3,266
Long-term liabilities:			
Portion due within one year:			
Revenue bond payable	170,000	0	170,000
Compensated absences	4,859	0	4,859
Early retirement	105,481	0	105,481
Portion due after one year:			
Revenue bond payable	1,680,000	0	1,680,000
Net OPEB liability	81,741	4,693	86,434
TOTAL LIABILITIES	5,590,683	7,967	5,598,650
NET ASSETS			
Invested in capital assets, net of related debt	2,548,238	27,338	2,575,576
Restricted for:			
Categorical funding	66,971	0	66,971
Management levy purposes	101,624	0	101,624
Student activities	101,147	0	101,147
School infrastructure	238,649	0	238,649
Physical plant and equipment	210,687	0	210,687
Debt service	200,055	0	200,055
Unrestricted:	582,578	24,950	607,528
TOTAL NET ASSETS	\$ 4,049,949	52,288	4,102,237

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,052,632	106,951	53,828	0	(2,891,853)	0	(2,891,853)
Special	663,330	149,867	25,044	0	(488,419)	0	(488,419)
Other	865,195	357,746	201,881	0	(305,568)	0	(305,568)
	<u>4,581,157</u>	<u>614,564</u>	<u>280,753</u>	<u>0</u>	<u>(3,685,840)</u>	<u>0</u>	<u>(3,685,840)</u>
Support services:							
Student	234,835	93,033	0	0	(141,802)	0	(141,802)
Instructional staff	242,210	726,664	0	0	484,454	0	484,454
Administration	575,969	59,622	0	0	(516,347)	0	(516,347)
Operation and maintenance of plant	445,771	0	313	2,616	(442,842)	0	(442,842)
Transportation	256,898	8,098	1,014	0	(247,786)	0	(247,786)
	<u>1,755,683</u>	<u>887,417</u>	<u>1,327</u>	<u>2,616</u>	<u>(864,323)</u>	<u>0</u>	<u>(864,323)</u>
Non-instructional programs:							
Food service operations	1,949	0	0	0	(1,949)	0	(1,949)
Long-term debt interest	36,048	0	0	0	(36,048)	0	(36,048)
Other expenditures:							
AEA flowthrough	186,702	0	186,702	0	0	0	0
Depreciation(unallocated)*	104,107	0	0	0	(104,107)	0	(104,107)
	<u>326,857</u>	<u>0</u>	<u>186,702</u>	<u>0</u>	<u>(140,155)</u>	<u>0</u>	<u>(140,155)</u>
Total governmental activities	6,665,646	1,501,981	468,782	2,616	(4,692,267)	0	(4,692,267)
Business Type activities:							
Support services:							
Operation and maintenance of plant	19,660	0	0	0	0	(19,660)	(19,660)
Non-instructional programs:							
Nutrition services	281,661	165,801	142,046	0	0	26,186	26,186
Total business type activities	<u>301,321</u>	<u>165,801</u>	<u>142,046</u>	<u>0</u>	<u>0</u>	<u>6,526</u>	<u>6,526</u>
Total	\$ 6,966,967	1,667,782	610,828	2,616	(4,692,267)	6,526	(4,685,741)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,646,430	0	2,646,430
Debt service					64,896	0	64,896
Statewide sales, services and use tax					374,483	0	374,483
Unrestricted state grants					2,299,052	0	2,299,052
Nonspecific program federal grants					1,482	0	1,482
Unrestricted investment earnings					4,415	0	4,415
Other general revenues					170,645	880	171,525
Total general revenues and transfers					<u>5,561,403</u>	<u>880</u>	<u>5,562,283</u>
Change in net assets					869,136	7,406	876,542
Net assets beginning of year					3,180,813	44,882	3,225,695
Net assets end of year					<u>\$ 4,049,949</u>	<u>52,288</u>	<u>4,102,237</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, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,131,844	372,704	674,891	2,179,439
Receivables:				
Property tax:				
Delinquent	35,705	910	1,402	38,017
Succeeding year	2,474,171	64,662	105,000	2,643,833
Accounts	3,857	0	0	3,857
Due from other governments	231,352	145,896	0	377,248
TOTAL ASSETS	\$ 3,876,929	584,172	781,293	5,242,394
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 251,055	70,174	169,663	490,892
Salaries and benefits payable	413,877	0	0	413,877
Deferred revenue:				
Succeeding year property tax	2,474,171	64,662	105,000	2,643,833
Total liabilities	3,139,103	134,836	274,663	3,548,602
Fund balances:				
Restricted for:				
Categorical funding	66,971	0	0	66,971
Management levy purposes	0	0	207,105	207,105
Student activities	0	0	101,147	101,147
School infrastructure	0	238,649	0	238,649
Physical plant and equipment	0	210,687	0	210,687
Debt service	0	0	200,055	200,055
Assigned for operational sharing	165,729	0	0	165,729
Unassigned:				
General	505,126	0	0	505,126
Activity	0	0	(1,677)	(1,677)
Total fund balances	737,826	449,336	506,630	1,693,792
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,876,929	584,172	781,293	5,242,394

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, 2012

Total fund balances of governmental funds(page 22)	\$ 1,693,792
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,398,238
Long-term liabilities, including bonds payable, compensated absences and early retirement, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,042,081)</u>
Net assets of governmental activities(page 20)	<u>\$ 4,049,949</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,546,450	439,379	99,980	3,085,809
Tuition	242,017	0	0	242,017
Other	1,077,974	10,988	348,678	1,437,640
State sources	2,612,682	29	45	2,612,756
Federal sources	156,560	0	0	156,560
Total revenues	<u>6,635,683</u>	<u>450,396</u>	<u>448,703</u>	<u>7,534,782</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,859,328	24,595	80,508	2,964,431
Special	661,294	0	0	661,294
Other	585,663	0	293,337	879,000
	<u>4,106,285</u>	<u>24,595</u>	<u>373,845</u>	<u>4,504,725</u>
Support services:				
Student	208,710	0	0	208,710
Instructional staff	231,475	0	0	231,475
Administration	527,970	13,801	3,942	545,713
Operation and maintenance of plant	356,021	5,727	21,666	383,414
Transportation	226,548	76,677	7,971	311,196
	<u>1,550,724</u>	<u>96,205</u>	<u>33,579</u>	<u>1,680,508</u>
Non-instructional programs:				
Food service operations	0	0	1,949	1,949
Capital outlays	0	1,844,512	0	1,844,512
Long-term debt:				
Principal	0	0	150,000	150,000
Interest and fiscal charges	0	0	36,048	36,048
	<u>0</u>	<u>0</u>	<u>186,048</u>	<u>186,048</u>
Other expenditures:				
AEA flowthrough	186,702	0	0	186,702
Total expenditures	<u>5,843,711</u>	<u>1,965,312</u>	<u>595,421</u>	<u>8,404,444</u>
Excess(deficiency) of revenues over(under) expenditures	791,972	(1,514,916)	(146,718)	(869,662)
Other financing sources(uses):				
Transfers in	0	0	386,048	386,048
Transfers out	0	(386,048)	0	(386,048)
Revenue bond issuance	0	2,000,000	0	2,000,000
Discount on revenue bond issuance	0	(24,749)	0	(24,749)
Total other financing sources(uses)	<u>0</u>	<u>1,589,203</u>	<u>386,048</u>	<u>1,975,251</u>
Net change in fund balances	791,972	74,287	239,330	1,105,589
Fund balance beginning of year	(54,146)	375,049	267,300	588,203
Fund balance end of year	<u>\$ 737,826</u>	<u>449,336</u>	<u>506,630</u>	<u>1,693,792</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, 2012

Net change in fund balances - total governmental funds(page 24) \$ 1,105,589

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Amounts for capital outlay expenditures and depreciation expense, are as follows:

Capital outlay expenditures	\$ 1,939,256	
Depreciation expense	(218,042)	1,721,214

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(2,000,000)	
Repaid	150,000	(1,850,000)

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	\$ (4,069)	
Early retirement	(75,408)	
Other postemployment benefits	(28,190)	(107,667)

Changes in net assets of governmental activities(page 21) \$ 869,136

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 25,022
Accounts receivable	37
Inventories	7,858
Capital assets, net of accumulated depreciation	27,338
TOTAL ASSETS	60,255
LIABILITIES	
Accounts payable	8
Unearned revenues	3,266
Net OPEB liability	4,693
TOTAL LIABILITES	7,967
NET ASSETS	
Invested in capital assets	27,338
Unrestricted	24,950
TOTAL NET ASSETS	\$ 52,288

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 165,801
Miscellaneous	880
TOTAL OPERATING REVENUES	166,681
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Salaries	9,300
Benefits	4,710
Services	2,175
Supplies	3,475
	19,660
Non-instructional programs:	
Food service operations:	
Salaries	88,316
Benefits	13,720
Services	270
Supplies	175,063
Depreciation	4,292
Total non-instructional programs	281,661
TOTAL OPERATING EXPENSES	301,321
OPERATING LOSS	(134,640)
NON-OPERATING REVENUES:	
State sources	2,549
Federal sources	139,497
TOTAL NON-OPERATING REVENUES	142,046
Changes in net assets	7,406
Net assets beginning of year	44,882
Net assets end of year	\$ 52,288

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 166,124
Cash received from miscellaneous	880
Cash payments to employees for services	(116,681)
Cash payments to suppliers for goods or services	(169,739)
Net cash used in operating activities	(119,416)
Cash flows from non-capital financing activities:	
State grants received	2,549
Federal grants received	129,468
Net cash provided by non-capital financing activities	132,017
Net increase in cash and cash equivalents	12,601
Cash and cash equivalents at beginning of year	12,421
Cash and cash equivalents at end of year	\$ 25,022
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (134,640)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,360
Depreciation	4,292
Decrease in inventories	5,047
Decrease in accounts receivable	356
Decrease in accounts payable	(10,163)
Decrease in salaries and benefits payable	(2,254)
Decrease in unearned revenue	(33)
Increase in other postemployment benefit	1,619
Net cash used in operating activities	\$ (119,416)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$16,360.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2012

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 3,630
Liabilities	0
Net Assets	
Restricted for scholarships	\$ 3,630

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 5,580
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,950
Change in net assets	3,630
Net assets beginning of year	0
Net assets end of year	\$ 3,630

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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-preschool. 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 service.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012. 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.

Assigned - Amounts the Board intends to use for specific purposes.

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, 2012, expenditures exceeded the amounts budgeted in the instruction and support services functions.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 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, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$490,461 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 386,048

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax fund to the Debt Service fund was for payments of the District's revenue bond indebtedness.

(4) 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 2011-12A warrants was 2.00%. A summary of the District's participation in ISCAP as of June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	7/6/11	6/21/12	\$ 0	15,001	15,001	0

During the year ended June 30, 2012, the District paid \$84 of interest on ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,326	0	0	31,326
Construction in progress	66,366	1,788,404	0	1,854,770
Total capital assets not being depreciated	97,692	1,788,404	0	1,886,096
Capital assets being depreciated:				
Buildings	3,970,636	0	1,230	3,969,406
Land improvements	649,787	0	5,355	644,432
Machinery and equipment	3,218,414	150,852	20,336	3,348,930
Total capital assets being depreciated	7,838,837	150,852	26,921	7,962,768
Less accumulated depreciation for:				
Buildings	2,271,508	74,172	1,230	2,344,450
Land improvements	434,549	29,935	5,355	459,129
Machinery and equipment	2,553,448	113,935	20,336	2,647,047
Total accumulated depreciation	5,259,505	218,042	26,921	5,450,626
Total capital assets being depreciated, net	2,579,332	(67,190)	0	2,512,142
Governmental activities capital assets, net	\$ 2,677,024	1,721,214	0	4,398,238
Business type activities:				
Machinery and equipment	\$ 98,869	0	0	98,869
Less accumulated depreciation	67,239	4,292	0	71,531
Business type activities capital assets, net	\$ 31,630	(4,292)	0	27,338

Governmental expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 24,083
Other		11,263
Support services:		
Instructional staff		51,427
Administration		1,415
Operation and maintenance of plant		3,997
Transportation		21,750
Unallocated depreciation		<u>104,107</u>
Total governmental activities depreciation expense		<u>\$ 218,042</u>
Business type activities:		
Food services		<u>\$ 4,292</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012
Are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 0	2,000,000	150,000	1,850,000	170,000
Compensated absences	790	4,859	790	4,859	4,859
Early retirement	30,073	105,481	30,073	105,481	105,481
Net OPEB liability	53,551	28,190	0	81,741	0
Total	<u>\$ 84,414</u>	<u>2,138,530</u>	<u>180,863</u>	<u>2,042,081</u>	<u>280,340</u>
Business type activities:					
Net OPEB liability	\$ 3,074	1,619	0	4,693	0

Revenue Bonds

Detail of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of August 1, 2011			
	Interest Rate	Principal	Interest	Total
2013	1.00%	\$ 170,000	37,825	207,825
2014	1.25	200,000	36,125	236,125
2015	1.50	200,000	33,625	233,625
2016	1.75	205,000	30,625	235,625
2017	2.00	205,000	27,038	232,038
2018-2021	2.25-3.00	870,000	61,112	931,112
Total		<u>\$ 1,850,000</u>	<u>226,350</u>	<u>2,076,350</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,000,000 of bonds issued in August 2011. The bonds were issue for the purpose of financing a portion of the costs of school building additions. The bonds are payable solely from the proceeds of the statewide sales, services

and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 56% of the statewide sales, services and use tax revenues. The total principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$374,483.

The resolution provides the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$200,000 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

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 2011-12 school year, which will pay retirees one-third of their salary schedule. Payments will be made in one installment prior to November 20, 2012. Eligible staff must be at least 55 years of age on or before July 31, 2012, and have served as a certified public school employee (teacher) for 16 years. 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, 2012 totaled \$30,073.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$242,849, \$206,922, and \$207,422, respectively, equal to the required contributions for each year.

(8) 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 District's OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 36,843
Interest on net OPEB obligation	1,416
Adjustment to annual required contribution	(3,745)
Annual OPEB cost	<u>34,514</u>
Contributions made	<u>(4,705)</u>
Increase in net OPEB obligation	29,809
Net OPEB obligation beginning of year	<u>56,625</u>
Net OPEB obligation end of year	<u><u>\$ 86,434</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, 2012.

For the year ended June 30, 2011, the District contributed \$4,705 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, 2012 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
2012	34,514	13.63%	86,434

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$268,014, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$268,014. The covered payroll (annual payroll of active employees covered by the plan) was \$2,077,618, and the ratio of the UAAL to covered payroll was 12.90%. As of June 30, 2012 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 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

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

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

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

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and accidental death and dismemberment. District contributions to ISEBA for the year ended June 30, 2012 were \$32,871.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$186,702 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.

(11) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 1,779
Beginning teacher mentoring and induction program	46
Teacher salary supplement	49,353
Professional development for model core curriculum	13,076
Market factor incentives	2,717
Total	<u>\$ 66,971</u>

(12) Deficit Accounts

The District's Student Activity Fund had two accounts with deficit balances totaling \$1,677 as of June 30, 2012. Outstanding expenses for FCCLA and SCC Brotherhood fundraisers were reimbursed in July, 2012 to correct negative balances.

(13) Budget Overexpenditure

During the year ended June 30, 2012, the District's expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

(14) Construction Commitment

As of June 30, 2012, the District has entered into a contract totaling \$1,869,227 for a music room addition project. Costs of \$1,666,498 had been incurred against the contract. The remaining balance \$202,729, at June 30, 2012 will be paid out as work on the project progresses.

The District has also entered into an architectural services contract totaling \$122,617. \$120,070 has been incurred against the contract. The remaining \$2,547 will be paid out as work on the project progresses.

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,765,466	166,681	4,932,147	3,791,231	3,791,231	1,140,916
State sources	2,612,756	2,549	2,615,305	2,776,018	2,776,018	(160,713)
Federal sources	156,560	139,497	296,057	217,500	217,500	78,557
Total revenues	<u>7,534,782</u>	<u>308,727</u>	<u>7,843,509</u>	<u>6,784,749</u>	<u>6,784,749</u>	<u>1,058,760</u>
Expenditures/Expenses:						
Instruction	4,504,725	0	4,504,725	4,125,400	4,200,000	(304,725)
Support services	1,680,508	19,660	1,700,168	1,577,000	1,650,000	(50,168)
Non-instructional programs	1,949	281,661	283,610	290,000	375,000	91,390
Other expenditures	2,217,262	0	2,217,262	447,751	2,725,000	507,738
Total expenditures/expenses	<u>8,404,444</u>	<u>301,321</u>	<u>8,705,765</u>	<u>6,440,151</u>	<u>8,950,000</u>	<u>244,235</u>
Excess(Deficiency) of revenues over (under) expenditures/expenses	(869,662)	7,406	(862,256)	344,598	(2,165,251)	1,302,995
Other financing sources, net	1,975,251	0	1,975,251	0	0	1,975,251
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,105,589	7,406	1,112,995	344,598	(2,165,251)	3,278,246
Balance beginning of year	588,203	44,882	633,085	121,411	121,411	511,674
Balance end of year	<u>\$ 1,693,792</u>	<u>52,288</u>	<u>1,746,080</u>	<u>466,009</u>	<u>(2,043,840)</u>	<u>3,789,920</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 \$2,509,849.

During the year ended June 30, 2012, expenditures in the instruction and support services functions exceeded the amounts budgeted.

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	\$ 303,782	\$ 303,782	0.00%	\$ 2,527,727	12.02%
2011	July 1, 2009	0	292,074	292,074	0.00%	2,018,988	14.47%
2012	July 2, 2009	0	268,014	268,014	0.00%	2,077,618	12.90%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds				Total
	Management Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 205,703	99,470	305,173	369,718	674,891
Receivables:					
Property tax:					
Delinquent	1,402	0	1,402	0	1,402
Succeeding year	105,000	0	105,000	0	105,000
Total Assets	\$ 312,105	99,470	411,575	369,718	781,293
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 0	0	0	169,663	169,663
Deferred revenue:					
Succeeding year property tax	105,000	0	105,000	0	105,000
Total liabilities	105,000	0	105,000	169,663	274,663
Fund balances:					
Restricted for:					
Management levy purposes	207,105	0	207,105	0	207,105
Student activities	0	101,147	101,147	0	101,147
Debt service	0	0	0	200,055	200,055
Unassigned	0	(1,677)	(1,677)	0	(1,677)
Total fund balances	207,105	99,470	306,575	200,055	506,630
Total Liabilities and Fund Balances	\$ 312,105	99,470	411,575	369,718	781,293

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, 2012

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 99,980	0	99,980	0	99,980
Other	5,053	343,570	348,623	55	348,678
State sources	45	0	45	0	45
TOTAL REVENUES	105,078	343,570	448,648	55	448,703
EXPENDITURES:					
Current:					
Instruction:					
Regular	80,508	0	80,508	0	80,508
Other	0	293,337	293,337	0	293,337
Support services:					
Administration	3,436	506	3,942	0	3,942
Operation and maintenance of plant	21,666	0	21,666	0	21,666
Transportation	7,971	0	7,971	0	7,971
Non-instructional programs:					
Food service operations	1,949	0	1,949	0	1,949
Long-term debt:					
Principal	0	0	0	150,000	150,000
Interest	0	0	0	36,048	36,048
	0	0	0	186,048	186,048
TOTAL EXPENDITURES	115,530	293,843	409,373	186,048	595,421
Excess(Deficiency) of revenues over(under) expenditures	(10,452)	49,727	39,275	(185,993)	(146,718)
OTHER FINANCING USES:					
Transfers in	0	0	0	386,048	386,048
Net change in fund balance	(10,452)	49,727	39,275	200,055	239,330
Fund balance beginning of year	217,557	49,743	267,300	0	267,300
Fund balance end of year	\$ 207,105	99,470	306,575	200,055	506,630

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 162,927	209,777	372,704
Receivables:			
Property tax:			
Delinquent	0	910	910
Succeeding year	0	64,662	64,662
Due from other governments	145,896	0	145,896
Total Assets	\$ 308,823	275,349	584,172
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 70,174	0	70,174
Deferred revenue:			
Succeeding year property tax	0	64,662	64,662
Total liabilities	70,174	64,662	134,836
Fund balances:			
Restricted for:			
School infrastructure	238,649	0	238,649
Physical plant and equipment	0	210,687	210,687
Total fund balances	238,649	210,687	449,336
Total Liabilities and Fund Balances	\$ 308,823	275,349	584,172

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 374,483	64,896	439,379
Other	10,988	0	10,988
State sources	0	29	29
TOTAL REVENUES	<u>385,471</u>	<u>64,925</u>	<u>450,396</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	24,595	0	24,595
Support services:			
Administration	13,801	0	13,801
Operation and maintenance of plant	5,727	0	5,727
Transportation	0	76,677	76,677
Capital outlays	1,844,512	0	1,844,512
TOTAL EXPENDITURES	<u>1,888,635</u>	<u>76,677</u>	<u>1,965,312</u>
Deficiency of revenues under expenditures	(1,503,164)	(11,752)	(1,514,916)
OTHER FINANCING SOURCES(USES):			
Transfers out	(386,048)	0	(386,048)
Revenue bond issuance	2,000,000	0	2,000,000
Discount on revenue bond issuance	(24,749)	0	(24,749)
Total other financing sources	<u>1,589,203</u>	<u>0</u>	<u>1,589,203</u>
Net change in fund balances	86,039	(11,752)	74,287
Fund balance beginning of year	152,610	222,439	375,049
Fund balance end of year	<u>\$ 238,649</u>	<u>210,687</u>	<u>449,336</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activities:				
Academic Competitions	\$ 1,068	151	362	857
Activity Tickets	1,382	285	1,667	0
Athletic Awards	0	3,332	3,332	0
Baseball	0	6,953	6,953	0
Softball	545	4,526	5,071	0
Girls Basketball	250	5,642	5,444	448
Boys Basketball	236	5,938	5,341	833
Cross Country	1,150	3,952	4,051	1,051
Speech	495	2,253	2,415	333
Football	1,894	12,587	11,834	2,647
Girls Golf	75	300	375	0
Boys Golf	75	300	375	0
Music	0	946	946	0
Vocal Music	20	14,859	14,696	183
Music Awards	0	180	180	0
Band	20	12,020	7,861	4,179
Football Camp	0	24,171	8,952	15,219
Girls Basketball Camp	1,352	4,847	5,420	779
Boys Basketball Camp	67	3,992	3,245	814
Cheer Camp	336	8,548	8,432	452
Volleyball Camp	0	1,394	551	843
Girls Track	400	7,032	5,245	2,187
Boys Track	400	7,243	4,178	3,465
Volleyball	238	8,668	8,720	186
Wrestling	500	5,523	6,023	0
State Athletic Competitions	0	7,438	7,438	0
Drama	2,442	2,265	884	3,823
	<u>12,945</u>	<u>155,345</u>	<u>129,991</u>	<u>38,299</u>
Classes:				
Elementary	357	2,910	3,113	154
Class of 2010	747	0	747	0
Class of 2012	3,239	4,276	5,197	2,318
Class of 2013	1,336	13,568	10,456	4,448
Class of 2014	84	635	126	593
Class of 2015	130	525	21	634
	<u>5,893</u>	<u>21,914</u>	<u>19,660</u>	<u>8,147</u>
Clubs/Organizations:				
Assoc. Foreign Students	129	0	129	0
FB & BB Cheerleaders	1,571	8,154	6,221	3,504
Wrestling Cheerleaders	275	1,604	861	1,018
Dance Team	1,816	12,271	13,410	677
Boys Drill Team	0	1,336	1,122	214
National Honor Society	431	1,865	725	1,571
Student Council	2,967	1,881	1,620	3,228
FCCLA	0	593	631	(38)
Leadership Activities	1,765	362	306	1,821
	<u>8,954</u>	<u>28,066</u>	<u>25,025</u>	<u>11,995</u>

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts:				
Administrative-postage	0	515	506	9
General Athletics	1,923	8,918	10,841	0
Titans Uniforms	4,807	2,816	3,060	4,563
Field Trips	0	30	30	0
9-12 Projects	438	2,061	727	1,772
Public Relations	0	593	593	0
	<u>7,168</u>	<u>14,933</u>	<u>15,757</u>	<u>6,344</u>
School Projects:				
Annual	3,577	9,931	7,594	5,914
7-8 Yearbook	160	1,944	817	1,287
HS Pop Machines	200	5,001	5,001	200
4-8 MS Student Council	0	957	957	0
Elementary Student Council	40	345	264	121
Art Projects	0	833	651	182
Tech Trends	0	408	408	0
Booster Club	0	341	341	0
SB Concessions	0	0	0	0
	<u>3,977</u>	<u>19,760</u>	<u>16,033</u>	<u>7,704</u>
Vocational Organizations:				
FFA	10,542	103,552	85,738	28,356
HOSA	264	0	0	264
	<u>10,806</u>	<u>103,552</u>	<u>85,738</u>	<u>28,620</u>
Other Accounts:				
SCC Brotherhood Fundraisers	0	0	1,639	(1,639)
Total	<u>\$ 49,743</u>	<u>343,570</u>	<u>293,843</u>	<u>99,470</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET ASSETS-
 PRIVATE PURPOSE TRUST
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund				
	Justin Heuton Scholarship	Malkinson Scholarship	Taylor Heuton Scholarship	FFA Scholarships	Total
	Assets				
Cash and pooled investments	\$ 500	130	500	2,500	3,630
Liabilities					
	-	-	-		-
Net Assets:					
Retricted for scholarships	\$ 500	130	500	2,500	3,630

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS -
 PRIVATE PURPOSE TRUST
 FOR YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund					
	Ludwig	Justin	Malkinson	Taylor	FFA	Total
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarships	
Additions:						
Local sources:						
Gifts and contributions	\$ 350	500	130	500	4,100	5,580
Deductions:						
Instruction:						
Regular instruction:						
Scholarships awarded	350	-	-	-	1,600	1,950
Change in net assets	-	500	130	500	2,500	3,630
Net assets beginning of year	-	-	-	-	-	-
Net assets end of year	\$ -	500	130	500	2,500	3,630

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,085,809	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	242,017	116,828	120,083	181,497	138,182	135,802	98,028	131,576	93,216
Other	1,437,640	719,552	281,154	317,846	340,506	296,519	270,932	225,587	219,367
Intermediate sources	0	0	0	15,000	0	0	0	0	11,510
State sources	2,612,756	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	156,560	347,953	464,261	230,084	174,928	198,668	166,716	186,292	170,190
Total	\$ 7,534,782	6,358,502	5,490,854	5,732,558	5,400,891	5,105,052	4,851,183	4,769,764	4,693,844
Expenditures:									
Current:									
Instruction:									
Regular	\$ 2,964,431	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	661,294	480,419	565,184	537,733	522,718	467,570	522,280	507,746	531,786
Other	879,000	923,851	702,821	699,095	611,385	590,928	529,754	540,921	434,826
Support services:									
Student	208,710	154,062	167,987	159,382	149,470	140,885	187,915	214,235	225,416
Instructional	231,475	180,628	139,996	166,593	190,250	183,829	247,289	180,399	143,133
Administration	545,713	555,903	514,867	542,277	581,207	512,647	438,969	436,747	433,748
Operation and maintenance of plant	383,414	413,483	431,149	496,056	549,271	506,917	507,032	540,056	544,005
Transportation	311,196	229,209	306,437	353,395	318,174	305,514	220,760	259,764	169,776
Non-instructional programs	1,949	3,934	1,789	0	1,000	0	0	5,315	5,541
Capital outlays	1,844,512	318,292	519,177	187,969	66,929	68,306	80,870	0	0
Long-term debt:									
Principal	150,000	0	0	0	0	0	0	0	0
Interest and fiscal charges	36,048	0	0	0	0	0	0	0	0
Other expenditures:									
AEA flowthrough	186,702	211,144	208,315	191,962	185,999	180,287	175,739	175,873	178,412
Total	\$ 8,404,444	6,119,758	6,266,746	5,772,393	5,522,477	5,082,013	5,020,013	4,856,303	4,618,157

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2013. 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

The management of Southern Cal Community School District is responsible for establishing and maintaining effective 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-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

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, 2012 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 7, 2013

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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 - Southern Cal and Rockwell City-Lytton voted to reconsolidate on July 1, 2014. Administration and business personnel are delegating duties and defining roles to create an atmosphere of improved internal controls for business functions as reconsolidation plans are finalized. Improved cash handling procedures have been created, implemented and explained to staff. Segregation of duties of payroll duties will be improved when one combined District office is established.

Conclusion - Response accepted.

I-B-12 Athletic Officials - We noted during our audit that the District pays all athletic officials immediately following the event regardless of whether the official has a valid officiating contract with the District.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and officials should be informed that payment will be made in this manner unless a valid contract exists.

Response - Any contracts not received will be noted for the Activities Director to follow up with the official in order to receive an approved contract before the scheduled event. The Activities secretary will confirm the receipt of a contract before payment for an official is completed.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, exceeded the amounts budgeted in the instruction and support services functional areas.

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

Response - The expenditures related to the whole grade sharing agreement were underestimated prior to the final budget amendment. The Districts have modified the agreement and expenditures will remain under budgeted amounts for the current fiscal year.

Conclusion - Response accepted.

II-B-12 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-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-12 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-12 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-12 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 152,610
Revenues/transfers in:		
Sales tax revenues	\$ 374,483	
Other local revenues	10,988	
Sale of long-term debt	2,000,000	2,385,471
		<u>2,538,081</u>
Expenditures/transfers out:		
School infrastructure construction	1,774,338	
Equipment	44,123	
Other	94,923	
Transfer to other funds:		
Debt service	386,048	2,299,432
		<u>2,299,432</u>
Ending Balance		<u>\$ 238,649</u>

For the year ended June 30, 2012, 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-12 Financial Condition - During our audit we noted two accounts in the Student Activity Fund with deficit balances totaling \$1,677 at June 30, 2012

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficit.

Response - Outstanding expenses for FCCLA and SCC Brotherhood Fundraisers were reimbursed in July 2012 to correct the negative balances. While requests were made in June 2012 for the negative amounts to be paid, the monies were not received until July 2012.

Conclusion - Response accepted.

II-N-12 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate in other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be could be expended.

We noted during our audit that ITBS snacks and pencil sharpeners were purchased from the PS-3 Elementary Student Council account in the Activity Fund. These purchases appear to be instructional in nature and more appropriately accounted for out of the General Fund.

Recommendation - The District should monitor activity fund revenues and expenditures to make sure revenues or expenditures more appropriately included in another fund are not include in the Activity Fund. The District should run the aforementioned items through the General Fund as they appear to be instructional in nature.

Response – Future expenditures will be monitored to eliminate inappropriate purchases from the Activity Fund as the two districts merge into one. As both districts are currently working with the same auditing firm, it will be easier to establish one set of business function procedures.

Conclusion - Response accepted.