

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Southern Cal Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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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	2013
Carol Collins	District Secretary/ Business Manager	2013
Rick Franck	Attorney	2013

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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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:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 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 financial reporting for placing the basic financial statements in an 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 and comparing 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2014 on our consideration of Southern Cal Community School District's internal control over financial reporting and on 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 in considering Southern Cal Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2014
Newton, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,635,683 in fiscal 2012 to \$5,744,676 in fiscal 2013, while General Fund expenditures decreased from \$5,843,711 in fiscal 2012 to \$4,946,172 in fiscal 2013. The District's General Fund balance increased from a balance of \$737,826 in fiscal 2012 to a balance of \$1,536,330 in fiscal 2013, a 108.22% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in revenues from other local sources. The decrease in expenditures was due primarily to a decrease in instructional expenditures. These decreases in revenues and expenditures were expected by the District due to changes in the Whole Grade Sharing Agreement with Rockwell City-Lytton CSD from the previous year

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position 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.

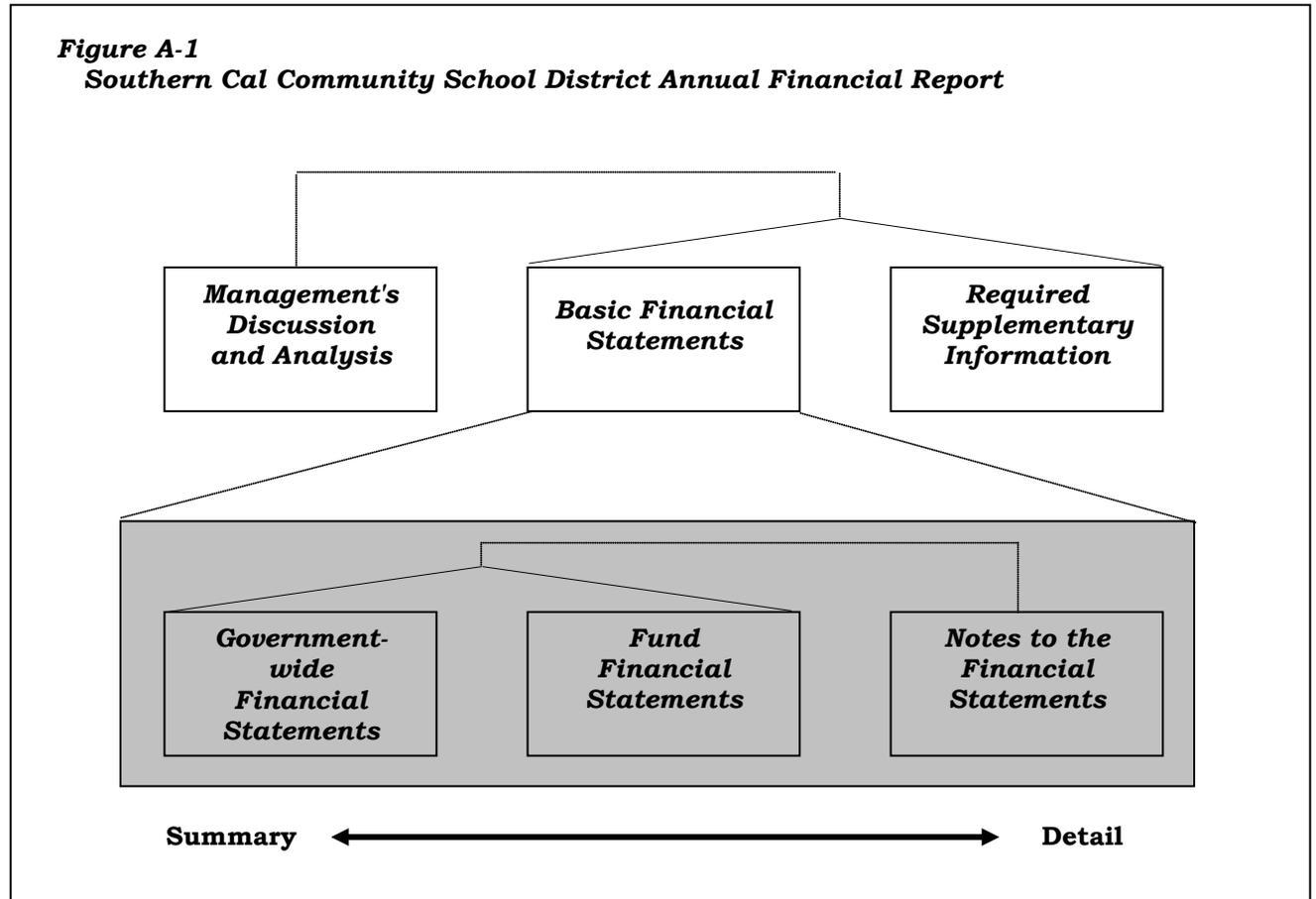


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is 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 Position, Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2011-12
Current and other assets	\$ 6,273,702	5,242,394	50,945	32,917	6,324,647	5,275,311	19.89%
Capital assets	4,368,007	4,398,238	26,483	27,338	4,394,490	4,425,576	-0.70%
Total assets	10,641,709	9,640,632	77,428	60,255	10,719,137	9,700,887	10.50%
Long-term obligations	1,808,578	2,042,081	1,564	4,693	1,810,142	2,046,774	-11.56%
Other liabilities	3,913,804	3,548,602	13,106	3,274	3,926,910	3,551,876	10.56%
Total liabilities	5,722,382	5,590,683	14,670	7,967	5,737,052	5,598,650	2.47%
Net position:							
Invested in capital assets, net of related debt	2,688,007	2,548,238	26,483	27,338	2,714,490	2,575,576	5.39%
Restricted	921,179	919,133	0	0	921,179	919,133	0.22%
Unrestricted	1,310,141	582,578	36,275	24,950	1,346,416	607,528	121.62%
Total net position	\$ 4,919,327	4,049,949	62,758	52,288	4,982,085	4,102,237	21.45%

The District's combined net position increased by 21.45%, or \$879,848, from the prior year. The largest portion of the District's net position is 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$2,046, or 0.22% over the prior year. This increase was primarily the result of an increase in fund balance of the General Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$738,888, or 121.62%. The increase is primarily the result of the increase in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 626,754	1,501,981	105,319	165,801	732,073	1,667,782	-56.10%
Operating grants, contributions and restricted interest	412,259	468,782	73,206	142,046	485,465	610,828	-20.52%
Capital grants, contributions and restricted interest	11,555	2,616	0	0	11,555	2,616	341.70%
General revenues:							
Property tax	2,649,909	2,711,326	0	0	2,649,909	2,711,326	-2.27%
Statewide sales, services and use tax	420,987	374,483	0	0	420,987	374,483	12.42%
Unrestricted state grants	2,414,205	2,299,052	0	0	2,414,205	2,299,052	5.01%
Nonspecific program federal grants	0	1,482	0	0	0	1,482	-100.00%
Unrestricted investment earnings	5,215	4,415	0	0	5,215	4,415	18.12%
Other	141,740	170,645	1,201	880	142,941	171,525	-16.66%
Total revenues and transfers	6,682,624	7,534,782	179,726	308,727	6,862,350	7,843,509	-12.51%
Program expenses:							
Governmental activities:							
Instruction	4,027,868	4,581,157	0	0	4,027,868	4,581,157	-12.08%
Support services	1,421,509	1,755,683	8,960	19,660	1,430,469	1,775,343	-19.43%
Non-instructional programs	943	1,949	160,296	281,661	161,239	283,610	-43.15%
Other expenses	362,926	326,857	0	0	362,926	326,857	11.04%
Total expenses	5,813,246	6,665,646	169,256	301,321	5,982,502	6,966,967	-14.13%
Change in net position	869,378	869,136	10,470	7,406	879,848	876,542	-0.38%
Beginning net position	4,049,949	3,180,813	52,288	44,882	4,102,237	3,225,695	27.17%
Ending net position	\$ 4,919,327	4,049,949	62,758	52,288	4,982,085	4,102,237	21.45%

In fiscal 2013, property tax and unrestricted state grants account for 75.78% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.33% of the revenue from business type activities.

The District's total revenues were approximately \$6.86 million of which approximately \$6.68 million was for governmental activities and approximately \$0.18 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.51% decrease in revenues and a 14.13% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$6,682,624 and expenses were \$5,813,246.

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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,027,868	4,581,157	-12.08%	3,202,292	3,685,840	-13.12%
Support services	1,421,509	1,755,683	-19.03%	1,387,865	864,323	60.57%
Non-instructional	943	1,949	-51.62%	943	1,949	-51.62%
Other expenses	362,926	326,857	11.04%	171,578	140,155	22.42%
Totals	\$ 5,813,246	6,665,646	-12.79%	4,762,678	4,692,267	1.50%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$626,754.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$423,814.
- The net cost of governmental activities was financed with \$2,649,909 in property tax, \$2,414,205 in unrestricted state grants, \$420,987 in statewide sales, services and use tax, \$5,315 in interest income, and \$141,740 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$179,726 and expenses were \$169,256. 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 \$2,359,898, an increase from last year's ending fund balance of a \$1,693,792. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the District's General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$737,826 at June 30, 2012 to a balance of \$1,536,330 at June 30, 2013. Revenues decreased as compared to fiscal 2012, primarily due to the decrease in local and state sources. The expenditures decreased, due to the decrease in instructional expenditures during the year.
- The Capital Projects fund balance decreased during the current year, from \$449,336 at June 30, 2012 to \$356,386 at June 30, 2013. This decrease resulted from the Statewide Sales, Services and Use Tax Fund balance decreasing from \$238,649 at June 30, 2012 to \$157,931 at June 30, 2013. The Physical Plant and Equipment Levy Fund balance decreased from \$210,687 at June 30, 2012 to \$198,455 at the end of fiscal 2013.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$52,288 at June 30, 2012 to \$62,758 at June 30, 2013, representing an increase of 20.02%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$969,738 less than budgeted revenues, a variance of 12.38%. The most significant variance resulted from the District receiving less in local sources than originally anticipated. The variance was due to the change in the Whole Grade Sharing Agreement with Rockwell City-Lytton CSD during the year which reduced actual revenues and expenditures from previously budgeted amounts.

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 other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$4,394,490, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$281,149.

The original cost of the District's capital assets was \$9,586,021. Governmental funds account for \$9,483,730 with the remainder of \$102,291 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 \$0 reported at June 30, 2013. The difference was attributable to the completion of 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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 31,326	31,326	0	0	31,326	31,326	0.00%
Construction in progress	0	1,854,770	0	0	0	1,854,770	-100.00%
Buildings	3,558,612	1,624,956	0	0	3,558,612	1,624,956	119.00%
Land improvements	156,046	185,303	0	0	156,046	185,303	-15.79%
Machinery and equipment	622,023	701,883	26,483	27,338	648,506	729,221	-11.07%
Total	\$ 4,368,007	4,398,238	26,483	27,338	4,394,490	4,425,576	-0.70%

Long-Term Debt

At June 30, 2013, the District had \$1,810,142 in long-term debt outstanding. This represents a decrease of 11.56% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$1,680,000 in revenue bonds payable as of June 30, 2013.

The District had \$32,913 outstanding in compensated absences payable from the General Fund as of June 30, 2013.

The District had total outstanding Net OPEB liability payable from the General and Nutrition Fund totaling \$97,229 at June 30, 2013.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue bonds	\$ 1,680,000	1,850,000	0	0	1,680,000	1,850,000	100.00%
Compensated absences	31,490	4,859	1,423	0	32,913	4,859	577.36%
Termination benefits	0	105,481	0	0	0	105,481	-100.00%
Net OPEB obligation	97,088	81,741	141	4,693	97,229	86,434	12.49%
Total	\$ 1,808,578	2,042,081	1,564	4,693	1,810,142	2,046,774	-11.56%

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 Community School District 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. This agreement was modified by the Board following the successful vote in February 2013 to consolidate Southern Cal and Rockwell City-Lytton into South Central Calhoun on July 1, 2014. The previous agreement shared actual expenses which was modified to a \$50 per-pupil amount. This modification greatly reduced each district's revenues and expenditures from the budgeted amounts.
- 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, as South Central Calhoun Community School District.
- 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.

BASIC FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 2,992,681	43,092	3,035,773
Receivables:			
Property tax:			
Delinquent	39,408	0	39,408
Succeeding year	2,759,255	0	2,759,255
Accounts	1,461	0	1,461
Due from other governments	480,897	4,518	485,415
Inventories	0	3,335	3,335
Capital assets, net of accumulated depreciation	4,368,007	26,483	4,394,490
TOTAL ASSETS	10,641,709	77,428	10,719,137
LIABILITIES			
Excess of warrants issued over bank balance	15,827	0	15,827
Accounts payable	694,357	8,028	702,385
Salaries and benefits payable	444,365	2,370	446,735
Deferred revenue:			
Succeeding year property tax	2,759,255	0	2,759,255
Unearned revenue	0	2,708	2,708
Long-term liabilities:			
Portion due within one year:			
Revenue bond payable	200,000	0	200,000
Compensated absences	31,490	1,423	32,913
Portion due after one year:			
Revenue bond payable	1,480,000	0	1,480,000
Net OPEB liability	97,088	141	97,229
TOTAL LIABILITIES	5,722,382	14,670	5,737,052
NET POSITION			
Invested in capital assets, net of related debt	2,688,007	26,483	2,714,490
Restricted for:			
Categorical funding	97,611	0	97,611
Management levy purposes	142,048	0	142,048
Student activities	125,084	0	125,084
School infrastructure	157,931	0	157,931
Physical plant and equipment	198,455	0	198,455
Debt service	200,050	0	200,050
Unrestricted:	1,310,141	36,275	1,346,416
TOTAL NET POSITION	\$ 4,919,327	62,758	4,982,085

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Charges for Expenses	Contributions and Restricted Services	Contributions and Restricted Interest	Capital Grants, and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,306,931	85,249	55,278	0	(2,166,404)	0	(2,166,404)
Special	817,343	150,285	24,827	0	(642,231)	0	(642,231)
Other	903,594	370,878	139,059	0	(393,657)	0	(393,657)
	<u>4,027,868</u>	<u>606,412</u>	<u>219,164</u>	<u>0</u>	<u>(3,202,292)</u>	<u>0</u>	<u>(3,202,292)</u>
Support services:							
Student	73,396	0	0	0	(73,396)	0	(73,396)
Instructional staff	222,543	17,981	0	0	(204,562)	0	(204,562)
Administration	299,984	100	0	0	(299,884)	0	(299,884)
Operation and maintenance of plant	436,707	0	0	11,555	(425,152)	0	(425,152)
Transportation	388,879	2,261	1,747	0	(384,871)	0	(384,871)
	<u>1,421,509</u>	<u>20,342</u>	<u>1,747</u>	<u>11,555</u>	<u>(1,387,865)</u>	<u>0</u>	<u>(1,387,865)</u>
Non-instructional programs:							
Food service operations	943	0	0	0	(943)	0	(943)
Long-term debt interest	39,325	0	0	0	(39,325)	0	(39,325)
Other expenditures:							
AEA flowthrough	191,348	0	191,348	0	0	0	0
Depreciation(unallocated)*	132,253	0	0	0	(132,253)	0	(132,253)
	<u>362,926</u>	<u>0</u>	<u>191,348</u>	<u>0</u>	<u>(171,578)</u>	<u>0</u>	<u>(171,578)</u>
Total governmental activities	<u>5,813,246</u>	<u>626,754</u>	<u>412,259</u>	<u>11,555</u>	<u>(4,762,678)</u>	<u>0</u>	<u>(4,762,678)</u>
Business Type activities:							
Support services:							
Operation and maintenance of plant	8,960	0	0	0	0	(8,960)	(8,960)
Non-instructional programs:							
Nutrition services	160,296	105,319	73,206	0	0	18,229	18,229
Total business type activities	<u>169,256</u>	<u>105,319</u>	<u>73,206</u>	<u>0</u>	<u>0</u>	<u>9,269</u>	<u>9,269</u>
Total	<u>\$ 5,982,502</u>	<u>732,073</u>	<u>485,465</u>	<u>11,555</u>	<u>(4,762,678)</u>	<u>9,269</u>	<u>(4,753,409)</u>
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,585,240	0	2,585,240
Debt service					64,669	0	64,669
Statewide sales, services and use tax					420,987	0	420,987
Unrestricted state grants					2,414,205	0	2,414,205
Unrestricted investment earnings					5,215	0	5,215
Other general revenues					141,740	1,201	142,941
Total general revenues and transfers					<u>5,632,056</u>	<u>1,201</u>	<u>5,633,257</u>
Change in net position					869,378	10,470	879,848
Net position beginning of year					4,049,949	52,288	4,102,237
Net position end of year					<u>\$ 4,919,327</u>	<u>62,758</u>	<u>4,982,085</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, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 2,140,655	197,493	654,533	2,992,681
Receivables:				
Property tax:				
Delinquent	36,884	962	1,562	39,408
Succeeding year	2,611,628	67,627	80,000	2,759,255
Accounts	1,461	0	0	1,461
Due from other governments	307,139	173,758	0	480,897
TOTAL ASSETS	\$ 5,097,767	439,840	736,095	6,273,702
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of warrants issued over bank balance	\$ 0	15,827	0	15,827
Accounts payable	505,444	0	188,913	694,357
Salaries and benefits payable	444,365	0	0	444,365
Deferred revenue:				
Succeeding year property tax	2,611,628	67,627	80,000	2,759,255
Total liabilities	3,561,437	83,454	268,913	3,913,804
Fund balances:				
Restricted for:				
Categorical funding	97,611	0	0	97,611
Management levy purposes	0	0	142,048	142,048
Student activities	0	0	125,084	125,084
School infrastructure	0	157,931	0	157,931
Physical plant and equipment	0	198,455	0	198,455
Debt service	0	0	200,050	200,050
Assigned for operational sharing	359,235	0	0	359,235
Unassigned:				
General	1,079,484	0	0	1,079,484
Total fund balances	1,536,330	356,386	467,182	2,359,898
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,097,767	439,840	736,095	6,273,702

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	2,359,898
 <i>Amounts reported for governmental activities in the statement of net position 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.		4,368,007
Long-term liabilities, including bonds payable, compensated absences and termination benefits, 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>(1,808,578)</u>
Net position of governmental activities(page 18)	\$	<u><u>4,919,327</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,480,230	485,656	105,010	3,070,896
Tuition	248,135	0	0	248,135
Other	168,975	25,275	342,879	537,129
State sources	2,681,328	29	47	2,681,404
Federal sources	145,060	0	0	145,060
Total revenues	<u>5,723,728</u>	<u>510,960</u>	<u>447,936</u>	<u>6,682,624</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,187,468	22,728	132,891	2,343,087
Special	816,122	0	0	816,122
Other	574,679	0	313,447	888,126
	<u>3,578,269</u>	<u>22,728</u>	<u>446,338</u>	<u>4,047,335</u>
Support services:				
Student	96,320	0	0	96,320
Instructional staff	191,350	0	0	191,350
Administration	303,501	0	4,072	307,573
Operation and maintenance of plant	337,325	0	23,156	360,481
Transportation	248,059	76,930	11,375	336,364
	<u>1,176,555</u>	<u>76,930</u>	<u>38,603</u>	<u>1,292,088</u>
Non-instructional programs:				
Food service operations	0	0	943	943
Capital outlays	0	296,427	0	296,427
Long-term debt:				
Principal	0	0	170,000	170,000
Interest and fiscal charges	0	0	39,325	39,325
	<u>0</u>	<u>0</u>	<u>209,325</u>	<u>209,325</u>
Other expenditures:				
AEA flowthrough	191,348	0	0	191,348
Total expenditures	<u>4,946,172</u>	<u>396,085</u>	<u>695,209</u>	<u>6,037,466</u>
Excess(deficiency) of revenues over(under) expenditures	777,556	114,875	(247,273)	645,158
Other financing sources(uses):				
Transfers in	0	0	207,825	207,825
Transfers out	0	(207,825)	0	(207,825)
Sale of capital assets	20,948	0	0	20,948
Total other financing sources(uses)	<u>20,948</u>	<u>(207,825)</u>	<u>207,825</u>	<u>20,948</u>
Net change in fund balances	798,504	(92,950)	(39,448)	666,106
Fund balance beginning of year	737,826	449,336	506,630	1,693,792
Fund balance end of year	<u>\$ 1,536,330</u>	<u>356,386</u>	<u>467,182</u>	<u>2,359,898</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, 2013

Net change in fund balances - total governmental funds(page 22) \$ 666,106

**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	\$ (365,134)	
Depreciation expense	334,903	(30,231)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 170,000

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	\$ (26,631)	
Termination benefits	105,481	
Other postemployment benefits	(15,347)	63,503

Changes in net position of governmental activities(page 19) \$ 869,378

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 43,092
Due from other governments	4,518
Inventories	3,335
Capital assets, net of accumulated depreciation	<u>26,483</u>
TOTAL ASSETS	<u>77,428</u>
LIABILITIES	
Accounts payable	8,028
Salary and benefits payable	2,370
Unearned revenues	2,708
Compensated absences	1,423
Net OPEB liability	<u>141</u>
TOTAL LIABILITES	<u>14,670</u>
NET POSITION	
Invested in capital assets, net of related debt	26,483
Unrestricted	<u>36,275</u>
TOTAL NET POSITION	<u>\$ 62,758</u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 105,319
Miscellaneous	1,201
TOTAL OPERATING REVENUES	106,520
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Salaries	3,982
Benefits	976
Services	897
Supplies	3,105
	8,960
Non-instructional programs:	
Food service operations:	
Salaries	46,377
Benefits	2,751
Supplies	106,891
Depreciation	4,277
Total non-instructional programs	160,296
TOTAL OPERATING EXPENSES	169,256
OPERATING LOSS	(62,736)
NON-OPERATING REVENUES:	
State sources	1,352
Federal sources	71,854
TOTAL NON-OPERATING REVENUES	73,206
Changes in net position	10,470
Net position beginning of year	52,288
Net position end of year	\$ 62,758

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 104,798
Cash received from miscellaneous	1,201
Cash payments to employees for services	(54,845)
Cash payments to suppliers for goods or services	(89,440)
Net cash used in operating activities	(38,286)
Cash flows from non-capital financing activities:	
State grants received	1,352
Federal grants received	58,426
Net cash provided by non-capital financing activities	59,778
Cash flows from capital and other financing activities:	
Purchase of assets	(3,422)
Net increase in cash and cash equivalents	18,070
Cash and cash equivalents at beginning of year	25,022
Cash and cash equivalents at end of year	\$ 43,092
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (62,736)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,910
Depreciation	4,277
Decrease in inventories	4,523
Decrease in accounts receivable	37
Increase in accounts payable	8,020
Increase in salaries and benefits payable	2,370
Decrease in unearned revenue	(558)
Increase in compensated absences	1,423
Decrease in other postemployment benefit	(4,552)
Net cash used in operating activities	\$ (38,286)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$8,910.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2013

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 4,268
Liabilities	0
Net Position	
Restricted for scholarships	\$ 4,268

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 5,863
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	5,225
Change in net position	638
Net position beginning of year	3,630
Net position end of year	\$ 4,268

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(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 Position (formerly referred to as the 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 Position presents the District's Non-fiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 position and changes in net position. 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 position. 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
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture 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
Furniture 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 Position 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 Position 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, 2013. 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 Position.

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 Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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, 2013, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 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, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$490,599 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, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 207,825

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) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 98,869	3,422	0	102,291
Less accumulated depreciation	71,531	4,277	0	75,808
Business type activities capital assets, net	\$ 27,338	(855)	0	26,483

	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	1,854,770	206,650	2,061,420	0
Total capital assets not being depreciated	1,886,096	206,650	2,061,420	31,326
Capital assets being depreciated:				
Buildings	3,969,406	2,061,420	35,988	5,994,838
Land improvements	644,432	0	0	644,432
Furniture and equipment	3,348,930	74,496	610,292	2,813,134
Total capital assets being depreciated	7,962,768	2,135,916	646,280	9,452,404
Less accumulated depreciation for:				
Buildings	2,344,450	102,996	11,220	2,436,226
Land improvements	459,129	29,257	0	488,386
Furniture and equipment	2,647,047	144,619	600,555	2,191,111
Total accumulated depreciation	5,450,626	276,872	611,775	5,115,723
Total capital assets being depreciated, net	2,512,142	1,859,044	34,505	4,336,681
Governmental activities capital assets, net	\$ 4,398,238	2,065,694	2,095,925	4,368,007

Governmental activities:	
Instruction:	
Regular	\$ 24,005
Other	16,003
Support services:	
Instructional staff	43,593
Operation and maintenance of plant	10,306
Transportation	50,712
Unallocated depreciation	132,253
Total governmental activities depreciation expense	\$ 276,872
Business type activities:	
Food services	\$ 4,277

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Compenstated absences	\$ 0	1,423	0	1,423	1,423
Net OPEB liability	4,693	0	4,552	141	0
Total	\$ 4,693	1,423	4,552	1,564	1,423

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 1,850,000	0	170,000	1,680,000	200,000
Compensated absences	4,859	31,490	4,859	31,490	31,490
Termination benefits	105,481	0	105,481	0	0
Net OPEB liability	81,741	15,347	0	97,088	0
Total	\$ 2,042,081	46,837	280,340	1,808,578	231,490

Revenue Bonds

Detail of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond Issue of August 1, 2011		
		Principal	Interest	Total
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	2.25	205,000	22,937	227,937
2019-2021	2.25-3.00	665,000	38,175	703,175
Total		\$ 1,680,000	188,525	1,868,525

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 issued 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 \$420,987.

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.

Termination Benefits

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 paid retirees one-third of their salary schedule in one installment prior to November 20, 2012. Eligible staff must have had 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 were able to 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. Termination benefit expenditures for the year ended June 30, 2013 totaled \$105,481.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$234,629, \$242,849, and \$206,922, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees, and their spouses. There are 35 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 14,588
Interest on net OPEB obligation	2,161
Adjustment to annual required contribution	(4,881)
Annual OPEB cost	<u>11,868</u>
Contributions made	(1,073)
Increase in net OPEB obligation	<u>10,795</u>
Net OPEB obligation beginning of year	<u>86,434</u>
Net OPEB obligation end of year	<u>\$ 97,229</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, 2013.

For the year ended June 30, 2013, the District contributed \$1,073 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
2011	\$ 31,925	12.18%	\$ 56,625
2012	34,514	13.63%	86,434
2013	11,868	9.04%	97,229

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$135,665, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$135,665. The covered payroll (annual payroll of active employees covered by the plan) was \$1,963,365, and the ratio of the UAAL to covered payroll was 6.91%. As of June 30, 2013 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, 2012 actuarial valuation date, the 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:

Plan/ Deductable	Monthly Premiums			
	Eee/sp	Eee/ch	Single	Family
PPO 2000	\$ 1,129	\$ 1,031	\$ 524	\$ 1,601
HAS 2500	947	865	442	1,340

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

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and accidental death and dismemberment. District contributions to ISEBA for the year ended June 30, 2013 were \$30,782.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,348 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 1,779
Dropout and dropout prevention	33,352
Beginning teacher mentoring	294
Educator quality, basic salary	40,569
Core curriculum	18,900
Professional development	2,717
Total	<u>\$ 97,611</u>

(11) Budget Overexpenditure

During the year ended June 30, 2013, the District's expenditures in the other expenditures functional areas exceeded the amounts budgeted.

(12) Reorganization of Districts

On February 5, 2013, the District and 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 as South Central Calhoun Community School District.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,856,160	106,520	3,962,680	4,852,033	4,852,033	(889,353)
State sources	2,681,404	1,352	2,682,756	2,750,055	2,750,055	(67,299)
Federal sources	145,060	71,854	216,914	230,000	230,000	(13,086)
Total revenues	6,682,624	179,726	6,862,350	7,832,088	7,832,088	(969,738)
Expenditures/Expenses:						
Instruction	4,047,335	0	4,047,335	4,935,000	4,935,000	887,665
Support services	1,292,088	8,960	1,301,048	1,633,500	1,633,500	332,452
Non-instructional programs	943	160,296	161,239	182,000	182,000	20,761
Other expenditures	697,100	0	697,100	504,373	504,373	(192,727)
Total expenditures/expenses	6,037,466	169,256	6,206,722	7,254,873	7,254,873	1,048,151
Excess(Deficiency) of revenues over (under) expenditures/expenses	645,158	10,470	655,628	577,215	577,215	78,413
Other financing sources, net	20,948	0	20,948	0	0	20,948
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	666,106	10,470	676,576	577,215	577,215	99,361
Balance beginning of year	1,693,792	52,288	1,746,080	1,366,144	1,366,144	379,936
Balance end of year	\$ 2,359,898	62,758	2,422,656	1,943,359	1,943,359	479,297

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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 ended June 30, 2013, expenditures in the other expenditures functional area 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 1, 2009	0	268,014	268,014	0.00%	2,077,618	12.90%
2013	July 1, 2012	0	135,665	135,665	0.00%	1,963,365	6.91%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Funds				
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Total
Assets					
Cash and pooled investments	\$ 140,486	125,084	265,570	388,963	654,533
Receivables:					
Property tax:					
Delinquent	1,562	0	1,562	0	1,562
Succeeding year	80,000	0	80,000	0	80,000
Total Assets	\$ 222,048	125,084	347,132	388,963	736,095
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 0	0	0	188,913	188,913
Deferred revenue:					
Succeeding year property tax	80,000	0	80,000	0	80,000
Total liabilities	80,000	0	80,000	188,913	268,913
Fund balances:					
Restricted for:					
Management levy purposes	142,048	0	142,048	0	142,048
Student activities	0	125,084	125,084	0	125,084
Debt service	0	0	0	200,050	200,050
Total fund balances	142,048	125,084	267,132	200,050	467,182
Total Liabilities and Fund Balances	\$ 222,048	125,084	347,132	388,963	736,095

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ 105,010	0	105,010	0	105,010
Other	2,260	339,124	341,384	1,495	342,879
State sources	47	0	47	0	47
TOTAL REVENUES	107,317	339,124	446,441	1,495	447,936
EXPENDITURES:					
Current:					
Instruction:					
Regular	132,891	0	132,891	0	132,891
Other	0	313,447	313,447	0	313,447
Support services:					
Administration	4,009	63	4,072	0	4,072
Operation and maintenance of plant	23,156	0	23,156	0	23,156
Transportation	11,375	0	11,375	0	11,375
Non-instructional programs:					
Food service operations	943	0	943	0	943
Long-term debt:					
Principal	0	0	0	170,000	170,000
Interest	0	0	0	39,325	39,325
TOTAL EXPENDITURES	172,374	313,510	485,884	209,325	695,209
Excess(Deficiency) of revenues over(under) expenditures	(65,057)	25,614	(39,443)	(207,830)	(247,273)
OTHER FINANCING USES:					
Transfers in	0	0	0	207,825	207,825
Net change in fund balance	(65,057)	25,614	(39,443)	(5)	(39,448)
Fund balance beginning of year	207,105	99,470	306,575	200,055	506,630
Fund balance end of year	\$ 142,048	125,084	267,132	200,050	467,182

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 0	197,493	197,493
Receivables:			
Property tax:			
Delinquent	0	962	962
Succeeding year	0	67,627	67,627
Due from other governments	173,758	0	173,758
Total Assets	\$ 173,758	266,082	439,840
Liabilities and Fund Balances			
Liabilities			
Excess of warrants issued over bank balance	\$ 15,827	0	15,827
Deferred revenue:			
Succeeding year property tax	0	67,627	67,627
Total liabilities	15,827	67,627	83,454
Fund balances:			
Restricted for:			
School infrastructure	157,931	0	157,931
Physical plant and equipment	0	198,455	198,455
Total fund balances	157,931	198,455	356,386
Total Liabilities and Fund Balances	\$ 173,758	266,082	439,840

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 420,987	64,669	485,656
Other	25,275	0	25,275
State sources	0	29	29
TOTAL REVENUES	<u>446,262</u>	<u>64,698</u>	<u>510,960</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	22,728	0	22,728
Support services:			
Transportation	0	76,930	76,930
Capital outlays	296,427	0	296,427
TOTAL EXPENDITURES	<u>319,155</u>	<u>76,930</u>	<u>396,085</u>
Excess (deficiency) of revenues over (under) expenditures	127,107	(12,232)	114,875
OTHER FINANCING USES:			
Transfers out	(207,825)	0	(207,825)
Net change in fund balances	(80,718)	(12,232)	(92,950)
Fund balance beginning of year	238,649	210,687	449,336
Fund balance end of year	<u>\$ 157,931</u>	<u>198,455</u>	<u>356,386</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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activities:				
Academic Competitions	\$ 857	291	728	0 420
Activity Tickets	0	45	45	0 0
Athletic Awards	0	3,061	3,061	0 0
Baseball	0	5,732	5,732	0 0
Softball	0	3,599	3,549	0 50
Girls Basketball	448	4,848	4,018	0 1,278
Boys Basketball	833	4,878	5,435	0 276
Cross Country	1,051	4,454	3,565	0 1,940
Speech	333	2,738	1,847	0 1,224
Football	2,647	19,298	13,594	0 8,351
Girls Golf	0	467	363	0 104
Boys Golf	0	457	353	0 104
Vocal Music	183	3,481	3,664	0 0
Music Awards	0	478	478	0 0
Band	4,179	10,642	13,147	0 1,674
Football Camp	15,219	11,360	12,994	0 13,585
Girls Basketball Camp	779	5,021	4,615	0 1,185
Boys Basketball Camp	814	3,116	3,275	0 655
Cheer Camp	452	4,716	3,690	0 1,478
Volleyball Camp	843	0	0	0 843
Girls Track	2,187	3,671	3,677	0 2,181
Boys Track	3,465	11,863	10,774	0 4,554
Volleyball	186	11,073	9,552	0 1,707
Wrestling	0	8,307	6,971	0 1,336
State Athletic Competitions	0	5,239	4,970	0 269
Drama	3,823	1,564	915	0 4,472
	<u>38,299</u>	<u>130,399</u>	<u>121,012</u>	<u>0 47,686</u>
Classes:				
Elementary	154	0	0	(154) 0
Class of 2012	2,318	83	319	(1,999) 83
Class of 2013	4,448	382	4,830	0 0
Class of 2014	593	15,877	10,843	0 5,627
Class of 2015	634	980	135	0 1,479
Class of 2016	0	335	142	0 193
	<u>8,147</u>	<u>17,657</u>	<u>16,269</u>	<u>(2,153) 7,382</u>
Clubs/Organizations:				
FB & BB Cheerleaders	3,504	6,270	7,151	0 2,623
Wrestling Cheerleaders	1,018	1,224	1,595	0 647
Dance Team	677	19,779	18,088	0 2,368
Boys Drill Team	214	4,633	4,085	0 762
National Honor Society	1,571	289	291	0 1,569
Student Council	3,228	1,370	885	0 3,713
FCCLA	(38)	38	0	0 0
Leadership Activities	1,821	289	0	0 2,110
	<u>11,995</u>	<u>33,892</u>	<u>32,095</u>	<u>0 13,792</u>

Account	Balance Beginning of Year	Revenues	Expendi- tures		Balance End of Year
Miscellaneous Accounts:					
Administrative-postage	9	55	64	0	0
General Athletics	0	3,966	4,843	1,999	1,122
Titans Uniforms	4,563	1,394	3,050	0	2,907
9-12 Projects	1,772	4,303	3,739	0	2,336
Public Relations	0	763	763	0	0
	6,344	10,481	12,459	1,999	6,365
School Projects:					
Annual	5,914	8,395	8,465	0	5,844
7-8 Yearbook	1,287	2,198	2,599	0	886
HS Pop Machines	200	3,999	3,999	0	200
4-8 MS Student Council	0	4,754	4,106	0	648
4-8 Projects	0	861	648	0	213
Elementary Student Council	121	2,730	2,347	154	658
Art Projects	182	0	0	0	182
Booster Club	0	1,029	1,029	0	0
	7,704	23,966	23,193	154	8,631
Vocational Organizations:					
FFA	28,356	78,586	66,000	0	40,942
HOSA	264	135	135	0	264
	28,620	78,721	66,135	0	41,206
Other Accounts:					
SCC Brotherhood Fundraisers	(1,639)	44,008	42,347	0	22
Total	\$ 99,470	339,124	313,510	0	125,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION -
 PRIVATE PURPOSE TRUST
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund				
	Taylor				
	Makinson	Heuton	FFA	Gordon	
	Scholarship	Scholarship	Scholarship	Scholarship	Total
Assets					
Cash and pooled investments	\$ 130	500	3,363	275	4,268
Liabilities					
	0	0	0	0	0
Net Position:					
Retricted for scholarships	\$ 130	500	3,363	275	4,268

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, 2013

	Private Purpose Trust - Scholarship Fund						
	Justin	Taylor			FFA	Gordon	Total
	Heuton	Makinson	Heuton	Scholarship			
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship		
Additions:							
Local sources:							
Gifts and contributions	\$ 0	0	0	2,863	3,000	5,863	
Deductions:							
Instruction:							
Regular instruction:							
Scholarships awarded	500	0	0	2,000	2,725	5,225	
Change in net position	(500)	0	0	863	275	638	
Net position beginning of year	500	130	500	2,500	0	3,630	
Net position end of year	\$ 0	130	500	3,363	275	4,268	

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,070,896	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	248,135	242,017	116,828	120,083	181,497	138,182	135,802	98,028	131,576	93,216
Other	537,129	1,437,640	719,552	281,154	317,846	340,506	296,519	270,932	225,587	219,367
Intermediate sources	0	0	0	0	15,000	0	0	0	0	11,510
State sources	2,681,404	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	145,060	156,560	347,953	464,261	230,084	174,928	198,668	166,716	186,292	170,190
Total	\$ 6,682,624	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	\$ 2,343,087	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	816,122	661,294	480,419	565,184	537,733	522,718	467,570	522,280	507,746	531,786
Other	888,126	879,000	923,851	702,821	699,095	611,385	590,928	529,754	540,921	434,826
Support services:										
Student	96,320	208,710	154,062	167,987	159,382	149,470	140,885	187,915	214,235	225,416
Instructional	191,350	231,475	180,628	139,996	166,593	190,250	183,829	247,289	180,399	143,133
Administration	307,573	545,713	555,903	514,867	542,277	581,207	512,647	438,969	436,747	433,748
Operation and maintenance of plant	360,481	383,414	413,483	431,149	496,056	549,271	506,917	507,032	540,056	544,005
Transportation	336,364	311,196	229,209	306,437	353,395	318,174	305,514	220,760	259,764	169,776
Non-instructional programs	943	1,949	3,934	1,789	0	1,000	0	0	5,315	5,541
Capital outlays	296,427	1,844,512	318,292	519,177	187,969	66,929	68,306	80,870	0	0
Long-term debt:										
Principal	170,000	150,000	0	0	0	0	0	0	0	0
Interest and fiscal charges	39,325	36,048	0	0	0	0	0	0	0	0
Other expenditures:										
AEA flowthrough	191,348	186,702	211,144	208,315	191,962	185,999	180,287	175,739	175,873	178,412
Total	\$ 6,037,466	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)

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

Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Cal Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Cal Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Cal Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-13 to be a material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Cal Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2013 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

Southern Cal Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Southern Cal Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

February 26, 2014
Newton, Iowa

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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. One individual has control over the following areas for the District:

- 1) Cash - initiating cash receipt disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting, and reconciling.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting, and distribution.

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 - The District moved its Central Office to Rockwell City in June 2013 in order to consolidate central office staff in preparation of reorganization. The Business Manager is located in Rockwell City and the Superintendent's Secretary/Activity Fund Secretary is located in Lake City. The Central Office staff in cooperation with the building secretaries and administration continue to address segregation of duties and review control procedures. Improved communication of district cash handling procedures with staff is on-going.

Conclusion - Response accepted.

I-B-13 Timesheets for Non-Certified Coaches - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked by non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The Central Office will receive time sheets prior to making payment for coaches who are not teachers. Time sheets are given to non-teacher coaches at the beginning of the season with instructions.

Conclusion - Response accepted.

I-C-13 Nutrition Fund Receipting Procedures - We noted that the District's Nutrition Fund deposit slips lacked detail of the checks being deposited, only listing a total deposit amount.

Recommendation - The District's deposit slips should include a list of individual checks being deposited. This will allow for the District to trace their receipts to their deposits.

Response The printout from the student information system JMC which manages the daily receipts and daily meal counts for the district includes the check number or "cash", and the student's name for each payment received. Receipts are collected and entered daily. This will be kept with the deposit in the future.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in other expenditures functional area.

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 Debt Service commitment was excluded from the published budget in error. This has been corrected and included for fiscal 2014.

Conclusion - Response accepted.

II-B-13 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-13 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-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. Certified enrollment was understated by one student.

Recommendation - The District should contact the Iowa Department of Education and resolve this understatement.

Response - The District has received the correction on the fiscal 2015 budget.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 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-13 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-13 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	238,649
Revenues/transfers in:			
Sales tax revenues	\$	420,987	
Other local revenues		25,275	446,262
		<u> </u>	<u>684,911</u>
Expenditures/transfers out:			
School infrastructure construction		46,297	
Equipment		22,728	
Other		250,130	
Transfer to other funds:			
Debt service		207,825	526,980
		<u> </u>	<u> </u>
Ending Balance		\$	<u>157,931</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.