

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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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

(Before September 2013 Election)

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

(After September 2013 Election)

Jim Brown	President	2017
Mark Schleisman	Vice President	2015
Ann Gemberling	Board Member	2017
Larry Irwin	Board Member	2017
Judy Hungate	Board Member	2015

School Officials

Jeff Kruse	Superintendent	2014
Carol Collins	District Secretary/ Business Manager	2014
Frank & Sextro, PLC	Attorney	2014

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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, 2014, 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, 2014, 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 42 through 44 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, 2013 (which are not presented herein) and expressed unmodified 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 December 18, 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.

December 18, 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,744,676 in fiscal 2013 to \$5,728,889 in fiscal 2014, while General Fund expenditures increased from \$4,946,172 in fiscal 2013 to \$5,531,621 in fiscal 2014. The District's General Fund balance increased from a balance of \$1,536,330 in fiscal 2013 to a balance of \$1,733,598 in fiscal 2014, a 12.84% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in revenues from state sources. The increase in expenditures was due primarily to an increase in support service expenditures compared to the prior 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 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 nonmajor governmental funds.

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

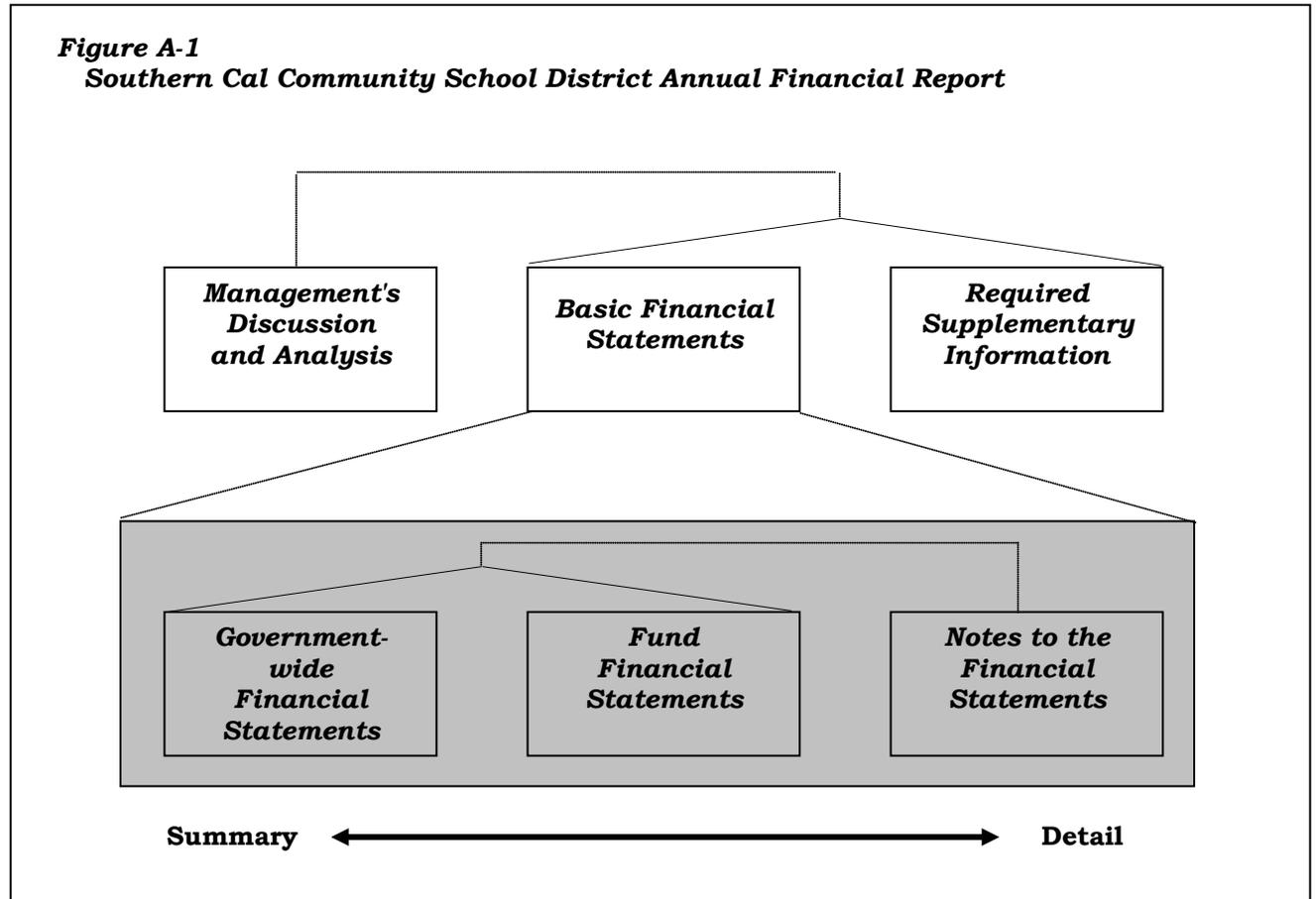


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities and deferred inflows or resources, with the difference reported as net position. 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 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013-14
Current and other assets	\$ 3,395,184	6,273,702	23,141	50,945	3,418,325	6,324,647	-45.95%
Capital assets	4,001,557	4,368,007	42,586	26,483	4,044,143	4,394,490	-7.97%
Total assets	7,396,741	10,641,709	65,727	77,428	7,462,468	10,719,137	-30.38%
Long-term obligations	1,587,777	1,808,578	151	1,564	1,587,928	1,810,142	-12.28%
Other liabilities	695,673	1,154,549	8,292	13,106	703,965	1,167,655	-39.71%
Total liabilities	2,283,450	2,963,127	8,443	14,670	2,291,893	2,977,797	-23.03%
Deferred inflows of resources	0	2,759,255	0	0	0	2,759,255	-100.00%
Net position:							
Net investment in capital assets	2,521,557	2,688,007	42,586	26,483	2,564,143	2,714,490	-5.54%
Restricted	1,056,891	921,179	0	0	1,056,891	921,179	14.73%
Unrestricted	1,534,843	1,310,141	14,698	36,275	1,549,541	1,346,416	15.09%
Total net position	\$ 5,113,291	4,919,327	57,284	62,758	5,170,575	4,982,085	3.78%

The District's combined net position increased by 3.78%, or \$188,490, 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 \$135,712 or 14.73% over the prior year. This increase was primarily the result of an increase in fund balance of the Statewide Sales, Service and Use Tax 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 \$203,125, or 15.09%. 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, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 539,323	626,754	107,484	105,319	646,807	732,073	-11.65%
Operating grants, contributions and restricted interest	456,310	412,259	74,779	73,206	531,089	485,465	9.40%
Capital grants, contributions and restricted interest	27,325	11,555	0	0	27,325	11,555	136.48%
General revenues:							
Property tax	2,701,815	2,649,909	0	0	2,701,815	2,649,909	1.96%
Statewide sales, services and use tax	412,943	420,987	0	0	412,943	420,987	-1.91%
Unrestricted state grants	2,312,053	2,414,205	0	0	2,312,053	2,414,205	-4.23%
Unrestricted investment earnings	5,773	5,215	0	0	5,773	5,215	10.70%
Other	142,076	141,740	1,343	1,201	143,419	142,941	0.33%
Total revenues	6,597,618	6,682,624	183,606	179,726	6,781,224	6,862,350	-1.18%
Program expenses:							
Instruction	4,290,114	4,027,868	0	0	4,290,114	4,027,868	6.51%
Support services	1,750,498	1,421,509	16,102	8,960	1,766,600	1,430,469	23.50%
Non-instructional programs	1,257	943	172,978	160,296	174,235	161,239	8.06%
Other expenses	361,785	362,926	0	0	361,785	362,926	-0.31%
Total expenses	6,403,654	5,813,246	189,080	169,256	6,592,734	5,982,502	10.20%
Change in net position	193,964	869,378	(5,474)	10,470	188,490	879,848	78.58%
Beginning net position	4,919,327	4,049,949	62,758	52,288	4,982,085	4,102,237	21.45%
Ending net position	\$ 5,113,291	4,919,327	57,284	62,758	5,170,575	4,982,085	3.78%

In fiscal 2014, property tax and unrestricted state grants account for 76.00% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.27% of the revenue from business type activities.

The District's total revenues were approximately \$6.78 million of which approximately \$6.60 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 1.18% decrease in revenues and a 10.20% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$6,597,618 and expenses were \$6,403,654.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,290,114	4,027,868	6.51%	3,496,093	3,202,292	9.17%
Support services	1,750,498	1,421,509	23.14%	1,717,013	1,387,865	23.72%
Non-instructional	1,257	943	33.30%	1,257	943	33.30%
Other expenses	361,785	362,926	-0.31%	166,333	171,578	-3.06%
Totals	\$ 6,403,654	5,813,246	10.16%	5,380,696	4,762,678	12.98%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$539,323.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$483,635.
- The net cost of governmental activities was financed with \$2,701,815 in property tax, \$2,312,053 in unrestricted state grants, \$412,943 in statewide sales, services and use tax, \$5,773 in interest income, and \$142,076 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$183,606 and expenses were \$189,080. 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 \$2,699,511 an increase from last year's ending fund balance of a \$2,359,898. The primary reason for the increase in combined fund balances in fiscal 2014 is due to the increase in the District's General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,536,330 at June 30, 2013 to a balance of \$1,733,598 at June 30, 2014. Revenues decreased as compared to fiscal 2013, primarily due to the decrease in state sources. The expenditures increased, due to the increase in support service expenditures during the year. Revenues still outpaced expenditures leading to an increase in General Fund balance for fiscal 2014.
- The Capital Projects fund balance increased during the current year, from \$356,386 at June 30, 2013 to \$489,380 at June 30, 2014. This increase resulted from the Statewide Sales, Services and Use Tax Fund balance increasing from \$157,931 at June 30, 2013 to \$267,893 at June 30, 2014. The Physical Plant and Equipment Levy Fund balance increased from \$198,455 at June 30, 2013 to \$221,487 at June 30, 2014.
- The Debt Service fund balance decreased from \$200,050 at June 30, 2013 to \$199,275 at June 30, 2014. The decrease primarily resulted from an increase in principal and interest payments on District bond indebtedness compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$62,758 at June 30, 2013 to \$57,824 at June 30, 2014, representing a decrease of 8.72%. This decrease is primarily due to an increase in salaries and benefits paid compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Southern Cal Community School District amended its budget one time to reflect additional expenditures associated with the Lohrville Elementary demolition and nutrition fund equipment purchases.

The District's revenues were \$630,841 less than budgeted revenues, a variance of 8.51%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$4,044,143, 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 \$293,529.

The original cost of the District's capital assets as \$8,548,989. Governmental funds account for \$8,445,196 with the remainder of \$103,793 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$156,046 at June 30, 2013, compared to \$129,593 reported at June 30, 2014. The difference was contributable to the depreciation expense incurred during the fiscal year.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 31,326	31,326	0	0	31,326	31,326	0.00%
Buildings	3,239,652	3,558,612	0	0	3,239,652	3,558,612	-8.96%
Land improvements	129,593	156,046	0	0	129,593	156,046	-16.95%
Machinery and equipment	600,986	622,023	42,586	26,483	643,572	648,506	-0.76%
Total	\$ 4,001,557	4,368,007	42,586	26,483	4,044,143	4,394,490	-7.97%

Long-Term Debt

At June 30, 2014, the District had \$1,587,928 in long-term debt outstanding. This represents a decrease of 12.28% 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 \$1,480,000 in revenue bonds indebtedness as of June 30, 2014 payable from the Statewide Sales, Services and Use Tax Fund.

The District had total outstanding net OPEB liability of \$107,928 as of June 30, 2014. Governmental activities accounts for \$107,777 of the total while business type activities account for the remaining \$151.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 1,480,000	1,680,000	0	0	1,480,000	1,680,000	-11.90%
Compensated absences	0	31,490	0	1,423	0	32,913	-100.00%
Net OPEB obligation	107,777	97,088	151	141	107,928	97,229	11.00%
Total	\$ 1,587,777	1,808,578	151	1,564	1,587,928	1,810,142	-12.28%

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:

- On February 5, 2013, residents of Southern Cal Community School District and Rockwell City-Lytton Community School District passed a resolution to merge the two Districts. The two districts were officially merged as of July 1, 2014 forming the South Central Calhoun Community School District.

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, 1000 Tonawanda St, Rockwell City, IA 50579.

BASIC FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 2,809,729	16,091	2,825,820
Receivables:			
Property tax:			
Delinquent	43,919	0	43,919
Accounts	16,891	8	16,899
Due from other governments	524,645	6,338	530,983
Inventories	0	704	704
Capital assets, net of accumulated depreciation	4,001,557	42,586	4,044,143
TOTAL ASSETS	7,396,741	65,727	7,462,468
LIABILITIES			
Accounts payable	695,673	6,152	701,825
Unearned revenue	0	2,140	2,140
Long-term liabilities:			
Portion due within one year:			
Revenue bond payable	200,000	0	200,000
Portion due after one year:			
Revenue bond payable	1,280,000	0	1,280,000
Net OPEB liability	107,777	151	107,928
TOTAL LIABILITIES	2,283,450	8,443	2,291,893
NET POSITION			
Net investment in capital assets	2,521,557	42,586	2,564,143
Restricted for:			
Categorical funding	90,978	0	90,978
Management levy purposes	151,366	0	151,366
Student activities	125,892	0	125,892
School infrastructure	267,893	0	267,893
Physical plant and equipment	221,487	0	221,487
Debt service	199,275	0	199,275
Unrestricted	1,534,843	14,698	1,549,541
TOTAL NET POSITION	\$ 5,113,291	57,284	5,170,575

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,444,622	75,641	53,247	0	(2,315,734)	0	(2,315,734)
Special	904,022	155,785	18,946	0	(729,291)	0	(729,291)
Other	941,470	304,952	185,450	0	(451,068)	0	(451,068)
	<u>4,290,114</u>	<u>536,378</u>	<u>257,643</u>	<u>0</u>	<u>(3,496,093)</u>	<u>0</u>	<u>(3,496,093)</u>
Support services:							
Student	107,207	0	0	0	(107,207)	0	(107,207)
Instructional staff	197,493	0	0	0	(197,493)	0	(197,493)
Administration	342,460	0	0	0	(342,460)	0	(342,460)
Operation and maintenance of plant	748,668	0	0	27,325	(721,343)	0	(721,343)
Transportation	354,670	2,945	3,215	0	(348,510)	0	(348,510)
	<u>1,750,498</u>	<u>2,945</u>	<u>3,215</u>	<u>27,325</u>	<u>(1,717,013)</u>	<u>0</u>	<u>(1,717,013)</u>
Non-instructional programs:							
Food service operations	1,257	0	0	0	(1,257)	0	(1,257)
Long-term debt interest	37,625	0	0	0	(37,625)	0	(37,625)
Other expenditures:							
AEA flowthrough	195,452	0	195,452	0	0	0	0
Depreciation(unallocated)*	128,708	0	0	0	(128,708)	0	(128,708)
	<u>324,160</u>	<u>0</u>	<u>195,452</u>	<u>0</u>	<u>(128,708)</u>	<u>0</u>	<u>(128,708)</u>
Total governmental activities	6,403,654	539,323	456,310	27,325	(5,380,696)	0	(5,380,696)
Business Type activities:							
Support services:							
Operation and maintenance of plant	16,102	0	0	0	0	(16,102)	(16,102)
Non-instructional programs:							
Nutrition services	172,978	107,484	74,779	0	0	9,285	9,285
Total business type activities	<u>189,080</u>	<u>107,484</u>	<u>74,779</u>	<u>0</u>	<u>0</u>	<u>(6,817)</u>	<u>(6,817)</u>
Total	\$ 6,592,734	646,807	531,089	27,325	(5,380,696)	(6,817)	(5,387,513)
General Revenues:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,634,192	0	2,634,192
Capital Projects					67,623	0	67,623
Statewide sales, services and use tax					412,943	0	412,943
Unrestricted state grants					2,312,053	0	2,312,053
Unrestricted investment earnings					5,773	0	5,773
Other					142,076	1,343	143,419
Total general revenues					<u>5,574,660</u>	<u>1,343</u>	<u>5,576,003</u>
Change in net position					193,964	(5,474)	188,490
Net position beginning of year					4,919,327	62,758	4,982,085
Net position end of year					<u>\$ 5,113,291</u>	<u>57,284</u>	<u>5,170,575</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,845,497	269,936	417,338	276,958	2,809,729
Receivables:					
Property tax:					
Delinquent	41,520	1,099	0	1,300	43,919
Accounts	16,891	0	0	0	16,891
Due from other governments	306,300	218,345	0	0	524,645
TOTAL ASSETS	\$ 2,210,208	489,380	417,338	278,258	3,395,184
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 476,610	0	218,063	1,000	695,673
Fund balances:					
Restricted for:					
Categorical funding	90,978	0	0	0	90,978
Management levy purposes	0	0	0	151,366	151,366
Student activities	0	0	0	125,892	125,892
School infrastructure	0	267,893	0	0	267,893
Physical plant and equipment	0	221,487	0	0	221,487
Debt service	0	0	199,275	0	199,275
Assigned for operational sharing	507,606	0	0	0	507,606
Unassigned:					
General	1,135,014	0	0	0	1,135,014
Total fund balances	1,733,598	489,380	199,275	277,258	2,699,511
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,210,208	489,380	417,338	278,258	3,395,184

SEE NOTES TO FINANCIAL STATEMENT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 2,699,511
<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.	4,001,557
Long-term liabilities, including bonds payable, 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>(1,587,777)</u>
Net position of governmental activities(page 18)	<u><u>\$ 5,113,291</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,554,196	67,623	0	79,996	2,701,815
Tuition	242,160	0	0	0	242,160
Other	160,218	2,325	19	284,775	447,337
State sources	2,630,757	412,970	0	32	3,043,759
Federal sources	137,547	25,000	0	0	162,547
Total revenues	<u>5,724,878</u>	<u>507,918</u>	<u>19</u>	<u>364,803</u>	<u>6,597,618</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,378,447	16,142	0	29,342	2,423,931
Special	868,667	0	0	0	868,667
Other	629,568	0	0	281,298	910,866
	<u>3,876,682</u>	<u>16,142</u>	<u>0</u>	<u>310,640</u>	<u>4,203,464</u>
Support services:					
Student	75,133	0	0	0	75,133
Instructional staff	162,537	0	0	0	162,537
Administration	301,370	1,345	0	4,797	307,512
Operation and maintenance of plant	655,973	0	0	27,620	683,593
Transportation	264,474	34,621	0	10,363	309,458
	<u>1,459,487</u>	<u>35,966</u>	<u>0</u>	<u>42,780</u>	<u>1,538,233</u>
Non-instructional programs:					
Food service operations	0	0	0	1,257	1,257
Capital outlays	0	85,985	0	0	85,985
Long-term debt:					
Principal	0	0	200,000	0	200,000
Interest and fiscal charges	0	0	37,625	0	37,625
	<u>0</u>	<u>0</u>	<u>237,625</u>	<u>0</u>	<u>237,625</u>
Other expenditures:					
AEA flowthrough	195,452	0	0	0	195,452
Total expenditures	<u>5,531,621</u>	<u>138,093</u>	<u>237,625</u>	<u>354,677</u>	<u>6,262,016</u>
Excess(deficiency) of revenues over(under) expenditures	193,257	369,825	(237,606)	10,126	335,602
Other financing sources(uses):					
Transfer in	0	0	236,831	0	236,831
Transfer out	0	(236,831)	0	0	(236,831)
Sale of capital assets	4,011	0	0	0	4,011
Total other financing sources(uses)	<u>4,011</u>	<u>(236,831)</u>	<u>236,831</u>	<u>0</u>	<u>4,011</u>
Change in fund balances	197,268	132,994	(775)	10,126	339,613
Fund balance beginning of year	<u>1,536,330</u>	<u>356,386</u>	<u>200,050</u>	<u>267,132</u>	<u>2,359,898</u>
Fund balance end of year	<u>\$ 1,733,598</u>	<u>489,380</u>	<u>199,275</u>	<u>277,258</u>	<u>2,699,511</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, 2014

Net change in fund balances - total governmental funds(page 22) \$ 339,613

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, loss on disposal of assets, are as follows:

Capital outlay expenditures	\$ 209,488	
Depreciation expense	(287,156)	
Loss on disposal of assets	(288,782)	(366,450)

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. 200,000

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	\$ 31,490	
Other postemployment benefits	(10,689)	20,801

Changes in net position of governmental activities(page 19) \$ 193,964

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise, School Nutrition
ASSETS	
Cash and cash equivalents	\$ 16,091
Due from other governments	6,338
Accounts Receivable	8
Inventories	704
Capital assets, net of accumulated depreciation	42,586
TOTAL ASSETS	65,727
LIABILITIES	
Accounts payable	6,152
Unearned revenues	2,140
Net OPEB liability	151
TOTAL LIABILITES	8,443
NET POSITION	
Net investment in capital assets	42,586
Unrestricted	14,698
TOTAL NET POSITION	\$ 57,284

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 107,484
Miscellaneous	1,343
TOTAL OPERATING REVENUES	108,827
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Salaries	3,786
Benefits	1,197
Services	1,504
Supplies	9,615
	16,102
Non-instructional programs:	
Food service operations:	
Salaries	50,488
Benefits	8,350
Services	105
Supplies	101,828
Depreciation	6,373
Total non-instructional programs	167,144
TOTAL OPERATING EXPENSES	183,246
OPERATING LOSS	(74,419)
NON-OPERATING REVENUES(EXPENSES):	
Loss on disposal of assets	(5,834)
State sources	1,334
Federal sources	73,445
TOTAL NON-OPERATING REVENUES(EXPENSES)	68,945
Change in net position	(5,474)
Net position beginning of year	62,758
Net position end of year	\$ 57,284

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 106,908
Cash received from miscellaneous	1,343
Cash payments to employees for services	(67,604)
Cash payments to suppliers for goods or services	(104,333)
Net cash used in operating activities	(63,686)
Cash flows from non-capital financing activities:	
State grants received	1,334
Federal grants received	63,661
Net cash provided by non-capital financing activities	64,995
Cash flows from capital and other financing activities:	
Purchase of assets	(28,310)
Net decrease in cash and cash equivalents	(27,001)
Cash and cash equivalents at beginning of year	43,092
Cash and cash equivalents at end of year	\$ 16,091
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (74,419)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,964
Depreciation	6,373
Decrease in inventories	2,631
Increase in accounts receivable	(8)
Increase in accounts payable	(1,876)
Decrease in salaries and benefits payable	(2,370)
Decrease in unearned revenue	(568)
Decrease in compensated absences	(1,423)
Increase in other postemployment benefits	10
Net cash used in operating activities	\$ (63,686)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$7,964.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 3,360
Liabilities	<u>0</u>
Net Position	
Restricted for scholarships	<u>\$ 3,360</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 2,817</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 3,725</u>
Change in net position	(908)
Net position beginning of year	<u> 4,268</u>
Net position end of year	<u><u>\$ 3,360</u></u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported the following categories:

Net investment in capital assets 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. Enabling legislation did not result in any unrestricted net position.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following non-major proprietary fund:

The District's proprietary fund is 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, Deferred Inflow of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Inflow or Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year. Deferred inflow or resources consists of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows or resources 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.

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 Balances - 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 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, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$470,195 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.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	<u>\$ 236,831</u>

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,326	0	0	31,326
Total capital assets not being depreciated	<u>31,326</u>	<u>0</u>	<u>0</u>	<u>31,326</u>
Capital assets being depreciated:				
Buildings	5,994,838	56,799	1,152,243	4,899,394
Land improvements	644,432	2,953	0	647,385
Furniture and equipment	2,813,134	149,736	95,779	2,867,091
Total capital assets being depreciated	<u>9,452,404</u>	<u>209,488</u>	<u>1,248,022</u>	<u>8,413,870</u>
Less accumulated depreciation for:				
Buildings	2,436,226	99,302	875,786	1,659,742
Land improvements	488,386	29,406	0	517,792
Furniture and equipment	2,191,111	158,448	83,454	2,266,105
Total accumulated depreciation	<u>5,115,723</u>	<u>287,156</u>	<u>959,240</u>	<u>4,443,639</u>
Total capital assets being depreciated, net	<u>4,336,681</u>	<u>(77,668)</u>	<u>288,782</u>	<u>3,970,231</u>
Governmental activities capital assets, net	<u>\$ 4,368,007</u>	<u>(77,668)</u>	<u>288,782</u>	<u>4,001,557</u>
Business type activities:				
Furniture and equipment	\$ 102,291	28,310	26,808	103,793
Less accumulated depreciation	75,808	6,373	20,974	61,207
Business type activities capital assets, net	<u>\$ 26,483</u>	<u>21,937</u>	<u>5,834</u>	<u>42,586</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 85,526
Other		13,489
Support services:		
Operation and maintenance of plant		7,853
Transportation		51,580
		<u>158,448</u>
Unallocated depreciation		128,708
Total depreciation expense - governmental activities		<u>\$ 287,156</u>
Business type activities:		
Food service operations		<u>\$ 6,373</u>

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 1,680,000	0	200,000	1,480,000	200,000
Compensated absences	31,490	0	31,490	0	0
Net OPEB liability	97,088	10,689	0	107,777	0
Total	<u>\$ 1,808,578</u>	<u>10,689</u>	<u>231,490</u>	<u>1,587,777</u>	<u>200,000</u>
Business type activities:					
Compenstated absences	\$ 1,423	0	1,423	0	0
Net OPEB liability	141	10	0	151	0
Total	<u>\$ 1,564</u>	<u>10</u>	<u>1,423</u>	<u>151</u>	<u>0</u>

Revenue Bonds

Detail of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of August 1, 2011			
	Interest Rate	Principal	Interest	Total
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
2018	2.50	215,000	18,325	233,325
2020-2021	2.75-3.00	450,000	19,850	469,850
Total		<u>\$ 1,480,000</u>	<u>152,400</u>	<u>1,632,400</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,000,000 of bonds issued in August 2011. The bonds were 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 57% 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 \$236,125.

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.

Note 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$284,665, \$234,629, and \$242,849, respectively, equal to the required contributions for each year.

Note 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, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 15,895
Interest on net OPEB obligation	2,431
Adjustment to annual required contribution	(6,052)
Annual OPEB cost	<u>12,274</u>
Contributions made	<u>(1,575)</u>
Increase in net OPEB obligation	10,699
Net OPEB obligation beginning of year	<u>97,229</u>
Net OPEB obligation end of year	<u><u>\$ 107,928</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$1,575 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 34,514	13.63%	\$ 86,434
2013	11,868	9.04%	97,229
2014	12,274	12.83%	107,928

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$2,374,277, and the ratio of the UAAL to covered payroll was 5.71%. As of June 30, 2014 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 include 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 are as follows:

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.

Note 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, 2014 were \$36,375.

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.

Note 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 \$195,452 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. District Consolidation

On February 5, 2013, residents of Southern Cal Community School District and Rockwell City-Lytton Community School District passed a resolution to merge the two Districts. The two districts were officially merged as of July 1, 2014 forming the South Central Calhoun Community School District.

Note 11. Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 1,779
Returning dropouts and dropout prevention	35,612
Beginning teacher mentoring and induction	898
Teacher salary supplement	27,728
Market factor incentives	2,717
Successful progression for early readers	15,503
Teacher leadership grants	6,741
Total	<u>\$ 90,978</u>

Note 12. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Invested in Capital Assets</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 0	1,135,014
Invested in capital assets, net of accumulated depreciation	4,001,557	0
Revenue bond capitalized indebtedness	(1,480,000)	0
Assigned fund balance	0	507,606
Net OPEB Liability	0	(107,777)
Net position (Exhibit A)	<u>\$ 2,521,557</u>	<u>1,534,843</u>

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No 68, Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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 FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,391,312	108,827	3,500,139	4,677,755	4,677,755	(1,177,616)
State sources	3,043,759	1,334	3,045,093	2,510,810	2,510,810	534,283
Federal sources	162,547	73,445	235,992	223,500	223,500	12,492
Total revenues	<u>6,597,618</u>	<u>183,606</u>	<u>6,781,224</u>	<u>7,412,065</u>	<u>7,412,065</u>	<u>(630,841)</u>
Expenditures/Expenses:						
Instruction	4,203,464	0	4,203,464	6,313,353	6,313,353	2,109,889
Support services	1,538,233	16,102	1,554,335	2,048,546	2,048,546	494,211
Non-instructional programs	1,257	172,978	174,235	204,853	244,853	70,618
Other expenditures	519,062	0	519,062	896,192	1,200,000	680,938
Total expenditures/expenses	<u>6,262,016</u>	<u>189,080</u>	<u>6,451,096</u>	<u>9,462,944</u>	<u>9,806,752</u>	<u>3,355,656</u>
Excess(Deficiency) of revenues over (under) expenditures/expenses	335,602	(5,474)	330,128	(2,050,879)	(2,394,687)	2,724,815
Other financing sources, net	<u>4,011</u>	<u>0</u>	<u>4,011</u>	<u>207,825</u>	<u>207,825</u>	<u>(203,814)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	339,613	(5,474)	334,139	(1,843,054)	(2,186,862)	2,521,001
Balance beginning of year	<u>2,359,898</u>	<u>62,758</u>	<u>2,422,656</u>	<u>2,043,109</u>	<u>2,043,109</u>	<u>379,547</u>
Balance end of year	<u>\$ 2,699,511</u>	<u>57,284</u>	<u>2,756,795</u>	<u>200,055</u>	<u>(143,753)</u>	<u>2,900,548</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures \$343,808.

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	137,262	137,262	0.00%	1,963,365	6.99%
2014	July 1, 2012	0	135,665	135,665	0.00%	2,374,277	5.71%

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, 2014

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 151,066	125,892	276,958
Receivables:			
Property tax:			
Delinquent	1,300	0	1,300
Total Assets	\$ 152,366	125,892	278,258
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,000	0	1,000
Fund balances:			
Restricted for:			
Management levy purposes	151,366	0	151,366
Student activities	0	125,892	125,892
Total fund balances	151,366	125,892	277,258
Total Liabilities and Fund Balances	\$ 152,366	125,892	278,258

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 79,996	0	79,996
Other	2,554	282,221	284,775
State sources	32	0	32
TOTAL REVENUES	82,582	282,221	364,803
EXPENDITURES:			
Current:			
Instruction:			
Regular	29,342	0	29,342
Other	0	281,298	281,298
Support services:			
Administration	4,682	115	4,797
Operation and maintenance of plant	27,620	0	27,620
Transportation	10,363	0	10,363
Non-instructional programs:			
Food service operations	1,257	0	1,257
TOTAL EXPENDITURES	73,264	281,413	354,677
Change in fund balances	9,318	808	10,126
Fund balance beginning of year	142,048	125,084	267,132
Fund balance end of year	\$ 151,366	125,892	277,258

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 74,548	195,388	269,936
Receivables:			
Property tax:			
Delinquent	0	1,099	1,099
Due from other governments	193,345	25,000	218,345
Total Assets	\$ 267,893	221,487	489,380
Liabilities and Fund Balances			
Liabilities	\$ 0	0	0
Fund balances:			
Restricted for:			
School infrastructure	267,893	0	267,893
Physical plant and equipment	0	221,487	221,487
Total fund balances	267,893	221,487	489,380
Total Liabilities and Fund Balances	\$ 267,893	221,487	489,380

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	67,623	67,623
Other	2,325	0	2,325
State sources	412,943	27	412,970
Federal Sources	0	25,000	25,000
TOTAL REVENUES	415,268	92,650	507,918
EXPENDITURES:			
Current:			
Instruction:			
Regular	16,142	0	16,142
Support services:			
Administration	1,345	0	1,345
Transportation	0	34,621	34,621
Capital outlays	50,988	34,997	85,985
TOTAL EXPENDITURES	68,475	69,618	138,093
Excess of revenues over expenditures	346,793	23,032	369,825
OTHER FINANCING USES:			
Transfer out	(236,831)	0	(236,831)
Change in fund balances	109,962	23,032	132,994
Fund balance beginning of year	157,931	198,455	356,386
Fund balance end of year	\$ 267,893	221,487	489,380

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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Activities:					
Academic Competitions	\$ 420	858	1,236	0	42
Activity Tickets	0	195	40	0	155
Athletic Awards	0	1,242	1,242	0	0
Baseball	0	7,000	7,000	0	0
Softball	50	8,000	8,050	0	0
Girls Basketball	1,278	4,786	4,669	0	1,395
Boys Basketball	276	5,401	5,144	0	533
Cross Country	1,940	5,272	5,021	0	2,191
Speech	1,224	2,476	2,449	0	1,251
Football	8,351	9,041	17,316	0	76
Girls Golf	104	1,969	1,955	0	118
Boys Golf	104	1,232	711	0	625
Music	0	1,549	1,549	0	0
Vocal Music	0	2,792	2,792	0	0
Music Awards	0	1,088	1,088	0	0
Band	1,674	4,306	4,237	0	1,743
Football Camp	13,585	10,076	10,796	0	12,865
Baseball Camp	0	2,258	2,216	0	42
Girls Basketball Camp	1,185	12,244	10,340	(290)	2,799
Boys Basketball Camp	655	712	985	290	672
Cheer Camp	1,478	2,311	3,139	0	650
Volleyball Camp	843	0	0	(843)	0
Girls Track	2,181	6,630	4,275	0	4,536
Boys Track	4,554	7,309	4,163	0	7,700
Volleyball	1,707	10,176	10,744	843	1,982
Wrestling	1,336	6,316	6,253	0	1,399
State Athletic Competitions	269	32,079	32,348	0	0
Drama	4,472	2,078	2,124	0	4,426
	<u>47,686</u>	<u>149,396</u>	<u>151,882</u>	<u>0</u>	<u>45,200</u>
Classes:					
Class of 2012	83	0	0	(83)	0
Class of 2014	5,627	495	4,706	(1,416)	0
Class of 2015	1,479	9,951	9,002	566	2,994
Class of 2016	193	990	35	0	1,148
Class of 2017	0	1,160	100	0	1,060
	<u>7,382</u>	<u>12,596</u>	<u>13,843</u>	<u>(933)</u>	<u>5,202</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Schedule 5

Account	Balance End of Year	Revenues	Expendi- tures		Balance End of Year
Clubs/Organizations:					
FB & BB Cheerleaders	2,623	3,899	6,249	0	273
Wrestling Cheerleaders	647	469	409	0	707
Dance Team	2,368	9,901	10,437	0	1,832
Boys Drill Team	762	946	1,132	22	598
National Honor Society	1,569	121	344	0	1,346
Student Council	3,713	1,026	930	0	3,809
Leadership Activities	2,110	121	0	0	2,231
	<u>13,792</u>	<u>16,483</u>	<u>19,501</u>	<u>22</u>	<u>10,796</u>
Miscellaneous Accounts:					
Administrative-postage	0	115	115	0	0
General Athletics	1,122	3,829	2,815	83	2,219
Titans Uniforms	2,907	3,795	5,281	0	1,421
9-12 Projects	2,336	63	1,186	0	1,213
Public Relations	0	2,032	2,032	0	0
	<u>6,365</u>	<u>9,834</u>	<u>11,429</u>	<u>83</u>	<u>4,853</u>
School Projects:					
Annual	5,844	6,915	8,384	850	5,225
7-8 MS Student Council	0	657	505	539	691
7-8 Yearbook	886	940	754	0	1,072
HS Pop Machines	200	3,421	3,421	0	200
4-6 MS Student Council	648	1,369	850	(590)	577
4-8 Projects	213	5,590	4,901	51	953
Elementary Student Council	658	3,011	2,335	0	1,334
Art Projects	182	1,524	1,500	0	206
Booster Club	0	3,444	3,444	0	0
	<u>8,631</u>	<u>26,871</u>	<u>26,094</u>	<u>850</u>	<u>10,258</u>
Vocational Organizations:					
FFA	40,942	67,041	58,659	0	49,324
HOSA	264	0	5	0	259
	<u>41,206</u>	<u>67,041</u>	<u>58,664</u>	<u>0</u>	<u>49,583</u>
Other Accounts:					
SCC Brotherhood Fundraisers	22	0	0	(22)	0
Total	<u>\$ 125,084</u>	<u>282,221</u>	<u>281,413</u>	<u>0</u>	<u>125,892</u>

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION -
 PRIVATE PURPOSE TRUST
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund					
	Makinson Scholarship	Taylor Heuton Scholarship	FFA Scholarship	Eric Findley Scholarship	Buenting Scholarship	Total
Assets						
Cash and pooled investments	\$ 130	500	2,080	400	250	3,360
Liabilities						
	0	0	0	0	0	0
Net Position:						
Retricted for scholarships	\$ 130	500	2,080	400	250	3,360

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -
 PRIVATE PURPOSE TRUST
 FOR YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund						Total
	Makinson Scholarship	Taylor Heuton Scholarship	FFA Scholarship	Eric Findley Scholarship	Gordon Scholarship	Buenting Scholarship	
Additions:							
Local sources:							
Gifts and contributions	\$ 0	0	2,167	400	0	250	2,817
Deductions:							
Instruction:							
Regular instruction:							
Scholarships awarded	0	0	3,450	0	275	0	3,725
Change in net position	0	0	(1,283)	400	(275)	250	(908)
Net position beginning of year	130	500	3,363	0	275	0	4,268
Net position end of year	\$ 130	500	2,080	400	0	250	3,360

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,701,815	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
Tuition	242,160	248,135	242,017	116,828	120,083	181,497	138,182	135,802	98,028	131,576
Other	447,337	537,129	1,437,640	719,552	281,154	317,846	340,506	296,519	270,932	225,587
Intermediate sources	0	0	0	0	0	15,000	0	0	0	0
State sources	3,043,759	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
Federal sources	162,547	145,060	156,560	347,953	464,261	230,084	174,928	198,668	166,716	186,292
Total	\$ 6,597,618	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
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,423,931	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
Special	868,667	816,122	661,294	480,419	565,184	537,733	522,718	467,570	522,280	507,746
Other	910,866	888,126	879,000	923,851	702,821	699,095	611,385	590,928	529,754	540,921
Support services:										
Student	75,133	96,320	208,710	154,062	167,987	159,382	149,470	140,885	187,915	214,235
Instructional	162,537	191,350	231,475	180,628	139,996	166,593	190,250	183,829	247,289	180,399
Administration	307,512	307,573	545,713	555,903	514,867	542,277	581,207	512,647	438,969	436,747
Operation and maintenance of plant	683,593	360,481	383,414	413,483	431,149	496,056	549,271	506,917	507,032	540,056
Transportation	309,458	336,364	311,196	229,209	306,437	353,395	318,174	305,514	220,760	259,764
Non-instructional programs	1,257	943	1,949	3,934	1,789	0	1,000	0	0	5,315
Capital outlays	85,985	296,427	1,844,512	318,292	519,177	187,969	66,929	68,306	80,870	0
Long-term debt:										
Principal	200,000	170,000	150,000	0	0	0	0	0	0	0
Interest and fiscal charges	37,625	39,325	36,048	0	0	0	0	0	0	0
Other expenditures:										
AEA flowthrough	195,452	191,348	186,702	211,144	208,315	191,962	185,999	180,287	175,739	175,873
Total	\$ 6,262,016	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

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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 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 a material weakness and a significant deficiency.

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-14 to be a material weakness.

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 deficiency described in Part I of the accompanying Schedule of Findings as items I-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Cal Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2014 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.

December 18, 2014
Newton, Iowa

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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, 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 will continue to look for practices to improve segregation of duties and assign duties to different staff.

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit several instances of purchase orders dated after the invoice date on items purchased in the Student Activity Fund as well as multiple instances of purchases made without a valid purchase order.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The central office staff will inform all staff of purchasing requirements during district in-service and as needed. Administration will approve properly submitted purchase orders and have the option to deny payment of purchases not submitted according to District practices.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted.

II-B-14 Questionable Disbursements - During our audit we noted the following items as questionable disbursements. More specific examples of those instances of questioned items and recommendations are as follows:

Apple Voucher Purchases: We noted the District purchased apple vouchers in order to purchase apps for District technology equipment. Purchasing a voucher does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979, as it does not allow the District's board to audit the final purchase made from the voucher.

Recommendation - The District should review the procedures in place, and make necessary adjustments to ensure all purchases comply with the Attorney General's opinion dated April 25, 1979.

Response - Personnel in charge of voucher and gift card purchases have been informed to turn in receipts for purchases. The technology director will assist in receipt collection.

Conclusion - Response accepted.

Prom Prizes: We noted during our audit that the District's Class of 2015 account in the Student Activity Fund received donated funds by the Class of 2013 and used these funds to purchase after-party prizes during post-prom to be given to students.

Recommendation - Prizes given to students does not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The District should refrain from purchasing prizes to be given to students.

Response - The use of district Activity Funds will not be used for after prom prize purchases. Donations and purchases will be managed by a group of parents in charge of after prom activities.

Conclusion - Response accepted.

II-C-14 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-14 Business Transactions - Business transactions between the District and District employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ann Gemberling, Board Member Owner Gemberling Excavating	Purchase Services	\$276

In accordance with Chapter 279.7A of the Code of Iowa the above transactions with Ann Gemberling does not appear to represent a conflict of interest.

- II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we did note an instance where the Board entered closed session during District meetings, but did not identify and document the specific exemption allowed under Chapter 21.5 of the Code of Iowa.
- Recommendation - The District should identify the specific exemption for entering a closed session, and document the exemption allowed under Chapter 21.5 of the Code of Iowa in the District's Board Minutes.
- Response - District will identify specific exemption allowed under Chapter 21.5 for all future closed sessions.
- Conclusion - Response accepted.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 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-14 Categorical Funding - We noted during our audit that the District coded disability insurance as an expense to its teacher salary supplement categorical funding. Disability insurance is not an allowable expense from teacher salary supplement funding and we question the expenses in the amount of \$254. The following shows the adjustment made by the District to the ending restricted balance for the teacher salary supplement program:

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
Teacher Salary Supplement	\$ 27,474	254	27,728

Recommendation - The District should review their procedures to ensure expenditures coded to teacher salary supplement are allowable per Chapter 281-98.25 of the Code of Iowa.

Response - The District will no longer coded long-term disability insurance premiums to the teacher salary supplement funds.

Conclusion - Response accepted.

II-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	157,931
Revenues/transfers in:			
Sales tax revenues	\$	412,943	
Other local revenues		2,325	415,268
			<u>573,199</u>
Expenditures/transfers out:			
School infrastructure construction		50,988	
Equipment		16,142	
Other		1,345	
Transfer to other funds:			
Debt service		236,831	305,306
			<u>305,306</u>
Ending Balance		\$	<u>267,893</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

Instructional Items Purchased: We noted a PS-3 Elementary Student Council account in the Student Activity Fund. In this account we noted fundraising revenues and expenditures related to the purchase of Kindles and IPADS for instructional purposes. The purchasing of Kindles and IPADS would appear to be more instructional in nature, and would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the PS-3 Elementary Student Council account from District fundraisers appears to be instructional in nature and would be more appropriate in the General Fund.

Response - Donation funds have been moved to the General Fund and will be accounted for individually in the General Fund.

Conclusion - Response accepted.