

RED OAK COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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Red Oak Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 Election)		
Lee Fellers	President	2015
Dr. Warren Hayes	Vice President	2013
Bill Drey	Board Member	2015
Paul Griffen	Board Member	2013
Kathy Walker	Board Member	2013
(After September 2013 Election)		
Lee Fellers	President	2015
Dr. Warren Hayes	Vice President	2017
Bill Drey	Board Member	2015
Paul Griffen	Board Member	2017
Kathy Walker	Board Member	2017
School Officials		
Terry Schmidt	Superintendent	2014
Shirley Maxwell	District Secretary/ Business Manager/Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014
Engel Law Office	Attorney	2014

Red Oak 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
Red Oak 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 Red Oak Community School District, Red Oak, 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 Red Oak 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 9 through 18 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

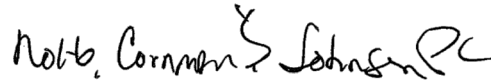
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Oak 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 two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2011 (none of which are presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2015 on our consideration of Red Oak 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 reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2015
Newton, Iowa

Red Oak Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Red Oak Community School District provides the 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 \$13,610,893 in fiscal 2013 to \$13,425,765 in fiscal 2014, while General Fund expenditures increased from \$12,721,038 in fiscal 2013 to \$13,108,173 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$2,921,114 in fiscal 2013 to a balance of \$3,238,706 in fiscal 2014, which is a 10.87% increase from the prior year.
- The increase in expenditures was due primarily to increases in negotiated salaries and benefits received by District employees.

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 Red Oak 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 Red Oak 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 Red Oak Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Project accounts. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

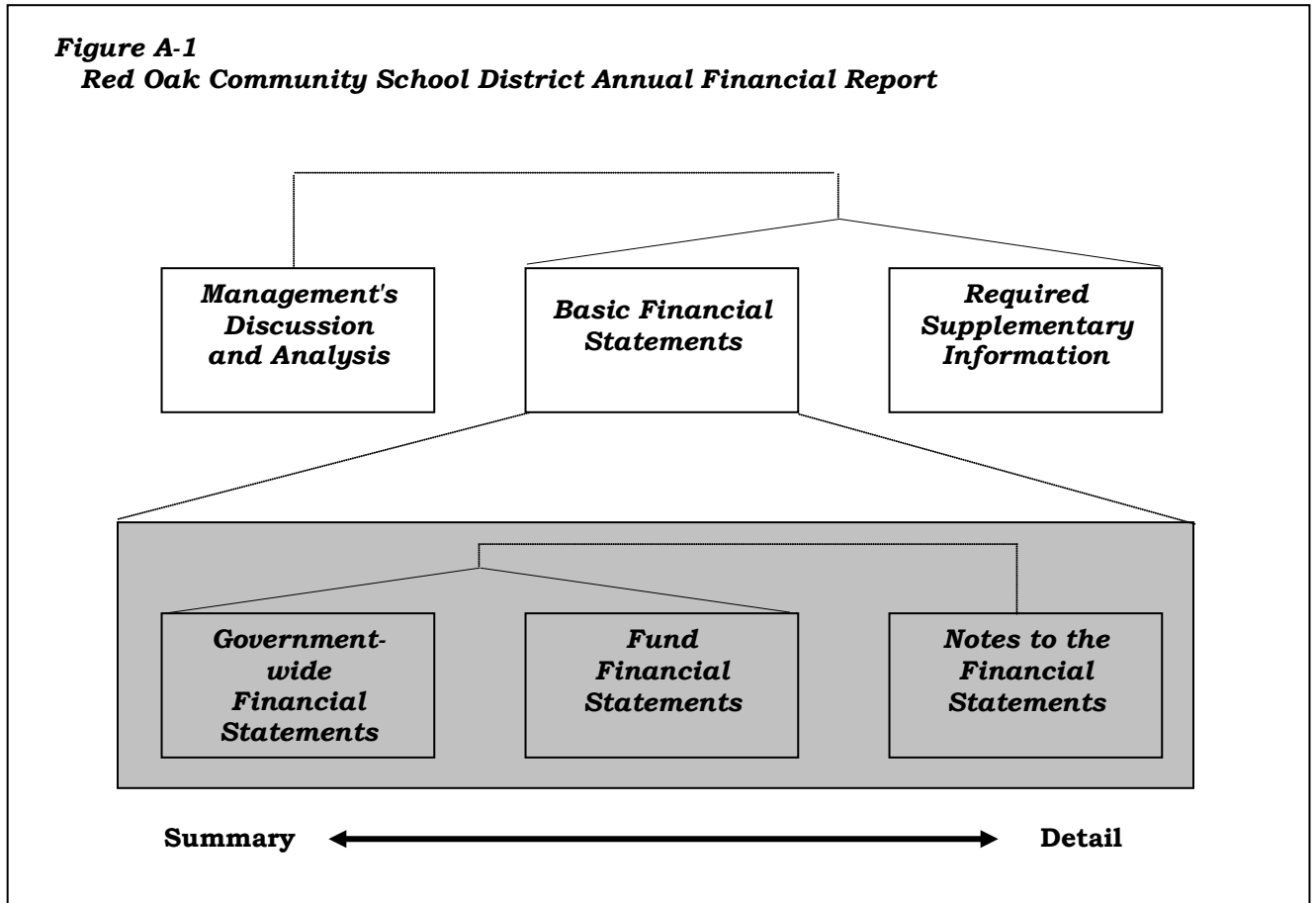


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net 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 of 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 they have 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 are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District’s activities are divided into two categories:

-
- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
 - *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition programs as well as the other miscellaneous accounts are 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, Capital Projects Fund and Debt Service 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 Funds, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net position, a statement of revenues, expenses and changes in 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 and Agency 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 District-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.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 15,430,362	14,473,888	237,003	232,620	15,667,365	14,706,508	6.53%
Capital assets	9,162,823	9,228,551	44,794	52,348	9,207,617	9,280,899	-0.79%
Total assets	24,593,185	23,702,439	281,797	284,968	24,874,982	23,987,407	3.70%
Long-term obligations	4,450,903	5,185,710	24,877	23,891	4,475,780	5,209,601	-14.09%
Other liabilities	1,607,357	1,502,534	55,023	52,742	1,662,380	1,555,276	6.89%
Total liabilities	6,058,260	6,688,244	79,900	76,633	6,138,160	6,764,877	-9.26%
Deferred inflows of resources	5,585,885	5,550,513	-	-	5,585,885	5,550,513	0.64%
Net position:							
Invested in capital assets, net of related debt	5,087,823	4,384,341	38,794	43,348	5,126,617	4,427,689	15.79%
Restricted	4,562,151	3,741,893	-	-	4,562,151	3,741,893	21.92%
Unrestricted	3,299,066	3,337,448	163,103	164,987	3,462,169	3,502,435	-1.15%
Total net position	\$ 12,949,040	11,463,682	201,897	208,335	13,150,937	11,672,017	12.67%

The District's combined net position increased by 12.67%, or \$1,478,920, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 21.92%, or \$820,258, over the prior year. This increase in restricted net position is mainly attributable to increases in carryover fund balance for the Management Levy Fund and the Statewide Sales, Services 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 – decreased \$40,266, or 1.15%. The decrease in unrestricted net position is mainly attributable to the decrease in carryover fund balance for the General Fund.

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 in Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 652,257	755,179	155,569	160,058	807,826	915,237	-11.74%
Operating grants and contributions and restricted interest	1,519,763	1,415,323	523,513	459,829	2,043,276	1,875,152	8.97%
Capital grants and contributions and restricted interest	8,455	27,234	-	-	8,455	27,234	-68.95%
General revenues:							
Property tax	5,539,990	5,423,053	-	-	5,539,990	5,423,053	2.16%
Income surtax	799,995	899,374	-	-	799,995	899,374	-11.05%
Statewide sales, services and use tax	1,059,967	1,020,681	-	-	1,059,967	1,020,681	3.85%
Unrestricted state grants	6,376,923	6,325,491	-	-	6,376,923	6,325,491	0.81%
Unrestricted investment earnings	9,098	1,863	17	95	9,115	1,958	365.53%
Other	225,121	186,852	11,924	-	237,045	186,852	26.86%
Total revenues	16,191,569	16,055,050	691,023	619,982	16,882,592	16,675,032	1.24%
Program expenses:							
Governmental activities:							
Instructional	9,403,808	9,296,707	-	911	9,403,808	9,297,618	1.14%
Support services	4,374,947	4,298,351	8,314	22,166	4,383,261	4,320,517	1.45%
Non-instructional programs	5,579	10,465	689,147	758,320	694,726	768,785	-9.63%
Long-term debt interest	138,529	158,929	-	-	138,529	158,929	-12.84%
Other expenses	783,348	790,651	-	-	783,348	790,651	-0.92%
Total expenses	14,706,211	14,555,103	697,461	781,397	15,403,672	15,336,500	0.44%
Excess(deficiency) of revenues over (under) expenses	1,485,358	1,499,947	(6,438)	(161,415)	1,478,920	1,338,532	10.49%
Other financing sources(uses):							
Transfer in	-	11,331	-	-	-	11,331	100.00%
Transfer out	-	-	-	(11,331)	-	(11,331)	-100.00%
Total other financing sources(uses)	-	11,331	-	(11,331)	-	-	0.00%
Change in net position	1,485,358	1,511,278	(6,438)	(172,746)	1,478,920	1,338,532	10.49%
Net position beginning of year	11,463,682	9,952,404	208,335	381,081	11,672,017	10,333,485	12.95%
Net position end of year	\$ 12,949,040	11,463,682	201,897	208,335	13,150,937	11,672,017	12.67%

In fiscal year 2014, property tax, income surtax and unrestricted state grants account for 78.54% of governmental activities revenue while charges for service and sales and operating grants, contributions and restricted interest accounted for 98.27% of business type activities revenue.

The District's total revenues were approximately \$16.88 million of which approximately \$16.19 million was for governmental activities and approximately \$0.69 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.24% increase in revenues and a 0.44% increase in expenses. Property tax increased \$116,937 and statewide sales, services and use tax increased \$39,286 to fund increases in expenditures. The increase in expenses related to increases in negotiated salary and benefits as well as increases in expenses related to the Net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$16,191,569 and expenses were \$14,706,211 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, long-term debt interest and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 9,403,808	9,296,707	1.15%	7,738,277	7,615,737	1.61%
Support services	4,374,947	4,298,351	1.78%	4,346,587	4,252,583	2.21%
Non-instructional programs	5,579	10,465	-46.69%	5,579	10,465	-46.69%
Other expenses	921,877	949,580	-2.92%	435,293	478,582	-9.05%
Totals	\$ 14,706,211	14,555,103	1.04%	12,525,736	12,357,367	1.36%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$652,257.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,519,763.
- The net cost of governmental activities was financed with \$5,539,990 in property tax, \$799,995 in income surtax, \$1,059,967 in statewide sales, services and use tax, \$6,376,923 in unrestricted state grants, \$9,098 in interest income and \$225,121 in other general revenues.

Business type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$691,023, representing a 11.45% increase over the prior year, while expenses totaled \$697,461, a 10.74% decrease over the prior year. The District's business type activities are the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Red Oak 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 balances of \$7,647,520, above last year's ending fund balances of \$6,576,801. However, the primary reason for the increase in combined fund balances is due to the increases in fund balance in the General Fund, the Management Fund, and the Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Local revenues decreased in fiscal 2014 compared to fiscal 2013. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The decreased revenues were still enough to offset the increase in expenditures; the net result was an increase in fund balance from \$2,921,114 in fiscal 2013 to \$3,238,706 in fiscal 2014.

-
- The Capital Projects account balances overall increased from \$2,617,558 in fiscal 2013 to \$2,732,178 in fiscal 2014. The increase in fund balance for the Capital Projects accounts is a result of decreased spending during the year, in addition to an increase in revenue received.
 - During the year ended June 30, 2014 the Statewide Sales, Services and Use Tax Fund increased from \$2,114,616 to \$2,575,056. The increase in fund balance can be attributed to increased sales tax revenue received as compared to the previous year, combined with a decrease in expenditures. The Physical Plant and Equipment Levy Fund decreased from \$502,942 to \$157,122. The decrease in the Physical Plant and Equipment Levy Fund is related to numerous major expenditures, including bus purchases, construction of security features at the District and transfers to the Debt service fund for payment of long term debt.
 - The District's Management Fund increased from a balance of \$840,519 at June 30, 2013 to \$1,482,135 at June 30, 2014. The increase in fund balance is a result of revenues exceeding expenses and is consistent with the increase in the fund balance from fiscal 2012 to fiscal 2013.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was not enough to offset the increase in benefit costs. Overall, net position decreased from \$208,335 at June 30, 2013 to \$201,897 at June 30, 2014, representing a decrease of 3.09%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$790,753 more than budgeted revenues, a variance of 4.85%. The most significant variances resulted from the District receiving more in state sources than what was originally anticipated.

Total expenditures were less than budgeted, due 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 \$9,207,617, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.79% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$485,612.

The original cost of the District's capital assets was \$17,763,231. Governmental funds account for \$17,363,990 with the remainder of \$399,241 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$422,353 at June 30, 2013 as compared to \$522,794 at June 30, 2014. During the year ended June 30, 2014, the District purchased numerous buses to update its fleet.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Land	\$ 190,930	190,930	-	-	190,930	190,930	0.00%
Construction in progress	154,152	187,122	-	-	154,152	187,122	-17.62%
Buildings	8,172,949	8,295,208	-	-	8,172,949	8,295,208	-1.47%
Land improvements	166,792	185,286	-	-	166,792	185,286	-9.98%
Machinery and equipment	478,000	370,005	44,794	52,348	522,794	422,353	23.78%
Total	\$ 9,162,823	9,228,551	44,794	52,348	9,207,617	9,280,899	-0.79%

Long-Term Debt

At June 30, 2014, the District had \$4,475,780 in general obligation bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding General Obligation Bonds of \$4,075,000 at June 30, 2014. Principal of \$625,000 is due during fiscal 2015.

The District had outstanding Early Retirement benefits of \$50,940 payable from the Special Revenue, Management Fund at June 30, 2014, all of which will be paid during fiscal 2015.

The District has a Net OPEB liability of \$343,840 as of June 30, 2014. Governmental activities account for \$324,963 while business type activities account for \$18,877.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Bus Loan	\$ -	154,210	-	-	-	154,210	-100.00%
General Obligation Bonds	4,075,000	4,690,000	-	-	4,075,000	4,690,000	-13.11%
Termination benefits	50,940	85,146	-	-	50,940	85,146	-40.17%
Dishwasher Lease	-	-	6,000	9,000	6,000	9,000	-33.33%
Net OPEB liability	324,963	256,354	18,877	14,891	343,840	271,245	26.76%
Total	\$ 4,450,903	5,185,710	24,877	23,891	4,475,780	5,209,601	-14.09%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District continues to increase the Management Fund balance to allow for early retirement and unemployment benefits in the event that personnel reductions may need to be made in the future.
- The District has just completed a facilities study. This study revealed that the district needs to renovate some of their buildings or build new buildings that would make the district operate more economically.

-
- Although enrollment continues to decline there is a possibility that a bridge opening between Bellevue, Nebraska and the Red Oak District could result in an enrollment increase due to people wanting to move out of the city. These people could live in a smaller town and commute to the larger city for employment.

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 Shirley Maxwell, District Secretary/Business Manager/Treasurer, Red Oak Community School District, 2011 North 8th Street, Red Oak, Iowa, 51566.

BASIC FINANCIAL STATEMENTS

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,559,060	191,400	8,750,460
Receivables:			
Property tax:			
Delinquent	59,996	-	59,996
Succeeding year	5,585,885	-	5,585,885
Income surtax	610,932	-	610,932
Accounts	9,474	45	9,519
Due from other governments	605,015	42,949	647,964
Inventories	-	2,609	2,609
Capital assets, net of accumulated depreciation	9,162,823	44,794	9,207,617
TOTAL ASSETS	24,593,185	281,797	24,874,982
LIABILITIES			
Accounts payable	228,847	1,185	230,032
Salaries and benefits payable	1,357,178	46,267	1,403,445
Accrued interest payable	21,332	-	21,332
Unearned revenue	-	7,571	7,571
Long-term liabilities:			
Portion due within one year:			
Dishwasher lease payable	-	3,000	3,000
General obligation bonds payable	625,000	-	625,000
Termination benefits payable	50,940	-	50,940
Portion due after one year:			
Dishwasher lease payable	-	3,000	3,000
General obligation bonds payable	3,450,000	-	3,450,000
Net OPEB liability	324,963	18,877	343,840
TOTAL LIABILITIES	6,058,260	79,900	6,138,160
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	5,585,885	-	5,585,885
NET POSITION			
Invested in capital assets, net of related debt	5,087,823	38,794	5,126,617
Restricted for:			
Categorical funding	203,730	-	203,730
Management levy purposes	1,431,195	-	1,431,195
Student activities	195,048	-	195,048
School infrastructure	2,575,056	-	2,575,056
Physical plant and equipment	157,122	-	157,122
Unrestricted	3,299,066	163,103	3,462,169
TOTAL NET POSITION	\$ 12,949,040	201,897	13,150,937

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,580,122	233,135	243,411	-	(5,103,576)	-	(5,103,576)
Special	1,687,413	130,539	179,083	-	(1,377,791)	-	(1,377,791)
Other	2,136,273	260,223	610,685	8,455	(1,256,910)	-	(1,256,910)
	<u>9,403,808</u>	<u>623,897</u>	<u>1,033,179</u>	<u>8,455</u>	<u>(7,738,277)</u>	<u>-</u>	<u>(7,738,277)</u>
Support services:							
Student	252,428	-	-	-	(252,428)	-	(252,428)
Instructional staff	712,113	-	-	-	(712,113)	-	(712,113)
Administration	1,522,062	7,000	-	-	(1,515,062)	-	(1,515,062)
Operation and maintenance of plant	1,385,585	-	-	-	(1,385,585)	-	(1,385,585)
Transportation	502,759	21,360	-	-	(481,399)	-	(481,399)
	<u>4,374,947</u>	<u>28,360</u>	<u>-</u>	<u>-</u>	<u>(4,346,587)</u>	<u>-</u>	<u>(4,346,587)</u>
Non-instructional programs:							
Food service operations	1,669	-	-	-	(1,669)	-	(1,669)
Community service operations	3,910	-	-	-	(3,910)	-	(3,910)
	<u>5,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,579)</u>	<u>-</u>	<u>(5,579)</u>
Long-term debt interest	138,529	-	-	-	(138,529)	-	(138,529)
Other expenses:							
AEA flowthrough	486,584	-	486,584	-	-	-	-
Depreciation(unallocated)*	296,764	-	-	-	(296,764)	-	(296,764)
	<u>783,348</u>	<u>-</u>	<u>486,584</u>	<u>-</u>	<u>(296,764)</u>	<u>-</u>	<u>(296,764)</u>
Total governmental activities	14,706,211	652,257	1,519,763	8,455	(12,525,736)	-	(12,525,736)
Business Type activities:							
Support services:							
Operation and maintenance of plant	7,686	-	-	-	-	(7,686)	(7,686)
Transportation	628	-	-	-	-	(628)	(628)
Total support services	<u>8,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,314)</u>	<u>(8,314)</u>
Non-instructional programs:							
Nutrition services	689,147	155,569	523,513	-	-	(10,065)	(10,065)
Total business type activities	<u>697,461</u>	<u>155,569</u>	<u>523,513</u>	<u>-</u>	<u>-</u>	<u>(18,379)</u>	<u>(18,379)</u>
Total	<u>\$ 15,403,672</u>	<u>807,826</u>	<u>2,043,276</u>	<u>8,455</u>	<u>(12,525,736)</u>	<u>(18,379)</u>	<u>(12,544,115)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,351,675	-		5,351,675
Capital outlay				188,315	-		188,315
Income surtax				799,995	-		799,995
Statewide sales, services and use tax				1,059,967	-		1,059,967
Unrestricted state grants				6,376,923	-		6,376,923
Unrestricted investment earnings				9,098		17	9,115
Other				225,121		11,924	237,045
Total general revenues				<u>14,011,094</u>		<u>11,941</u>	<u>14,023,035</u>
Changes in net position				1,485,358	(6,438)		1,478,920
Net position beginning of year				<u>11,463,682</u>	<u>208,335</u>		<u>11,672,017</u>
Net position end of year				<u>\$ 12,949,040</u>	<u>201,897</u>		<u>13,150,937</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Management Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 4,431,396	2,356,029	1,572,822	198,813	8,559,060
Receivables:					
Property tax:					
Delinquent	47,154	2,027	10,815	-	59,996
Succeeding year	3,744,078	142,192	950,000	749,615	5,585,885
Income surtax	234,974	375,958	-	-	610,932
Accounts	9,474	-	-	-	9,474
Due from other governments	215,220	389,762	33	-	605,015
TOTAL ASSETS	\$ 8,682,296	3,265,968	2,533,670	948,428	15,430,362
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 107,360	15,640	101,535	4,312	228,847
Salaries and benefits payable	1,357,178	-	-	-	1,357,178
Total liabilities	1,464,538	15,640	101,535	4,312	1,586,025
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,744,078	142,192	950,000	749,615	5,585,885
Income surtax	234,974	375,958	-	-	610,932
Total deferred inflows of resources	3,979,052	518,150	950,000	749,615	6,196,817
Fund balances:					
Restricted for:					
Categorical funding	203,730	-	-	-	203,730
Management levy purposes	-	-	1,482,135	-	1,482,135
Student activities	-	-	-	195,048	195,048
School infrastructure	-	2,575,056	-	-	2,575,056
Physical plant and equipment	-	157,122	-	-	157,122
Assigned	131,269	-	-	-	131,269
Unassigned:					
General	2,903,707	-	-	-	2,903,707
Student activities	-	-	-	(547)	(547)
Total fund balances	3,238,706	2,732,178	1,482,135	194,501	7,647,520
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,682,296	3,250,328	2,432,135	948,428	13,844,337

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK 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 22)	\$	7,647,520
 <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 in the governmental funds.		9,162,823
Other long-term assets are not available to pay current year expenditures and, therefore, are not recognized as deferred inflows of resources in the governmental funds		610,932
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(21,332)
Long-term liabilities, including , general obligation bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(4,450,903)
		(4,450,903)
Net position of governmental activities(page 20)	\$	12,949,040
		12,949,040

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Management Fund	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,969,169	635,985	998,053	-	6,603,207
Tuition	344,025	-	-	-	344,025
Other	333,512	40,934	24,794	258,957	658,197
State sources	7,183,494	1,060,043	404	-	8,243,941
Federal sources	576,356	-	-	-	576,356
Total revenues	<u>13,406,556</u>	<u>1,736,962</u>	<u>1,023,251</u>	<u>258,957</u>	<u>16,425,726</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,184,861	238,917	119,864	-	5,543,642
Special	1,710,255	-	-	-	1,710,255
Other	1,892,107	-	-	261,615	2,153,722
	<u>8,787,223</u>	<u>238,917</u>	<u>119,864</u>	<u>261,615</u>	<u>9,407,619</u>
Support services:					
Student	250,787	-	-	-	250,787
Instructional staff	676,991	28,826	2,593	-	708,410
Administration	1,311,425	-	200,975	-	1,512,400
Operation and maintenance of plant	1,187,115	54,923	44,991	451	1,287,480
Transportation	404,138	180,583	11,543	-	596,264
	<u>3,830,456</u>	<u>264,332</u>	<u>260,102</u>	<u>451</u>	<u>4,355,341</u>
Non-instructional programs:					
Food service operations	-	-	1,669	-	1,669
Community service and education	3,910	-	-	-	3,910
	<u>3,910</u>	<u>-</u>	<u>1,669</u>	<u>-</u>	<u>5,579</u>
Capital outlay	-	212,428	-	-	212,428
Long-term debt:					
Principal	-	-	-	769,210	769,210
Interest and fiscal charges	-	-	-	147,311	147,311
	<u>-</u>	<u>-</u>	<u>-</u>	<u>916,521</u>	<u>916,521</u>
Other expenditures:					
AEA flowthrough	486,584	-	-	-	486,584
TOTAL EXPENDITURES	<u>13,108,173</u>	<u>715,677</u>	<u>381,635</u>	<u>1,178,587</u>	<u>15,384,072</u>
Excess(Deficiency) of revenues over(under) expenditures	298,383	1,021,285	641,616	(919,630)	1,041,654
Other financing sources(uses):					
Transfer in	-	-	-	916,521	916,521
Transfer out	-	(916,521)	-	-	(916,521)
Insurance proceeds	19,209	9,856	-	-	29,065
Total other financing sources(uses)	<u>19,209</u>	<u>(906,665)</u>	<u>-</u>	<u>916,521</u>	<u>29,065</u>
Change in fund balance	317,592	114,620	641,616	(3,109)	1,070,719
Fund balance beginning of year	<u>2,921,114</u>	<u>2,617,558</u>	<u>840,519</u>	<u>197,610</u>	<u>6,576,801</u>
Fund balance end of year	<u>\$ 3,238,706</u>	<u>2,732,178</u>	<u>1,482,135</u>	<u>194,501</u>	<u>7,647,520</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK 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 24) \$ 1,070,719

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 of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 473,914	
Depreciation expense	(476,320)	
Loss on asset disposal	<u>(63,322)</u>	(65,728)

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. Current year repayments are as follows:

Repaid		769,210
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

8,782

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(263,222)

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.

Termination benefits	\$ 34,206	
Other postemployment benefits	<u>(68,609)</u>	<u>(34,403)</u>

Changes in net position of governmental activities(page 21) \$ 1,485,358

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise, School Nutrition
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 191,400
Accounts receivable	45
Due from other governments	42,949
Inventories	2,609
Total current assets	237,003
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	44,794
Total non-current assets	44,794
TOTAL ASSETS	281,797
LIABILITIES	
Current liabilities:	
Accounts payable	1,185
Salaries and benefits payable	46,267
Unearned revenue	7,571
Total current liabilities	55,023
Long-term liabilities:	
Net OPEB liability	18,877
Dishwasher lease	6,000
Total long-term liabilities	24,877
TOTAL LIABILITIES	79,900
NET POSITION	
Net investment in capital assets	38,794
Unrestricted	163,103
TOTAL NET POSITION	\$ 201,897

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 155,569
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	7,686
Transportation:	
Services	77
Supplies	551
	628
Total support services	8,314
Non-instructional programs:	
Food service operations:	
Salaries	224,980
Benefits	138,450
Services	1,400
Supplies	315,025
Depreciation	9,292
Total non-instructional programs	689,147
TOTAL OPERATING EXPENSES	697,461
OPERATING LOSS	(541,892)
NON-OPERATING REVENUES:	
State sources	5,711
Federal sources	517,802
Interest income	17
Donation for summer food	775
TOTAL NON-OPERATING REVENUES	524,305
Change in net position before other financing sources	(17,587)
OTHER FINANCING SOURCES:	
Contributed capital	1,738
Insurance proceeds	9,411
TOTAL OTHER FINANCING SOURCES:	11,149
Change in net position	(6,438)
Net position beginning of year	208,335
Net position end of year	\$ 201,897

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from operating activities	\$ 155,739
Cash payments to employees for services	(358,054)
Cash payments to suppliers for goods or services	(280,654)
Net cash used in operating activities	(482,969)
Cash flows from non-capital financing activities:	
Insurance proceeds	9,411
Donation for Summer Food	775
State grants received	5,711
Federal grants received	437,738
Net cash provided by non-capital financing activities	453,635
Cash flows from capital financing activities:	
Yearly payment on dishwasher lease	(3,000)
Net cash used by capital activities	(3,000)
Cash flows from investing activities:	
Interest on investment	17
Net decrease in cash and cash equivalents	(32,317)
Cash and cash equivalents at beginning of year	223,717
Cash and cash equivalents at end of year	\$ 191,400
Reconciliation of operating loss to net cash provided by(used in) operating activities:	
Operating income(loss)	\$ (541,892)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:	
Commodities consumed	37,115
Depreciation	9,292
Decrease in inventories	5,922
Decrease in accounts receivable	327
Increase in accounts payable	1,048
Increase in salaries and benefits payable	1,390
Decrease in unearned revenues	(157)
Increase in other postemployment benefits	3,986
Net cash provided used in operating activities	\$ (482,969)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$37,115

During the year ended June 30, 2014, the District received \$1,738 in contributed capital from the Capital Projects: Physical Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 216,071
LIABILITIES	-
NET POSITION	
Reserved for scholarships	\$ 216,071

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ 707
Contributions	250
TOTAL ADDITIONS	<u>957</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,980</u>
Change in net position	(4,023)
Net position beginning of year	<u>220,094</u>
Net position end of year	<u>\$ 216,071</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Red Oak Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Red Oak, Iowa, and the predominate agricultural territory of Montgomery, Page and Pottawattamie 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, Red Oak 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 Red Oak 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 does 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 Montgomery County Assessors' 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 nonfiduciary activities of the District. For the most part, the effect of interfund 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 nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three 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 restricted net position.

Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor 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 to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Fund is used to pay the costs of unemployment benefits, early retirement benefits, insurance agreements, and costs of liability insurance and judgments or settlements relating to liability.

The District's also reports a proprietary fund which is the Enterprise, School Nutrition Fund. The 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 position 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 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 nonoperating 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 nonoperating 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 Inflows 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 and 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	\$ 2,000
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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	5-10 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

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

Deferred inflows of 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.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances are for specific use at the high school, middle school and the elementaries.

Unassigned – All amounts not included in other spendable or nonspendable classifications.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by Federal depository insurance or by the 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 and the Treasurer of the State of Iowa; 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 no investments.

(3) Interfund Transfers

The detail of the 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	\$ 302,039
Debt Service	Capital Projects: Physical Plant and Equipment Levy	614,482
Total		<u>\$ 916,521</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for payments made on the District's general obligation bond indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for payments made on the District's general obligation bond indebtedness as well as payments made on the District's school bus loan indebtedness.

4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Bus Loan	\$ 154,210	-	154,210	-	-
General Obligation Bonds	4,690,000	-	615,000	4,075,000	625,000
Termination benefits	85,146	50,940	85,146	50,940	50,940
Net OPEB Liability	256,354	68,609	-	324,963	-
Total	<u>\$ 5,185,710</u>	<u>119,549</u>	<u>854,356</u>	<u>4,450,903</u>	<u>675,940</u>
Business type activities:					
Dishwasher Lease	\$ 9,000	-	3,000	6,000	3,000
Net OPEB Liability	14,891	3,986	-	18,877	-
Total	<u>\$ 23,891</u>	<u>3,986</u>	<u>3,000</u>	<u>24,877</u>	<u>3,000</u>

General Obligation Bonds Payable

Detail of the District's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2010				
	Interest Rates		Principal	Interest	Total
2015	2.50	% \$	625,000	124,115	749,115
2016	2.75-2.80		645,000	107,965	752,965
2017	2.90-3.10		660,000	89,680	749,680
2018	3.20-3.30		690,000	69,145	759,145
2019	3.40-3.55		710,000	46,205	756,205
2020	3.65-3.75		745,000	20,815	765,815
Total			\$ 4,075,000	457,925	4,532,925

Dishwasher Lease Payable

During the year ended June 30, 2012, the District entered into a lease purchase agreement with Reinhart Food Services for a dishwasher. According to terms of the lease agreement, the lease has no interest charged to the District. During the life of the lease, the District is obligated to buy all detergents and other items for use in the dishwasher from Reinhart Food Services. In return, Reinhart Food Services agrees not to charge the District for repairs made on the dishwasher during the life of the lease. Yearly payments from the School Nutrition Fund to Reinhart Food Services are \$3,000 through fiscal year 2016.

Termination Benefits

The District offers a voluntary early retirement plan to any full-time licensed teacher who is eligible for full insurance coverage under the requirements of the District's insurer and who are currently performing their assigned duties within the District. Employees that are seeking early retirement benefits must be age 55 on or before June 30 of the year in which the employee wishes to retire. Employees wanting to retire must have completed ten years of consecutive service with the District and complete the early retirement application on or before January 16 of the current school year to be approved by the District's Board of Directors.

Employees that meet the eligibility requirements will be eligible for the early retirement amount of \$15,000, plus an amount equal to 25% of the employee's accumulated sick leave times the current daily substitute teacher pay rate in effect for the fiscal year of retirement.

Early retirement benefits will be paid to a tax sheltered annuity that participates in the State of Iowa Plan. Upon retirement, employees are eligible to continue participation in the District's group insurance plan at the employees' expense by meeting the requirements of the insurer.

At June 30, 2014, the District has obligations to three participants with a total liability of \$50,940. Actual early retirement expenditures for the year ended June 30, 2014, totaled \$85,146.

(5) 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
Business type activities:				
Machinery and equipment	\$ 397,503	1,738	-	399,241
Less accumulated depreciation	345,155	9,292	-	354,447
Business type activities capital assets, net	<u>\$ 52,348</u>	<u>(7,554)</u>	<u>-</u>	<u>44,794</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 190,930	-	-	190,930
Construction in progress	187,122	167,602	200,572	154,152
Total capital assets not being depreciated	<u>378,052</u>	<u>167,602</u>	<u>200,572</u>	<u>345,082</u>
Capital assets being depreciated:				
Buildings	13,827,789	156,011	-	13,983,800
Land improvements	1,172,720	-	-	1,172,720
Machinery and equipment	1,659,267	350,873	147,752	1,862,388
Total capital assets being depreciated	<u>16,659,776</u>	<u>506,884</u>	<u>147,752</u>	<u>17,018,908</u>
Less accumulated depreciation for:				
Buildings	5,532,581	278,270	-	5,810,851
Land improvements	987,434	18,494	-	1,005,928
Machinery and equipment	1,289,262	179,556	84,430	1,384,388
Total accumulated depreciation	<u>7,809,277</u>	<u>476,320</u>	<u>84,430</u>	<u>8,201,167</u>
Total capital assets being depreciated, net	<u>8,850,499</u>	<u>30,564</u>	<u>63,322</u>	<u>8,817,741</u>
Governmental activities capital assets, net	<u>\$ 9,228,551</u>	<u>198,166</u>	<u>263,894</u>	<u>9,162,823</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 29,346
Special		517
Other		23,291
Support services:		
Operation and maintenance		3,731
Transportation		122,671
		<u>179,556</u>
Unallocated depreciation		<u>296,764</u>
Total governmental activities depreciation expense		<u>\$ 476,320</u>
Business type activities:		
Food services		<u>\$ 9,292</u>

(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 contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$666,779, \$622,334 and \$563,763, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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 148 active and 14 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	113,764
Interest on net OPEB obligation		6,781
Adjustment to annual required contribution		(24,926)
Annual OPEB cost (expense)		<u>95,619</u>
Contributions made		(23,024)
Increase in net OPEB obligation		<u>72,595</u>
Net OPEB obligation - beginning of year		<u>271,245</u>
Net OPEB obligation - end of year	\$	<u><u>343,840</u></u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 95,862	26.24%	\$ 199,076
2013	103,593	30.33%	271,245
2014	95,619	24.08%	343,840

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 \$0.589 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.589 million.

The covered payroll (annual payroll of active employees covered by the plan) was \$7.225 million, and the ratio of the UAAL to the covered payroll was 8.2%. 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 events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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 the 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 that are 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 frozen 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 10.5%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from information provided by the District.

Projected claim costs of the medical plan are \$572 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$486,584 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.

(10) Construction Commitment

As of June 30, 2014, costs of \$154,152 had been incurred by the District for construction of security improvements and an HVAC upgrade. The total cost of the improvements will be added to the District's capital asset listing upon completion.

(11) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2014 are broken out by the following projects:

Project	Amount
Gifted and talented	\$ 27,749
Home School Assistance Program	2,907
Beginning Teacher Mentoring	646
Teacher salary supplement	52,688
Statewide voluntary preschool program grants	72,811
Professional development	4,778
Professional development, model core curriculum	15,898
Successful Progression for Early Readers	21,697
Teacher Leadership Grants	4,556
Total	<u>\$ 203,730</u>

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of 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.

(13) Remediation Plans

Subsequent to the year ended June 30, 2014, the District had complaints filed against the Red Oak Community School District Board with the Iowa Public Information Board. The Iowa Public Information Board has jurisdiction limited to issues involving Iowa's open meeting and public records. The complaints were settled with informal resolutions that required the adoption of remediation plans. These remediation plans requirements include the following:

1. All board members, as well as the Superintendent, to review training provided on the IPIB website on Open Meetings and Public Records.
2. Board Members and the Superintendent to attend the Iowa Association of School Boards annual training if available.

3. The acknowledgement by the Board that the challenged items did not meet the requirements under the Iowa Code.
4. The Board acknowledges Iowa Code - subsection 21.5(1)(i) is applicable when holding a closed session to evaluate the professional competency of an individual whose appointment, hiring, performance, or discharge is being considered when necessary to prevent needless and irreparable harm to that individual's reputation and that individual requests a closed session.
5. All Board Members will be provided a copy of the Iowa Open Meetings, Open Records Handbook prepared by the Iowa Freedom of Information Council for quick reference during meetings.
6. All Board Member will be provided a copy of the IASB publication Open Meetings and Public Records Manual.
7. The Board will ensure to meet the requirements of Iowa Code Section 21.4. Questions concerning sufficiency will be directed to the IPIB or legal counsel.

The School Board filed documentation of compliance with the Iowa Public Information Board on December 19, 2014. The Iowa Public Information Board dismissed the complaints as resolved on January 15, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

RED OAK COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,605,429	156,361	7,761,790	8,206,646	8,206,646	(444,856)
State sources	8,243,941	5,711	8,249,652	7,166,201	7,166,201	1,083,451
Federal sources	576,356	517,802	1,094,158	942,000	942,000	152,158
Total revenues	<u>16,425,726</u>	<u>679,874</u>	<u>17,105,600</u>	<u>16,314,847</u>	<u>16,314,847</u>	<u>790,753</u>
Expenditures/Expenses:						
Instruction	9,407,619	-	9,407,619	10,800,000	10,800,000	1,392,381
Support services	4,355,341	8,314	4,363,655	5,262,300	5,262,300	898,645
Non-instructional programs	5,579	689,147	694,726	904,000	904,000	209,274
Other expenditures	1,615,533	-	1,615,533	1,950,385	1,950,385	334,852
Total expenditures/expenses	<u>15,384,072</u>	<u>697,461</u>	<u>16,081,533</u>	<u>18,916,685</u>	<u>18,916,685</u>	<u>2,835,152</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,041,654	(17,587)	1,024,067	(2,601,838)	(2,601,838)	3,625,905
Other financing sources, net	<u>29,065</u>	<u>11,149</u>	<u>40,214</u>	<u>-</u>	<u>-</u>	<u>40,214</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,070,719	(6,438)	1,064,281	(2,601,838)	(2,601,838)	3,666,119
Balance beginning of year	<u>6,576,801</u>	<u>208,335</u>	<u>6,785,136</u>	<u>5,716,220</u>	<u>5,716,220</u>	<u>1,068,916</u>
Balance end of year	<u>\$ 7,647,520</u>	<u>201,897</u>	<u>7,849,417</u>	<u>3,114,382</u>	<u>3,114,382</u>	<u>4,735,035</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK 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.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

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	\$ -	\$ 654	\$ 654	0.0%	\$ 7,531	8.7%
2011	July 1, 2009	\$ -	\$ 654	\$ 654	0.0%	\$ 6,910	9.5%
2012	July 1, 2009	\$ -	\$ 654	\$ 654	0.0%	\$ 6,508	10.0%
2013	July 1, 2012	\$ -	\$ 627	\$ 627	0.0%	\$ 6,903	9.1%
2014	July 1, 2012	\$ -	\$ 589	\$ 589	0.0%	\$ 7,225	8.2%

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

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		Total Nonmajor Governmental Funds
	Student Activity	Debt Service	
ASSETS			
Cash and pooled investments	\$ 198,813	-	198,813
Receivables:			
Property tax:			
Succeeding year	-	749,615	749,615
TOTAL ASSETS	\$ 198,813	749,615	948,428
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,312	-	4,312
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	749,615	749,615
Fund balances:			
Restricted for:			
Student activities	195,048	-	195,048
Unassigned	(547)	-	(547)
Total fund balances	194,501	-	194,501
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 198,813	749,615	948,428

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		Total Nonmajor Governmental Funds
	Student Activity	Debt Service	
REVENUES:			
Local sources:			
Other	\$ 258,957	-	258,957
EXPENDITURES:			
Current:			
Instruction:			
Other	261,615	-	261,615
Support services:			
Operation and maintenance of plant	451	-	451
Long-term debt:			
Principal	-	769,210	769,210
Interest and fiscal charges	-	147,311	147,311
TOTAL EXPENDITURES	262,066	916,521	1,178,587
Deficiency of revenues under expenditures	(3,109)	(916,521)	(919,630)
Other financing sources:			
Transfer in	-	916,521	916,521
Change in fund balances	(3,109)	-	(3,109)
Fund balances beginning of year	197,610	-	197,610
Fund balances end of year	\$ 194,501	-	194,501

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK 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	\$ 2,185,300	170,729	2,356,029
Receivables:			
Property tax:			
Delinquent	-	2,027	2,027
Succeeding year	-	142,192	142,192
Income surtax	-	375,958	375,958
Due from other governments	389,756	6	389,762
TOTAL ASSETS	\$ 2,575,056	690,912	3,265,968
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	15,640	15,640
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	142,192	142,192
Income surtax	-	375,958	375,958
Total deferred inflows of resources	-	518,150	518,150
Fund balances:			
Restricted for:			
School infrastructure	2,575,056	-	2,575,056
Physical plant and equipment	-	157,122	157,122
Total fund balances	2,575,056	157,122	2,732,178
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,575,056	675,272	3,250,328

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK 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	\$ -	635,985	635,985
Other	2,657	38,277	40,934
State sources	1,059,967	76	1,060,043
TOTAL REVENUES	1,062,624	674,338	1,736,962
EXPENDITURES:			
Current:			
Instruction:			
Regular	185,722	53,195	238,917
Support services:			
Instructional staff	2,423	26,403	28,826
Operation and maintenance of plant	-	54,923	54,923
Transportation	-	180,583	180,583
Capital outlay	112,000	100,428	212,428
TOTAL EXPENDITURES	300,145	415,532	715,677
Excess of revenues over expenditures	762,479	258,806	1,021,285
Other financing sources(uses):			
Transfer out	(302,039)	(614,482)	(916,521)
Insurance proceeds	-	9,856	9,856
Total other financing sources(uses)	(302,039)	(604,626)	(906,665)
Change in fund balances	460,440	(345,820)	114,620
Fund balances beginning of year	2,114,616	502,942	2,617,558
Fund balances end of year	\$ 2,575,056	157,122	2,732,178

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK 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	Balance End of Year
Boys track	\$ 1,088	-	-	1,088
Girls track	6,301	1,015	-	7,316
Bowling	7,526	1,106	-	8,632
MS music	1,008	3,624	3,435	1,197
MS Drama	5,641	3,550	2,719	6,472
MS band	3,048	4,500	5,146	2,402
MS art club	255	-	-	255
MS FCCLA	1,200	485	-	1,685
MS science club	9,385	-	-	9,385
MS media	2,303	2,553	2,585	2,271
MS student council	9,503	966	2,629	7,840
MS yearbook	508	405	672	241
HS sadd	336	75	1	410
HS drama	2,865	3,462	3,543	2,784
HS vocal music	6,592	14,476	14,758	6,310
HS band	2,039	4,035	5,350	724
Cross country	469	-	-	469
Tennis	6,477	1,629	307	7,799
HS boys basketball	2,834	1,037	-	3,871
HS girls basketball	10,076	2,114	-	12,190
HS volleyball	7,183	-	-	7,183
HS athletics	43,446	147,047	148,451	42,042
HS FBLA	42	5,256	4,620	678
FFA	7,105	27,417	30,464	4,058
HS international club	289	-	-	289
Junior class	1,578	6,320	5,926	1,972
HS media	496	1,248	1,157	587
HS protech club	358	-	-	358
HS music trip	109	-	-	109
Senior class	1,771	-	1,770	1

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS student council	3,986	2,570	2,119	4,437
HS yearbook	10,411	5,484	4,698	11,197
HS environmental club	531	-	-	531
HS general resale	373	-	-	373
Band boosters	1,281	2,025	-	3,306
HS minnisingers	846	1,150	1,698	298
HS wrestling cheerleaders	576	1,689	2,277	(12)
Band boosters fiesta bowl	497	-	-	497
HS football	1,739	-	-	1,739
HS baseball	539	37	-	576
HS letterman's club	1,102	1,212	1,795	519
HS wrestling	598	-	-	598
HS Art Club	130	-	-	130
Love our kids	1,189	-	-	1,189
Student needs	340	-	-	340
K-12 special olympics	355	-	-	355
K-12 interest	30,618	28	2,766	27,880
HS FHA	-	1,270	805	465
Cheerleader club	668	11,172	12,375	(535)
Total	\$ 197,610	258,957	262,066	194,501

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2014

		Plank Scholarship	Klopping Scholarship	Bloom Scholarship
ASSETS				
Cash and pooled investments	\$	9,335	22,361	20,097
LIABILITIES				
		-	-	-
NET POSITION				
Restricted for scholarships	\$	9,335	22,361	20,097

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Private Purpose Trust - Scholarship Fund						
Kinnison Scholarship	Peterson Scholarship	Lingo Scholarship	Murphy Scholarship	Laughlin Scholarship	Miscellaneous Scholarship	Total
3,870	153	138,943	15,248	5,564	500	216,071
-	-	-	-	-	-	-
3,870	153	138,943	15,248	5,564	500	216,071

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2014

	Plank Scholarship	Klopping Scholarship	Bloom Scholarship
ADDITIONS:			
Local sources:			
Interest	\$ 32	79	70
Contributions	-	-	-
TOTAL ADDITIONS	<u>32</u>	<u>79</u>	<u>70</u>
DEDUCTIONS:			
Instruction:			
Regular:			
Scholarships awarded	<u>750</u>	<u>100</u>	<u>400</u>
Change in net position	(718)	(21)	(330)
Net position beginning of year	<u>10,053</u>	<u>22,382</u>	<u>20,427</u>
Net position end of year	<u>\$ 9,335</u>	<u>22,361</u>	<u>20,097</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

Private Purpose Trust - Scholarship Fund							
Kinnison Scholarship	Peterson Scholarship	Lingo Scholarship	Murphy Scholarship	Laughlin Scholarship	Miscellaneous Scholarship	Total	
21	-	479	7	19	-	707	
-	-	-	-	-	250	250	
21	-	479	7	19	250	957	
500	-	930	500	1,000	800	4,980	
(479)	-	(451)	(493)	(981)	(550)	(4,023)	
4,349	153	139,394	15,741	6,545	1,050	220,094	
3,870	153	138,943	15,248	5,564	500	216,071	

RED OAK 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	\$ 6,603,207	7,334,839	7,016,773	6,349,271	5,676,812	5,081,193	4,822,093	4,849,309	4,527,567	4,569,648
Tuition	344,025	315,413	337,472	219,149	281,984	217,275	155,224	174,615	162,978	144,052
Other	658,197	625,061	639,473	744,819	522,812	574,852	560,195	609,632	537,972	430,076
State sources	8,243,941	7,113,741	7,187,785	7,296,832	6,354,297	7,137,629	6,836,732	6,454,187	6,312,868	5,770,513
Federal sources	576,356	627,073	751,589	1,118,626	1,425,087	637,171	470,330	497,908	666,156	640,139
Total	\$ 16,425,726	16,016,127	15,933,092	15,728,697	14,260,992	13,648,120	12,844,574	12,585,651	12,207,541	11,554,428
Expenditures:										
Instruction:										
Regular	\$ 5,543,642	5,549,195	4,905,013	4,922,321	5,643,631	5,384,394	4,898,039	4,752,998	4,532,297	4,265,354
Special	1,710,255	1,587,887	1,653,434	1,669,780	1,588,858	2,070,061	1,774,822	1,512,329	1,390,903	1,419,426
Other	2,153,722	2,107,027	2,141,820	1,932,197	1,637,489	1,404,816	1,444,424	1,305,808	1,359,294	1,366,552
Support services:										
Student	250,787	299,764	244,618	375,600	424,490	392,315	361,392	346,603	314,905	299,819
Instructional staff	708,410	842,377	1,014,078	803,623	593,227	551,001	555,612	549,052	692,601	422,038
Administration	1,512,400	1,299,750	1,197,378	1,118,605	1,168,020	1,143,522	1,153,220	1,100,515	1,080,644	1,131,089
Operation and maintenance										
of plant	1,287,480	1,283,983	1,251,812	1,007,609	1,092,490	1,193,105	1,114,341	1,104,611	1,108,202	904,146
Transportation	596,264	432,627	482,872	762,816	387,943	468,161	531,977	456,792	338,170	345,271
Non-instructional programs:										
Food service operations	1,669	1,470	1,250	1,632	-	-	-	-	-	130
Community service operations	3,910	8,995	-	-	-	-	-	-	-	8,750
Capital outlays	212,428	372,166	148,865	59,664	105,303	107,967	321,210	141,852	90,464	356,386
Long-term debt:										
Principal	769,210	672,175	664,119	585,000	495,000	475,000	465,000	445,000	435,000	420,000
Interest and fiscal charges	147,311	163,992	176,760	169,499	363,573	330,205	347,873	363,668	377,781	390,510
Other expenditures:										
AEA flow-through	486,584	470,998	469,933	530,993	529,094	482,258	447,347	426,129	410,392	379,179
Total	\$ 15,384,072	15,092,406	14,351,952	13,939,339	14,029,118	14,002,805	13,415,257	12,505,357	12,130,653	11,708,650

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	91,214
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	381,333 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	23,470
			<u>496,017</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 14	21,785
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	276,715
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 14	41,912
			<u>318,627</u>
SPECIAL EDUCATION GRANTS TO STATES (PART B HI COST CLAIMS)	84.027	FY 14	61,224
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	27,566
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	44,661
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 14	6,419
TOTAL			<u>\$ 976,299</u>

* - Includes \$37,115 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Red Oak 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 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
Red Oak Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Red Oak 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 February 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red Oak Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Red Oak Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Red Oak Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting 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 misstatement 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be 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 II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 to be a significant deficiency.

Compliance and Other Matters

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

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


Red Oak Community School District's Responses to Findings

Red Oak Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Red Oak Community School District's responses 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 Red Oak Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2015
Newton, Iowa

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 Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
Red Oak Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Red Oak Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Red Oak Community School District's major federal programs for the year ended June 30, 2014. Red Oak Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Red Oak Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Red Oak Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. Our audit does not provide a legal determination on Red Oak Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Red Oak Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2014.

Internal Control Over Compliance


The management of Red Oak Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Red Oak Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Red Oak Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2015
Newton, Iowa

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Nutrition Cluster***
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Title I Cluster***
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies - SINA
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Red Oak Community School District did not qualify as a low-risk auditee.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-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 each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review procedures to obtain the best controls possible. As a resource we will use the source "Best Practices in Segregation of Duties for Improved Internal Fiscal Controls" a tool developed by IASBO.

Conclusion - Response accepted.

II-B-14 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - Better internal control is achieved if deposits are made when receipts are collected. The District should review procedures to ensure that all the deposits are made timely.

Response - We have talked with building secretaries and others who handle any money and stressed the importance of all money being deposited in a timely manner.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 Title I - Grants to Local Educational Agencies
CFDA Number 84.010 Title I - Grants to Local Educational Agencies - SINA
Federal Award Year: 2014
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review procedures to obtain the best controls possible. As a resource we will use the source "Best Practices in Segregation of Duties for Improved Internal Fiscal Controls" a tool developed by IASBO.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amount budgeted.
- IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-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.
- IV-D-14 Business Transactions - No business transactions between the District and District officials were noted.
- IV-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.
- IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted.
- IV-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.
- IV-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.
- IV-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$ 2,114,616
Statewide sales and services tax revenue	\$ 1,059,967	
Interest on investments	2,657	1,062,624
		<hr/>
Total revenues		3,177,240
Expenditures/transfers out:		
School infrastructure:		
School Infrastructure Construction	\$ 112,000	
Equipment	188,145	
Debt service for school infrastructure:		
General obligation debt	302,039	602,184
		<hr/>
Ending balance		<u>\$ 2,575,056</u>

For the year ended June 30, 2014, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<hr/> Rate of Levy Reduction Per \$1,000 of Taxable Valuation <hr/>	<hr/> Property Tax Dollars Reduced <hr/>
Debt service levy	\$ 0.89342	\$ 302,039

IV-M-14 Financial Condition - During our audit we noted the District had two accounts in the Student Activity Fund with a combined deficit unassigned balance of \$547 at June 30, 2014.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - A meeting will be held between the School Business Official, the High School Principal and Athletic Director to discuss athletic/activities budgeting and purchasing procedures.

Conclusion - Response accepted.

IV-N-14 Student Activity Fund - In accordance with Chapter 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.

Questionable Accounts: The HS Media and the MS Media accounts within the Student Activity Fund appear to be used to record activity with book fairs and the proceeds are used to purchase instructional supplies.

Recommendation - The District should review these accounts and determine the appropriateness of the accounts. If the District will continue to use the proceeds from book fairs to purchase instructional items, it would appear that it would be more appropriately recorded in the General Fund.

Response - Funds raised from book fairs will be deposited into the general fund account if these funds are to be used to purchase instructional supplies.

Conclusion - Response accepted.