RED OAK COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Contents

		Page
Officials		3
Independent Auditor's Report		5-7
Management's Discussion and Analysis (MD&A)		9-18
Basic Financial Statements:	Exhibit	
Government-Wide Financial Statements:		
Statement of Net Position	A	20
Statement of Activities	B	21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenses and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	29
Statement of Changes in Fiduciary Net Position	K	30
Notes to Financial Statements		31-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Supplementary Information:	Schedule	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Project Accounts:		
Combining Balance Sheet	3	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	54-55
Combining Statement of Fiduciary Net Position Private Purpose Trust – Scholarship Funds	6	56
Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust – Scholarship Funds	7	58-59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Fund Types	8	60
Schedule of Expenditures of Federal Awards	9	61
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		63-64
Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-72

Red Oak Community School District

Officials

Name	Title	Term Expires
	Board of Education	
Lee Fellers	President	2015
Dr. Warren Hayes	Vice President	2015
Bill Drey	Board Member	2015
Paul Griffen	Board Member	2013
Elizabeth Dilley	Board Member (Resigned August 2012)	2013
Kathy Walker	Board Member (Appointed August 2012)	2013
	School Officials	
Terry Schmidt	Superintendent	2013
Shirley Maxwell	District Secretary/ Business Manager/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013
Engel Law Office	Attorney	2013

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Red Oak Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in 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 inquires, 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. Another auditor previously audited the financial statements for the eight years ended June 30, 2011 (none of which We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 underling 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 January 10, 2014 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.

January 10, 2014
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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $13,629,256 in fiscal 2012 to $13,610,893 in fiscal 2012, while General Fund expenditures increased from $12,618,246 in fiscal 2012 to $12,721,038 in fiscal 2013. This resulted in an increase in the District's General Fund balance from $1,989,097 in fiscal 2012 to a balance of $2,921,114 in fiscal 2013, which is a 46.86% 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-1
Red Oak Community School District Annual Financial Report

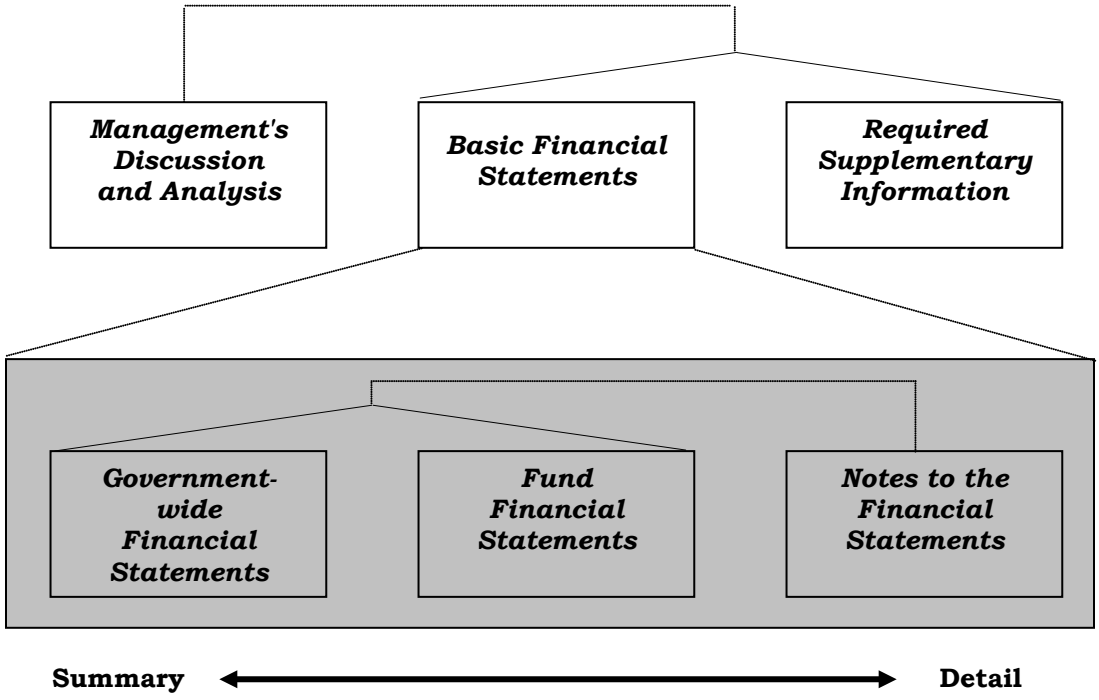

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net 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 two Enterprise Funds, the School Nutrition Fund and the Miscellaneous Enterprise Fund which was closed during the year.

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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	$ 14,473,888	13,290,994	232,620	373,436	14,706,508	13,664,430	7.63%
Capital assets	9,228,551	9,284,764	52,348	77,809	9,280,899	9,362,573	-0.87%
Total assets	23,702,439	22,575,758	284,968	451,245	23,987,407	23,027,003	4.17%
Long-term obligations	5,185,710	5,774,163	23,891	21,974	5,209,601	5,796,137	-10.12%
Other liabilities	7,053,047	6,849,191	52,742	48,190	7,105,789	6,897,381	3.02%
Total liabilities	12,238,757	12,623,354	76,633	70,164	12,315,390	12,693,518	-2.98%
Net position:							
Invested in capital assets, net of related debt	4,384,341	3,768,379	43,348	65,809	4,427,689	3,834,188	15.48%
Restricted	3,741,893	3,706,946	-	-	3,741,893	3,706,946	0.94%
Unrestricted	3,337,448	2,477,079	164,987	315,272	3,502,435	2,792,351	25.43%
Total net position	$ 11,463,682	9,952,404	208,335	381,081	11,672,017	10,333,485	12.95%

The District's combined net position increased by 12.95%, or $1,338,532, 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 0.94%, or $34,947, 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 – increased $710,084, or 25.43%. The increase in unrestricted net position is mainly attributable to the increase in carryover fund balance for the General Fund.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	$ 755,179	641,151	160,058	168,053	915,237	809,204	13.10%
Operating grants and contributions and restricted interest	1,415,323	2,475,542	459,829	493,793	1,875,152	2,969,335	-36.85%
Capital grants and contributions and restricted interest	27,234	81,496	-	15,000	27,234	96,496	-71.78%
General revenues:							
Property tax	5,423,053	5,217,386	-	-	5,423,053	5,217,386	3.94%
Income surtax	899,374	840,984	-	-	899,374	840,984	6.94%
Statewide sales, services and use tax	1,020,681	917,389	-	-	1,020,681	917,389	11.26%
Unrestricted state grants	6,325,491	5,593,687	-	-	6,325,491	5,593,687	13.08%
Nonspecific program federal grants	-	3,896	-	-	-	3,896	-100.00%
Unrestricted investment earnings	1,863	7,318	95	545	1,958	7,863	-75.10%
Other	186,852	117,999	-	-	186,852	117,999	58.35%
Total revenues	16,055,050	15,896,848	619,982	677,391	16,675,032	16,574,239	0.61%
Program expenses:							
Governmental activities:							
Instructional	9,296,707	8,720,803	911	4,345	9,297,618	8,725,148	6.56%
Support services	4,298,351	4,227,335	22,166	20,963	4,320,517	4,248,298	1.70%
Non-instructional programs	10,465	1,250	758,320	727,003	768,785	728,253	5.57%
Long-term debt interest	158,929	184,465	-	-	158,929	184,465	-13.84%
Other expenses	790,651	746,905	-	-	790,651	746,905	5.86%
Total expenses	14,555,103	13,880,758	781,397	752,311	15,336,500	14,633,069	4.81%
Excess(deficiency) of revenues over (under) expenses	1,499,947	2,016,090	(161,415)	(74,920)	1,338,532	1,941,170	-31.05%
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%
Increase(decrease) in net position	1,511,278	2,016,090	(172,746)	(74,920)	1,338,532	1,941,170	-31.05%
Net position beginning of year	9,952,404	7,936,314	381,081	456,001	10,333,485	8,392,315	23.13%
Net position end of year	$ 11,463,682	9,952,404	208,335	381,081	11,672,017	10,333,485	12.95%

In fiscal year 2013, property tax, income surtax and unrestricted state grants account for 78.78% of governmental activities revenue while charges for service and sales and operating grants, contributions and restricted interest accounted for 99.98% of business type activities revenue.

The District's total revenues were approximately $16.68 million of which approximately $16.06 million was for governmental activities and approximately $0.62 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.61% increase in revenues and a 4.81% increase in expenses. Property tax increased $205,667 and statewide sales, services and use tax increased $103,292 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 $16,055,050 and expenses were $14,555,103 for the year ended June 30, 2013.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	$ 9,296,707	8,720,803	6.60%	7,615,737	6,079,158	25.28%
Support services	4,298,351	4,227,335	1.68%	4,252,583	4,140,723	2.70%
Non-instructional programs	10,465	1,250	737.20%	10,465	1,250	737.20%
Other expenses	949,580	931,370	1.96%	478,582	461,437	3.72%
Totals	$ 14,555,103	13,880,758	4.86%	12,357,367	10,682,568	15.68%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was $755,179.
- Federal and state governments subsidized certain programs with grants and contributions totaling $1,415,323.
- The net cost of governmental activities was financed with $5,423,053 in property tax, $899,374 in income surtax, $1,020,681 in statewide sales, services and use tax, $6,325,491 in unrestricted state grants, $1,863 in interest income and $186,852 in other general revenues.

Business type Activities

Revenues of the District's business type activities during the year ended June 30, 2012 were $619,982, representing a 8.48% decrease over the prior year, while expenses totaled $781,397, a 3.87% increase over the prior year. The District's business type activities are the School Nutrition Fund and the Miscellaneous Enterprise 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 $6,576,801, above last year's ending fund balances of $5,611,095. However, the primary reason for the increase in combined fund balances is because of the increase 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. Growth during the year in local source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from $1,989,097 in fiscal 2012 to $2,921,114 in fiscal 2013.

- The Capital Projects account balances overall decreased from $2,837,421 in fiscal 2012 to $2,617,558 in fiscal 2013. The decrease in fund balance for the Capital Projects accounts is a result of increased spending during the year.

- During the year ended June 30, 2013 the Statewide Sales, Services and Use Tax Fund increased from $1,806,077 to $2,114,616. The increase in fund balance can be attributed to increased sales tax revenue received as compared to the previous year. The Physical Plant and Equipment Levy Fund decreased from $1,031,344 to $502,942. The decrease in the Physical Plant and Equipment Levy Fund is related to numerous major expenditures, including replacement of the roof and tuck-pointing at the middle school, boiler and air conditioner replacement at the tech center, and a major remodel of the Ag Department in the Tech Center building.

- The District's Management Fund increased from a balance of $561,414 at June 30, 2012 to $840,519 at June 30, 2013. The increase in fund balance is a result of revenues exceeding expenses and is consistent with the increase in the fund balance from fiscal 2011 to fiscal 2012.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was not enough to offset the continued increase in food costs, and salaries and benefits. Overall, net position decreased from $369,136 at June 30, 2012 to $208,335 at June 30, 2013, representing a decrease of 43.56%.

The Miscellaneous Enterprise Fund which was used to account for faculty pop accounts was closed to the General Fund during the course of the year. Closing the Miscellaneous Enterprise Fund resulted in a transfer of $11,331 to the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Red Oak Community School District amended its budget one time to reflect the increased cost of food and supplies.

The District's revenues were $553,936 less than budgeted revenues, a variance of 3.22%. The most significant variances resulted from the District receiving less in federal 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, 2013, the District had invested $9,280,899, 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 0.87% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $478,579.

The original cost of the District's capital assets was $17,435,331. Governmental funds account for $17,037,828 with the remainder of $397,503 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $103,248 at June 30, 2012 as compared to $187,122 at June 30, 2013. During the year ended June 30, 2013, the District was in the process of a project to build a new playground (Cage Project) for use by the District's students.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	$ 190,930	190,930	-	-	190,930	190,930	0.00%
Construction in progress	187,122	103,248	-	-	187,122	103,248	81.24%
Buildings	8,295,208	8,338,646	-	-	8,295,208	8,338,646	-0.52%
Land improvements	185,286	198,657	-	-	185,286	198,657	-6.73%
Machinery and equipment	370,005	453,283	52,348	77,809	422,353	531,092	-20.47%
Total	$ 9,228,551	9,284,764	52,348	77,809	9,280,899	9,362,573	-0.87%

Long-Term Debt

At June 30, 2013, the District had $5,209,601 in a bus loan, 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 Bus Loan payable of $154,210 at June 30, 2013. Principal of $75,423 is due during fiscal 2014.

The District had outstanding General Obligation Bonds of $4,690,000 at June 30, 2013. Principal of $615,000 is due during fiscal 2014.

The District had outstanding Early Retirement benefits of $85,146 payable from the Special Revenue, Management Fund at June 30, 2013, all of which will be paid during fiscal 2014.

The District has a Net OPEB liability of $271,245 as of June 30, 2013. Governmental activities account for $256,354 while business type activities account for $14,891.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Bus Loan	$ 154,210	226,385	-	-	154,210	226,385	-31.88%
General Obligation Bonds	4,690,000	5,290,000	-	-	4,690,000	5,290,000	-11.34%
Termination benefits	85,146	68,676	-	-	85,146	68,676	23.98%
Dishwasher Lease	-	-	9,000	12,000	9,000	12,000	-25.00%
Net OPEB liability	256,354	189,102	14,891	9,974	271,245	199,076	36.25%
Total	$ 5,185,710	5,774,163	23,891	21,974	5,209,601	5,796,137	-10.12%

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 is taking steps 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 is in the process of implementing a 1:1 computer initiative in grades 9-12. This is being paid for from the Capital Projects: Statewide Sales, Services and Use Tax Fund and will cause a decrease in funds available from this source for other uses.

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

Exhibit A

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	$ 7,472,480	223,717	7,696,197
Receivables:			
Property tax:			
Delinquent	70,264	-	70,264
Succeeding year	5,550,513	-	5,550,513
Income surtax	874,154	-	874,154
Accounts	6,039	372	6,411
Due from other governments	500,438	-	500,438
Inventories	-	8,531	8,531
Capital assets, net of accumulated depreciation	9,228,551	52,348	9,280,899
TOTAL ASSETS	23,702,439	284,968	23,987,407
LIABILITIES			
Accounts payable	156,074	137	156,211
Salaries and benefits payable	1,316,346	44,877	1,361,223
Accrued interest payable	30,114	-	30,114
Deferred revenue:			
Succeeding year property tax	5,550,513	-	5,550,513
Unearned revenue	-	7,728	7,728
Long-term liabilities:			
Portion due within one year:			
Dishwasher lease payable	-	3,000	3,000
Bus loan payable	75,423	-	75,423
General obligation bonds payable	615,000	-	615,000
Termination benefits payable	85,146	-	85,146
Portion due after one year:			
Dishwasher lease payable	-	6,000	6,000
Bus loan payable	78,787	-	78,787
General obligation bonds payable	4,075,000	-	4,075,000
Net OPEB liability	256,354	14,891	271,245
TOTAL LIABILITIES	12,238,757	76,633	12,315,390
NET POSITION			
Invested in capital assets, net of related debt	4,384,341	43,348	4,427,689
Restricted for:			
Categorical funding	171,352	-	171,352
Management levy purposes	789,179	-	789,179
Student activities	197,610	-	197,610
School infrastructure	2,114,616	-	2,114,616
Physical plant and equipment	502,942	-	502,942
Unrestricted	3,303,642	164,987	3,468,629
TOTAL NET POSITION	$ 11,463,682	208,335	11,672,017

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		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	$ 5,573,205	367,287	64,913	-	(5,141,005)	-	(5,141,005)
Special	1,610,653	60,862	229,889	-	(1,319,902)	-	(1,319,902)
Other	2,112,849	294,346	636,439	27,234	(1,154,830)	-	(1,154,830)
	9,296,707	722,495	931,241	27,234	(7,615,737)	-	(7,615,737)
Support services:							
Student	300,001	-	-	-	(300,001)	-	(300,001)
Instructional staff	846,575	-	13,084	-	(833,491)	-	(833,491)
Administration	1,313,192	15,360	-	-	(1,297,832)	-	(1,297,832)
Operation and maintenance of plant	1,314,166	-	-	-	(1,314,166)	-	(1,314,166)
Transportation	524,417	17,324	-	-	(507,093)	-	(507,093)
	4,298,351	32,684	13,084	-	(4,252,583)	-	(4,252,583)
Non-instructional programs:							
Food service operations	1,470	-	-	-	(1,470)	-	(1,470)
Community service operations	8,995	-	-	-	(8,995)	-	(8,995)
	10,465	-	-	-	(10,465)	-	(10,465)
Long-term debt interest	158,929	-	-	-	(158,929)	-	(158,929)
Other expenses:	-	-	-	-	-	-	-
AEA flowthrough	470,998	-	470,998	-	-	-	-
Depreciation(unallocated)*	319,653	-	-	-	(319,653)	-	(319,653)
	790,651	-	470,998	-	(319,653)	-	(319,653)
Total governmental activities	14,555,103	755,179	1,415,323	27,234	(12,357,367)	-	(12,357,367)
Business Type activities:							
Instruction:							
Regular	911	-	-	-	-	(911)	(911)
Support services:							
Operation and maintenance of plant	352	-	-	-	-	(352)	(352)
Transportation	21,814	-	-	-	-	(21,814)	(21,814)
Total support services	22,166	-	-	-	-	(23,077)	(23,077)
Non-instructional programs:							
Nutrition services	758,320	159,767	459,829	-	-	(138,724)	(138,724)
Miscellaneous enterprise	-	291	-	-	-	291	291
Total non-instructional programs:	758,320	160,058	459,829	-	-	(138,433)	(138,433)
Total business type activities	781,397	160,058	459,829	-	-	(161,510)	(161,510)
Total	$ 15,336,500	915,237	1,875,152	27,234	(12,357,367)	(161,510)	(12,518,877)
General Revenues:							
Property tax levied for:							
General purposes					$ 5,243,800	-	5,243,800
Capital outlay					179,253	-	179,253
Income surtax					899,374	-	899,374
Statewide sales, services and use tax					1,020,681	-	1,020,681
Unrestricted state grants					6,325,491	-	6,325,491
Nonspecific program federal grants					-	-	-
Unrestricted investment earnings					1,863	95	1,958
Other					186,852	-	186,852
Transfers					11,331	(11,331)	-
Total general revenues					13,868,645	(11,236)	13,857,409
Changes in net position					1,511,278	(172,746)	1,338,532
Net position beginning of year					9,952,404	381,081	10,333,485
Net position end of year					$ 11,463,682	208,335	11,672,017

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

RED OAK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Management Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	$ 4,088,014	2,348,032	836,942	199,492	7,472,480
Receivables:					
Property tax:					
Delinquent	61,501	2,293	6,470	-	70,264
Succeeding year	4,361,894	188,619	1,000,000	-	5,550,513
Income surtax	506,089	368,065	-	-	874,154
Accounts	5,789	-	250	-	6,039
Due from other governments	202,033	298,405	-	-	500,438
TOTAL ASSETS	$ 9,225,320	3,205,414	1,843,662	199,492	14,473,888
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 119,877	31,172	3,143	1,882	156,074
Salaries and benefits payable	1,316,346	-	-	-	1,316,346
Deferred revenue:					
Succeeding year property tax	4,361,894	188,619	1,000,000	-	5,550,513
Income surtax	506,089	368,065	-	-	874,154
Total liabilities	6,304,206	587,856	1,003,143	1,882	7,897,087
Fund balances:					
Restricted for:					
Categorical funding	171,352	-	-	-	171,352
Management levy purposes	-	-	840,519	-	840,519
Student activities	-	-	-	197,610	197,610
School infrastructure	-	2,114,616	-	-	2,114,616
Physical plant and equipment	-	502,942	-	-	502,942
Assigned	112,510	-	-	-	112,510
Unassigned:					
General	2,637,252	-	-	-	2,637,252
Total fund balances	2,921,114	2,617,558	840,519	197,610	6,576,801
TOTAL LIABILITIES AND FUND BALANCES	$ 9,225,320	3,205,414	1,843,662	199,492	14,473,888

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

RED OAK COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances of governmental funds(page 22)	$	6,576,801
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		9,228,551
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		874,154
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.		(30,114)
Long-term liabilities, including bus loan payable, 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.		(5,185,710)
Net position of governmental activities(page 20)	$	11,463,682

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

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

	General	Capital Projects	Management Fund	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	$ 5,261,514	1,574,198	499,127	-	7,334,839
Tuition	315,413	-	-	-	315,413
Other	293,152	28,003	10,665	293,241	625,061
State sources	7,113,741	-	-	-	7,113,741
Federal sources	627,073	-	-	-	627,073
Total revenues	13,610,893	1,602,201	509,792	293,241	16,016,127
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,072,140	380,682	96,373	-	5,549,195
Special	1,587,887	-	-	-	1,587,887
Other	1,822,064	-	-	284,963	2,107,027
	8,482,091	380,682	96,373	284,963	9,244,109
Support services:					
Student	299,764	-	-	-	299,764
Instructional staff	711,723	128,368	2,286	-	842,377
Administration	1,232,056	-	67,694	-	1,299,750
Operation and maintenance of plant	1,095,738	135,335	52,910	-	1,283,983
Transportation	419,673	-	12,954	-	432,627
	3,758,954	263,703	135,844	-	4,158,501
Non-instructional programs:					
Food service operations	-	-	1,470	-	1,470
Community service and education	8,995	-	-	-	8,995
	8,995	-	1,470	-	10,465
Capital outlay	-	372,166	-	-	372,166
Long-term debt:					
Principal	-	-	-	672,175	672,175
Interest and fiscal charges	-	-	-	163,992	163,992
	-	-		836,167	836,167
Other expenditures:					
AEA flowthrough	470,998	-	-	-	470,998
TOTAL EXPENDITURES	12,721,038	1,016,551	233,687	1,121,130	15,092,406
Excess(Deficiency) of revenues over(under) expenditures	889,855	585,650	276,105	(827,889)	923,721
Other financing sources(uses):					
Transfer in	45,162	-	3,000	836,167	884,329
Transfer out	(3,000)	(836,167)	-	(33,831)	(872,998)
Insurance proceeds	-	30,654	-	-	30,654
Total other financing sources(uses)	42,162	(805,513)	3,000	802,336	41,985
Net change in fund balance	932,017	(219,863)	279,105	(25,553)	965,706
Fund balance beginning of year	1,989,097	2,837,421	561,414	223,163	5,611,095
Fund balance end of year	$ 2,921,114	2,617,558	840,519	197,610	6,576,801

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

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, 2013

Net change in fund balances - total governmental funds(page 24)		$ 965,706
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	$ 396,905	
Depreciation expense	(453,118)	(56,213)
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		672,175
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.		5,063
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		8,269
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	$ (16,470)	
Other postemployment benefits	(67,252)	(83,722)
Changes in net position of governmental activities(page 21)		$ 1,511,278

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities: Enterprise Funds
	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	$ 223,717
Accounts receivable	372
Inventories	8,531
Total current assets	232,620
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	52,348
Total non-current assets	52,348
TOTAL ASSETS	284,968
LIABILITIES	
Current liabilities:	
Accounts payable	137
Salaries and benefits payable	44,877
Unearned revenue	7,728
Total current liabilities	52,742
Long-term liabilities:	
Net OPEB liability	14,891
Dishwasher lease	9,000
Total long-term liabilities	23,891
TOTAL LIABILITIES	76,633
NET POSITION	
Invested in capital assets, net of related debt	43,348
Unrestricted	164,987
TOTAL NET POSITION	$ 208,335

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

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

	Business Type Activities: Enterprise Funds		
	School Nutrition	Miscellaneous Enterprise	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	$ 159,767	291	160,058
OPERATING EXPENSES:			
Instruction:			
Regular:			
Supplies	-	911	911
Support services:			
Operation and maintenance of plant:			
Services	352	-	352
Transportation:			
Services	21,814	-	21,814
Total support services	22,166	-	22,166
Non-instructional programs:			
Food service operations:			
Salaries	226,407	-	226,407
Benefits	130,443	-	130,443
Services	3,170	-	3,170
Supplies	372,839	-	372,839
Depreciation	25,461	-	25,461
Total non-instructional programs	758,320	-	758,320
TOTAL OPERATING EXPENSES	780,486	911	781,397
OPERATING LOSS	(620,719)	(620)	(621,339)
NON-OPERATING REVENUES:			
State sources	5,964	-	5,964
Federal sources	453,134	-	453,134
Interest income	89	6	95
Donation for summer food	731	-	731
TOTAL NON-OPERATING REVENUES	459,918	6	459,193
Change in net position before other financing sources	(160,801)	(614)	(161,415)
OTHER FINANCING USES:			
Transfer to General Fund	-	(11,331)	(11,331)
Change in net position	(160,801)	(11,945)	(172,746)
Net position beginning of year	369,136	11,945	381,081
Net position end of year	$ 208,335	-	208,335

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Funds		
	School Nutrition	Miscellaneous Enterprise	Total
Cash flows from operating activities:			
Cash received from operating activities	$ 170,610	291	170,901
Donations received		-	-
Cash payments to employees for services	(348,549)	-	(348,549)
Cash payments to suppliers for goods or services	(363,422)	(911)	(364,333)
Net cash used in operating activities	(541,361)	(620)	(541,981)
Cash flows from non-capital financing activities:			
Transfer to General Fund	-	(11,331)	(11,331)
Donation for Summer Food	731	-	731
State grants received	5,964	-	5,964
Federal grants received	418,348	-	418,348
Net cash provided by (used in) non-capital financing activities	425,043	(11,331)	413,712
Cash flows from capital financing activities:			
Yearly payment on dishwasher lease	(3,000)	-	(3,000)
Net cash used by capital activities	(3,000)	-	(3,000)
Cash flows from investing activities:			
Interest on investment	89	6	95
Net decrease in cash and cash equivalents	(119,229)	(11,945)	(131,174)
Cash and cash equivalents at beginning of year	342,946	11,945	354,891
Cash and cash equivalents at end of year	$ 223,717	-	223,717
Reconciliation of operating loss to net cash provided by(used in) operating activities:			
Operating income(loss)	$ (620,719)	(620)	(621,339)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	34,786	-	34,786
Depreciation	25,461	-	25,461
Decrease in inventories	188	-	188
Decrease in accounts receivable	9,454	-	9,454
Decrease in accounts payable	(221)	-	(221)
Increase in salaries and benefits payable	3,384	-	3,384
Increase in unearned revenues	1,389	-	1,389
Increase in other postemployment benefits	4,917	-	4,917
Net cash provided used in operating activities	$ (541,361)	(620)	(541,981)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at $34,786.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	$ 220,094
LIABILITIES	-
NET POSITION	
Restricted for scholarships	$ 220,094

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest	$ 1,031
Contributions	1,504
TOTAL ADDITIONS	2,535
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	4,459
Change in net position	(1,924)
Net position beginning of year	222,018
Net position end of year	$ 220,094

SEE NOTES TO FINANCIAL STATEMENTS.

(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 (previously referred to as net assets) 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 non-fiduciary assets and liabilities, 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 result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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 two nonmajor proprietary funds which are the Enterprise, School Nutrition Fund and the Miscellaneous Enterprise Fund. The Nutrition Fund is used to account for the food service operations of the District while the Miscellaneous Enterprise Fund is used to account for school store and adult education operations.

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 and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, machinery 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 Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue – Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, Fund balances are classified as follows:

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

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, 2013 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, 2013 the District had no investments.

(3) Interfund Transfers

The detail of the transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	$ 314,407
Debt Service	Capital Projects: Physical Plant and Equipment Levy	521,760
General Fund	Activity Fund	33,831
General Fund	Miscellaneous Enterprise Fund	11,331
Management Fund	General Fund	3,000
Total		$ 884,329

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.

The transfer from Activity Fund to the General Fund was to move accounts to a more appropriate fund, per the prior year audit recommendation.

The Transfer from the Miscellaneous Enterprise Fund to the General Fund was moving accounts to a more appropriate fund, per the prior audit recommendation.

The transfer from the General Fund to the Management Fund was to move expenses for a non-court ordered settlement, per the prior audit recommendation.

4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Bus Loan	$ 226,385	-	72,175	154,210	75,423
General Obligation Bonds	5,290,000	-	600,000	4,690,000	615,000
Termination benefits	68,676	85,146	68,676	85,146	85,146
Net OPEB Liability	189,102	67,252	-	256,354	-
Total	$ 5,774,163	152,398	740,851	5,185,710	775,569

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Dishwasher Lease	$ 12,000	-	3,000	9,000	3,000
Net OPEB Liability	9,974	4,917	-	14,891	-
Total	$ 21,974	4,917	3,000	23,891	3,000

Bus Loan Payable

Detail of the District's June 30, 2013 bus loan indebtedness which is being paid from the Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Bus Loan Dated August 4, 2011			
	Interest Rates	Principal	Interest	Total
2014	4.40 %	$ 75,423	6,879	82,302
2015	4.40	78,787	3,515	82,302
Total		$ 154,210	10,394	164,604

General Obligation Bonds Payable

Detail of the District's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2010			
	Interest Rates	Principal	Interest	Total
2014	2.50 %	$ 615,000	139,553	754,553
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		$ 4,690,000	597,478	5,287,478

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, 2013, the District has obligations to five participants with a total liability of $85,146. Actual early retirement expenditures for the year ended June 30, 2013, totaled $68,676.

(5) Capital Assets

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

	Restated Beginning Balance	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	$ 397,503	-	-	397,503
Less accumulated depreciation	319,694	25,461	-	345,155
Business type activities capital assets, net	$ 77,809	(25,461)	-	52,348

	Restated Beginning Balance	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 190,930	-	-	190,930
Construction in progress	103,248	83,874	-	187,122
Total capital assets not being depreciated	294,178	83,874	-	378,052
Capital assets being depreciated:				
Buildings	13,600,758	227,031	-	13,827,789
Land improvements	1,136,907	35,813	-	1,172,720
Machinery and equipment	1,609,080	50,187	-	1,659,267
Total capital assets being depreciated	16,346,745	313,031	-	16,659,776
Less accumulated depreciation for:				
Buildings	5,262,112	270,469	-	5,532,581
Land improvements	938,250	49,184	-	987,434
Machinery and equipment	1,155,797	133,465	-	1,289,262
Total accumulated depreciation	7,356,159	453,118	-	7,809,277
Total capital assets being depreciated, net	8,990,586	(140,087)	-	8,850,499
Governmental activities capital assets, net	$ 9,284,764	(56,213)	-	9,228,551

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 28,401
Special	517
Other	13,852
Support services:	
Administration	511
Operation and maintenance	3,731
Transportation	86,453
	133,465
Unallocated depreciation	319,653
Total governmental activities depreciation expense	$ 453,118
Business type activities:	
Food services	$ 25,461

(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 5.88% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were $622,334, $563,763 and $471,523, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 115,378
Interest on net OPEB obligation	4,977
Adjustment to annual required contribution	(16,762)
Annual OPEB cost (expense)	103,593
Contributions made	(31,424)
Increase in net OPEB obligation	72,169
Net OPEB obligation - beginning of year	199,076
Net OPEB obligation - end of year	$ 271,245

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, 2013.

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, 2013 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 95,090	24.90%	$ 128,372
2012	95,862	26.24%	199,076
2013	103,593	30.33%	271,245

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $0.627 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $0.627 million.

The covered payroll (annual payroll of active employees covered by the plan) was $6.903 million, and the ratio of the UAAL to the covered payroll was 9.1%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of 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 11%. 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 $470,998 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

As of June 30, 2012, costs of $187,122 had been incurred by the District for construction of a new playground area. 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, 2013 are broken out by the following projects:

Project	Amount
Gifted and talented	$ 27,117
Teacher salary supplement	52,689
Statewide voluntary preschool program grants	68,835
Professional development	7,813
Professional development, model core curriculum	14,898
Total	$ 171,352

Red Oak Community School District

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, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 8,275,313	160,884	8,436,197	9,076,199	9,076,199	(640,002)
State sources	7,113,741	5,964	7,119,705	7,166,846	7,166,846	(47,141)
Federal sources	627,073	453,134	1,080,207	947,000	947,000	133,207
Total revenues	16,016,127	619,982	16,636,109	17,190,045	17,190,045	(553,936)
Expenditures/Expenses:						
Instruction	9,244,109	911	9,245,020	12,321,880	12,321,880	3,076,860
Support services	4,158,501	22,166	4,180,667	5,084,000	5,084,000	903,333
Non-instructional programs	10,465	758,320	768,785	740,000	800,000	31,215
Other expenditures	1,679,331	-	1,679,331	2,333,602	2,333,602	654,271
Total expenditures/expenses	15,092,406	781,397	15,873,803	20,479,482	20,539,482	4,665,679
Excess(Deficiency) of revenues over(under) expenditures/expenses	923,721	(161,415)	762,306	(3,289,437)	(3,349,437)	4,111,743
Other financing sources, net	41,985	(11,331)	30,654	-	-	30,654
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	965,706	(172,746)	792,960	(3,289,437)	(3,349,437)	4,142,397
Balance beginning of year	5,611,095	381,081	5,992,176	5,678,205	5,678,205	313,971
Balance end of year	$ 6,576,801	208,335	6,785,136	2,388,768	2,328,768	4,456,368

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by $60,000.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended 30-Jun	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%

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

Schedule 1

RED OAK COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue
	Student Activity
ASSETS	
Cash and pooled investments	$ 199,492
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 1,882
Fund balances:	
Restricted for:	
Student activities	197,610
Total fund balances	197,610
TOTAL LIABILITIES AND FUND BALANCES	$ 199,492

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

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

	Special Revenue		Total
	Student Activity	Debt Service	Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	$ -	-	-
Other	293,241	-	293,241
TOTAL REVENUES	293,241	-	293,241
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	-	-
Other	284,963	-	284,963
Support services:			
Instructional staff	-	-	-
Administration	-	-	-
Operation and maintenance of plant	-	-	-
Transportation	-	-	-
Non-instructional programs:			
Food service operations	-	-	-
Long-term debt:			
Principal	-	672,175	672,175
Interest and fiscal charges	-	163,992	163,992
TOTAL EXPENDITURES	284,963	836,167	1,121,130
Excess(Deficiency) of revenues over(under) expenditures	8,278	(836,167)	(827,889)
Other financing sources:			
Transfer in	-	836,167	836,167
Transfers out	(33,831)	-	(33,831)
Total other financing sources(uses)	(33,831)	836,167	802,336
Deficiency of revenues and other financing sources under expenditures	(25,553)	-	(25,553)
Fund balances beginning of year	223,163	-	223,163
Fund balances end of year	$ 197,610	-	197,610

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

RED OAK COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2013

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	$ 1,831,383	516,649	2,348,032
Receivables:			
Property tax:			
Delinquent	-	2,293	2,293
Succeeding year	-	188,619	188,619
Income surtax	-	368,065	368,065
Due from other governments	298,405	-	298,405
TOTAL ASSETS	$ 2,129,788	1,075,626	3,205,414
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 15,172	16,000	31,172
Deferred revenue:			
Succeeding year property tax	-	188,619	188,619
Income surtax	-	368,065	368,065
Total liabilities	15,172	572,684	587,856
Fund balances:			
Restricted for:			
School infrastructure	2,114,616	-	2,114,616
Physical plant and equipment	-	502,942	502,942
Total fund balances	2,114,616	502,942	2,617,558
TOTAL LIABILITIES AND FUND BALANCES	$ 2,129,788	1,075,626	3,205,414

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT.

Schedule 4

RED OAK COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	$ 1,020,681	553,517	1,574,198
Other	528	27,475	28,003
TOTAL REVENUES	1,021,209	580,992	1,602,201
EXPENDITURES:			
Current:			
Instruction:			
Regular	379,485	1,197	380,682
Support services:			
Instructional staff	18,778	109,590	128,368
Operation and maintenance of plant	-	135,335	135,335
Transportation	-	-	-
Capital outlay	-	372,166	372,166
TOTAL EXPENDITURES	398,263	618,288	1,016,551
Excess(deficiency) of revenues over(under) expenditures	622,946	(37,296)	585,650
Other financing sources(uses):			
Transfer out	(314,407)	(521,760)	(836,167)
Insurance proceeds	-	30,654	30,654
Total other financing uses	(314,407)	(491,106)	(805,513)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other sources(uses)	308,539	(528,402)	(219,863)
Fund balances beginning of year	1,806,077	1,031,344	2,837,421
Fund balances end of year	$ 2,114,616	502,942	2,617,558

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, 2013

Account	Balance Beginning of Year	Revenues	Expendi-tures	Interfund and Intrafund Transfers	Balance End of Year
Boys track	$ 1,088	-	-	-	1,088
Girls track	4,758	1,543	-	-	6,301
Bowling	5,930	1,596	-	-	7,526
MS music	68	3,324	2,384	-	1,008
MS Drama	6,736	2,078	3,173	-	5,641
MS band	4,889	4,336	6,177	-	3,048
MS art club	255	-	-	-	255
MS vending	3,777	-	1,844	(1,933)	-
MS FCCLA	633	567	-	-	1,200
MS general	709	31	-	(740)	-
MS science club	9,385	-	-	-	9,385
MS media	2,167	2,453	2,317	-	2,303
MS student council	9,642	1,918	2,057	-	9,503
MS yearbook	459	1,117	1,068	-	508
HS sadd	356	-	20	-	336
HS drama	2,361	4,916	4,412	-	2,865
HS vocal music	7,375	14,829	15,612	-	6,592
HS band	1,711	5,168	4,840	-	2,039
Cross country	469	-	-	-	469
Tennis	4,095	2,382	-	-	6,477
HS boys basketball	2,332	590	88	-	2,834
HS girls basketball	4,022	6,054	-	-	10,076
HS volleyball	3,574	7,238	3,629	-	7,183
HS athletics	28,417	135,439	120,610	200	43,446
HS FBLA	692	624	1,274	-	42
FFA	1,579	32,168	26,642	-	7,105
HS international club	328	-	39	-	289
HS general	421	55	-	(476)	-
HS graduation	34	-	-	(34)	-
Junior class	1,684	6,068	6,174	-	1,578
HS media	352	1,369	1,225	-	496
HS protech club	358	-	-	-	358
HS music trip	8	22,597	22,496	-	109
Senior class	2,886	1,662	2,777	-	1,771

SEE ACCOMPANYING INDEPENDENT AUDITOR’S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi-tures	Interfund and Intrafund Transfers	Balance End of Year
HS student council	2,914	2,778	1,706	-	3,986
HS yearbook	19,495	3,590	12,674	-	10,411
HS environmental club	531	-	-	-	531
HS general resale	373	-	-	-	373
Band boosters	181	1,100	-	-	1,281
HS minnisingers	945	1,185	1,284	-	846
HS wrestling cheerleaders	166	704	294	-	576
Band boosters fiesta bowl	496	5,232	5,231	-	497
HS football	2,773	-	1,034	-	1,739
HS baseball	100	439	-	-	539
HS letterman's club	591	2,377	3,309	1,443	1,102
Dance team	154	-	-	(154)	-
HS wrestling	598	-	-	-	598
HS Art Club	-	218	88		130
Unity council	1,443	-	-	(1,443)	-
K-12 general	3,406	-	124	(3,282)	-
K-12 petty cash	44	-	-	(44)	-
Love our kids	1,189	-	-	-	1,189
Student needs	340	-	-	-	340
K-12 special olympics	355	-	-	-	355
K-12 interest	41,063	71	9,785	(731)	30,618
K-3 general	18,626	356	356	(18,626)	-
K-3 media	3,795	5,383	9,123	(55)	-
4-5 vending	337	-	312	(25)	-
4-5 general	8,457	332	1,140	(7,649)	-
4-5 media supplies	1,604	-	437	(1,167)	-
HS FHA	(21)	993	1,703	731	-
Cheerleader club	(342)	8,361	7,505	154	668
Total	$ 223,163	293,241	284,963	(33,831)	197,610

Schedule 6

RED OAK COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund									
	Plank Scholarship	Klopping Scholarship	Bloom Scholarship	Kinnison Scholarship	Peterson Scholarship	Lingo Scholarship	Murphy Scholarship	Laughlin Scholarship	Miscellaneous Scholarship	Total
ASSETS										
Cash and pooled investments	$ 10,053	22,382	20,427	4,349	153	139,394	15,741	6,545	1,050	220,094
LIABILITIES	-	-	-	-	-	-	-	-	-	-
NET POSITION										
Restricted for scholarships	$ 10,053	22,382	20,427	4,349	153	139,394	15,741	6,545	1,050	220,094

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Red Oak Community School District

RED OAK COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
YEAR ENDED JUNE 30, 2013

	Anderson Scholarship	Plank Scholarship	Klopping Scholarship	Bloom Scholarship
ADDITIONS:				
Local sources:				
Interest	$ -	39	85	77
Contributions	-	-	-	-
TOTAL ADDITIONS	-	39	85	77
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	-	100	140	-
Change in net position before other financing sources	-	(61)	(55)	77
Other financing sources(uses):				
Transfer in	-	42	-	-
Transfer out	(42)	-	-	-
Total other financing sources(uses)	(42)	42	-	-
Change in net position	(42)	(19)	(55)	77
Net position beginning of year	42	10,072	22,437	20,350
Net position end of year	$ -	10,053	22,382	20,427

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Private Purpose Trust - Scholarship Fund							
Kinnison Scholarship	Peterson Scholarship	Class of 38 Scholarship	Lingo Scholarship	Murphy Scholarship	Laughlin Scholarship	Miscellaneous Scholarship	Total
3	-	250	548	4	25	-	1,031
-	-	250	-	4	-	1,250	1,504
3	-	500	548	8	25	1,250	2,535
500	1,000	769	750	-	1,000	200	4,459
(497)	(1,000)	(269)	(202)	8	(975)	1,050	(1,924)
-	-	-	-	-	-	-	42
-	-	-	-	-	-	-	(42)
-	-	-	-	-	-	-	-
(497)	(1,000)	(269)	(202)	8	(975)	1,050	(1,924)
4,846	1,153	269	139,596	15,733	7,520	-	222,018
4,349	153	-	139,394	15,741	6,545	1,050	220,094

Schedule 8

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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	$ 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	4,096,414
Tuition	315,413	337,472	219,149	281,984	217,275	155,224	174,615	162,978	144,052	79,707
Other	625,061	639,473	744,819	522,812	574,852	560,195	609,632	537,972	430,076	421,198
State sources	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	5,471,489
Federal sources	627,073	751,589	1,118,626	1,425,087	637,171	470,330	497,908	666,156	640,139	614,537
Total	$ 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	10,683,345
Expenditures:										
Instruction:										
Regular	$ 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	4,111,664
Special	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	1,368,280
Other	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	1,317,313
Support services:										
Student	299,764	244,618	375,600	424,490	392,315	361,392	346,603	314,905	299,819	360,943
Instructional staff	842,377	1,014,078	803,623	593,227	551,001	555,612	549,052	692,601	422,038	510,280
Administration	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	1,052,107
Operation and maintenance of plant	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	963,629
Transportation	432,627	482,872	762,816	387,943	468,161	531,977	456,792	338,170	345,271	258,896
Non-instructional programs:										
Food service operations	1,470	1,250	1,632	-	-	-	-	-	130	20
Community service operations	8,995	-	-	-	-	-	-	-	8,750	10,205
Capital outlays	372,166	148,865	59,664	105,303	107,967	321,210	141,852	90,464	356,386	653,176
Long-term debt:										
Principal	672,175	664,119	585,000	495,000	475,000	465,000	445,000	435,000	420,000	400,000
Interest and fiscal charges	163,992	176,760	169,499	363,573	330,205	347,873	363,668	377,781	390,510	402,560
Other expenditures:										
AEA flow-through	470,998	469,933	530,993	529,094	482,258	447,347	426,129	410,392	379,179	376,524
Total	$ 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	11,785,597

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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 13	85,555	
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	321,793	*
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	14,931	
			422,279	
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 13	30,855	
U.S. DEPARTMENT OF EDUCATION:				
IOWA DEPARTMENT OF EDUCATION:				
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5463-G	273,958	
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5463-GC	38,760	
			312,718	
SPECIAL EDUCATION GRANTS TO STATES (PART B HI COST CLAIMS)	84.027	FY 13	67,560	
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	28,553	
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 13	48,282	
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 13	7,631	
TOTAL			$ 917,878	

* - Includes $34,786 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

In planning and performing out 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.

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-13 to be material weakness.

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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
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, 2013. 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. 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, 2013.

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 no 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-13 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2014
Newton, Iowa

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

(a) Unmodified opinions were issued on the financial statements.

(b) A material weakness 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:

Clustered

- 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

Individual

- CFDA Number 84.010 - Title I - Grants to Local Educational Agencies

(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.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over 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 are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

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: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 Title I - Grants to Local Educational Agencies
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over 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 study this situation and see what steps can be taken to help strengthen the internal control structure in cash handling of receipts.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceeded the amount budgeted.

IV-B-13 Questionable Disbursements - We noted the District is writing checks from the Student Activity Fund to the Private Purpose Trust - Scholarship Fund.

Recommendation - It is inappropriate to be using the Student Activity Fund money to be giving scholarships. If the money is being raised for the purpose of giving scholarships it should be the stated purpose of the fundraiser and the money should be immediately receipted into the Trust Fund.

Response - The District will advise student activity groups that when funds are raised for the purpose of giving scholarships that it will be the stated purpose of the fund raiser and the money should be immediately receipted into the Trust Fund.

Conclusion - Response accepted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

IV-G-13 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The net effect of the variances is zero.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-13 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted.

IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-13 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, 2013, 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 2013 audit:

Beginning Balance		$ 1,806,077
Statewide sales and services tax revenue	$ 1,020,681	
Interest on investments	528	1,021,209
Total revenues		2,827,286
Expenditures/transfers out:		
School infrastructure:		
Equipment	$ 398,263	
Debt service for school infrastructure:		
General obligation debt	314,407	712,670
Ending balance		$ 2,114,616

For the year ended June 30, 2012, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per $1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	$ 0.95869	$ 314,407

IV-M-13 Board Policies - We noted several board policies that have not been updated in the past five years. Board policies should be reviewed by the board at least once every five years and the date of review noted in the policies.

Recommendation - The Board should review policies to ensure they are up to date.

Response - The Board is in the process of updating all board policies. By the end of the 2014 fiscal year all board policies will be currently updated.

Conclusion - Response accepted.

IV-N-13 Regional/District Event Rent - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events, but those revenues are not recorded in the General Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will receipt money for the use of facilities when hosting district and regional events into the General Fund.

Conclusion - Response accepted.