

RED OAK COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

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Red Oak Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Lee Fellers	President	2015
Dr. Warren Hayes	Vice President	2017
Bill Drey	Board Member	2015
Paul Griffen	Board Member	2017
Kathy Walker	Board Member	2017
School Officials		
Terry Schmidt	Superintendent	2015
Shirley Maxwell	District Secretary/ Business Manager/Treasurer	2015
Swanson Law Firm	Attorney	2015
Engel Law Office	Attorney	2015

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(a professional corporation)
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Red Oak Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Oak Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2011 (none of which are presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2015 on our consideration of Red Oak Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2015
Newton, Iowa

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$13,425,765 in fiscal year 2014 to \$12,248,124 in fiscal year 2015, while General Fund expenditures decreased from \$13,108,173 in fiscal year 2014 to \$12,678,367 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$3,238,706 at June 30, 2014 to a balance of \$2,808,463 at June 30, 2015, a 13.28% decrease from the prior year.
- The decrease in expenditures was due primarily to decreases in salaries and benefits received by District employees due to the reduction of District staff from fiscal year 2014 to fiscal year 2015.

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, the District's proportionate share of the net pension liability and related contributions, 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 details of various programs benefiting the District.

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

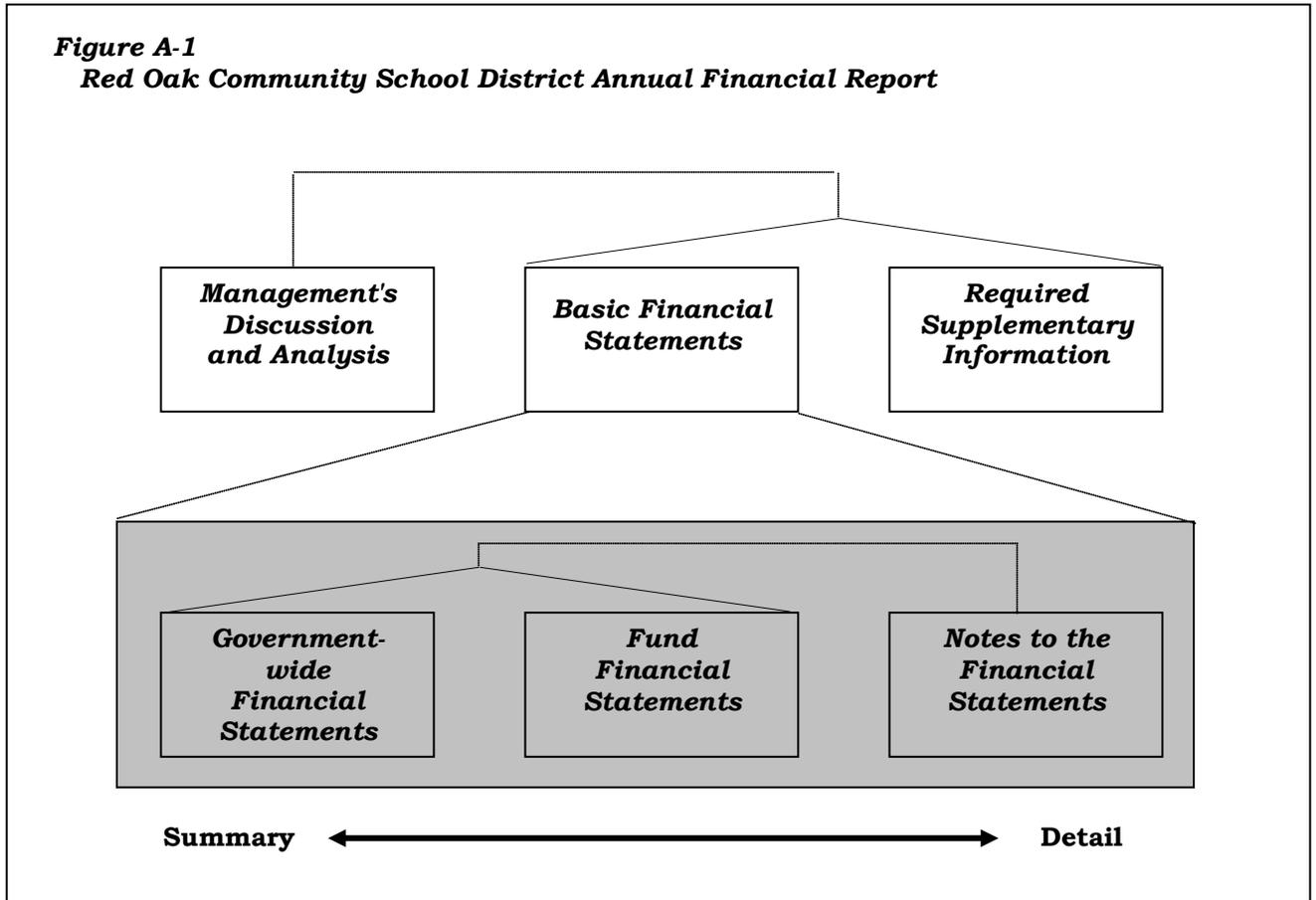


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30, 2015	June 30, 2014 (Not Restated)	June 30, 2015	June 30, 2014 (Not Restated)	June 30, 2015	June 30, 2014-15	
Current and other assets	\$ 16,395,539	15,430,362	169,326	237,003	16,564,865	15,667,365	5.73%
Capital assets	9,088,702	9,162,823	38,405	44,794	9,127,107	9,207,617	-0.87%
Total assets	25,484,241	24,593,185	207,731	281,797	25,691,972	24,874,982	3.28%
Deferred outflows of resources	919,348	-	27,780	-	947,128	-	100.00%
Long-term liabilities	8,279,431	4,450,903	156,410	24,877	8,435,841	4,475,780	88.48%
Other liabilities	1,612,652	1,607,357	53,185	55,023	1,665,837	1,662,380	0.21%
Total liabilities	9,892,083	6,058,260	209,595	79,900	10,101,678	6,138,160	64.57%
Deferred inflows of resources	7,122,069	5,585,885	50,740	-	7,172,809	5,585,885	28.41%
Net position:							
Net investment in capital assets	5,638,702	5,087,823	38,405	38,794	5,677,107	5,126,617	10.74%
Restricted	6,053,042	4,562,151	-	-	6,053,042	4,562,151	32.68%
Unrestricted	(2,302,307)	3,299,066	(63,229)	163,103	(2,365,536)	3,462,169	-168.33%
Total net position	\$ 9,389,437	12,949,040	(24,824)	201,897	9,364,613	13,150,937	-28.79%

The District's combined net position decreased by 28.79%, or \$3,786,324, from the prior year. A portion of the District's net position is the net investment in capital assets. 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 32.68%, or \$1,490,891, over the prior year. This increase in restricted net position is mainly attributable to increases in carryover fund balance for the Management Levy Fund and the Statewide Sales, Services and Use Tax Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$5,827,705, or 168.33%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by 5,451,949 and 165,143, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of

resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 704,511	652,257	161,532	155,569	866,043	807,826	7.21%
Operating grants, contributions and restricted interest	1,371,399	1,519,763	429,643	523,513	1,801,042	2,043,276	-11.86%
Capital grants, contributions and restricted interest	-	8,455	-	-	-	8,455	-100.00%
General revenues:							
Property tax	5,631,250	5,539,990	-	-	5,631,250	5,539,990	1.65%
Income surtax	783,794	799,995	-	-	783,794	799,995	-2.03%
Statewide sales, services and use tax	1,104,965	1,059,967	-	-	1,104,965	1,059,967	4.25%
Unrestricted state grants	6,163,858	6,376,923	-	-	6,163,858	6,376,923	-3.34%
Unrestricted investment earnings	17,200	9,098	17	17	17,217	9,115	88.89%
Other	198,071	225,121	1,527	11,924	199,598	237,045	-15.80%
Total revenues	15,975,048	16,191,569	592,719	691,023	16,567,767	16,882,592	-1.86%
Program expenses:							
Instructional	8,727,233	9,403,808	-	-	8,727,233	9,403,808	-7.19%
Support services	4,435,336	4,374,947	13,066	8,314	4,448,402	4,383,261	1.49%
Non-instructional programs	4,401	5,579	643,104	689,147	647,505	694,726	-6.80%
Other expenses	913,859	921,877	-	-	913,859	921,877	-0.87%
Total expenses	14,080,829	14,706,211	656,170	697,461	14,736,999	15,403,672	-4.33%
Excess(Deficiency) of revenues over(under) expenditures	1,894,219	1,485,358	(63,451)	(6,438)	1,830,768	1,478,920	23.79%
Transfers	(1,873)	-	1,873	-	-	-	0.00%
Change in net position	1,892,346	1,485,358	(61,578)	(6,438)	1,830,768	1,478,920	23.79%
Net position beginning of year, as restated	7,497,091	11,463,682	36,754	208,335	7,533,845	11,672,017	-35.45%
Net position end of year	\$ 9,389,437	12,949,040	(24,824)	201,897	9,364,613	13,150,937	-28.79%

In fiscal year 2015, property tax, income surtax and unrestricted state grants accounted for 78.74% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.74% of business type activities revenue.

The District's total revenues were approximately \$16.57 million of which approximately \$15.98 million was for governmental activities and approximately \$0.59 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.86% decrease in revenues and a 4.33% decrease in expenses. The decrease in revenues is attributable to decreases in operating grants, contributions and restricted interest and unrestricted state grant revenues received compared to the prior year. The decrease in expenditures is primarily due to decreased total salaries and benefits paid to District employees due to the reduction of staff from fiscal year 2014 to fiscal year 2015.

Governmental Activities

Revenues for governmental activities were \$15,975,048 and expenses were \$14,080,829 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014		Change 2014-15	2014		Change 2015-15
	2015	(Not Restated)		2015	(Not Restated)	
Instruction	\$ 8,727,233	9,403,808	-7.19%	7,224,690	7,738,277	-6.64%
Support services	4,435,336	4,374,947	1.38%	4,348,893	4,346,587	0.05%
Non-instructional programs	4,401	5,579	-21.11%	4,401	5,579	-21.11%
Other expenses	913,859	921,877	-0.87%	426,935	435,293	-1.92%
Totals	\$ 14,080,829	14,706,211	-4.25%	12,004,919	12,525,736	-4.16%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$704,511.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,371,399.
- The net cost of governmental activities was financed with \$5,631,250 in property tax, \$783,794 in income surtax, \$1,104,965 in statewide sales, services and use tax, \$6,163,858 in unrestricted state grants, \$17,200 in interest income and \$198,071 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$592,719, representing a 14.23% decrease from the prior year, while expenses totaled \$656,170, a 5.92% decrease from the prior year. The District's business type activities are the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest, and other income.

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 \$8,626,977, above last year's ending fund balances of \$7,647,520. The primary reason for the increase in combined fund balances is due to the increases in fund balance in the Management Fund, and the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues decreased in fiscal year 2015 compared to fiscal year 2014 primarily due to a decrease in local tax revenue received. Expenditures also decreased from fiscal year 2015 compared to fiscal year 2014, the decrease in expenditures is primarily due to a decrease in total salaries and benefits paid to district employees due to the reduction of staff. While both revenues and expenditures decreased as compared to the prior year, the net result was a decrease in fund balance from \$3,238,706 at June 30, 2014 to \$2,808,463 at June 30, 2015.
- The District's Management Fund balance increased from \$1,482,135 at June 30, 2014 to \$2,149,895 at June 30, 2015. The increase in fund balance is a result of revenues exceeding expenses and is consistent with the increase in the fund balance from fiscal 2013 to fiscal 2014 due to the District's management fund property tax levy.
- The Capital Projects Fund balance increased from \$2,732,178 at June 30, 2014 to \$3,467,093 at June 30, 2015. The increase in fund balance for the Capital Projects Fund is a result changes in the Districts two capital project accounts. The Statewide Sales, Services and Use Tax Fund increased from \$2,575,056 at June 30, 2014 to \$3,398,401 at June 30, 2015. This increase in fund balance can be attributed to increased sales tax revenue received as compared to the previous year, combined with a decrease in expenditures needed for payments on District indebtedness. The Physical Plant and Equipment Levy Fund decreased from \$157,122 at June 30, 2014 to \$68,692 at June 30, 2015. The decrease in the Physical Plant and Equipment Levy Fund is primarily due to a decrease in local tax revenues received and an increase in capital outlay expenditures as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a restated July 1, 2014 net position of \$36,754 to a deficit net position of \$24,824 at June 30, 2015, a decrease of 167.54%. This decrease in net position is primarily due to a decrease in revenues received from operating grants, contributions and restricted interest as compared to the prior year. Total expenses also outpaced total revenues ensuring a decrease in net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$125,890 less than budgeted revenues, a variance of 0.76%. The most significant variances resulted from the District receiving less from local sources than 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, 2015, the District had invested \$9,127,107, 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 the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$513,729.

The original cost of the District's capital assets was \$18,196,450. Governmental funds account for \$17,794,413 with the remainder of \$402,037 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the District's construction in progress category. The District's construction in progress totaled \$154,152 at June 30, 2014 as compared to \$323,980 at June 30, 2015. This increase in construction in progress is primarily due to continued architect fees for a potential high school addition and renovation project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change June 30, 2014-15
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2015	2014	2015	2014	2015	2014	
Land	\$ 190,930	190,930	-	-	190,930	190,930	0.00%
Construction in progress	323,980	154,152	-	-	323,980	154,152	110.17%
Buildings	8,049,696	8,172,949	-	-	8,049,696	8,172,949	-1.51%
Land improvements	148,297	166,792	-	-	148,297	166,792	-11.09%
Machinery and equipment	375,799	478,000	38,405	44,794	414,204	522,794	-20.77%
Total	\$ 9,088,702	9,162,823	38,405	44,794	9,127,107	9,207,617	-0.87%

Long-Term Debt

At June 30, 2015, the District had \$8,435,841 in general obligation bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$3,450,000 at June 30, 2015. Principal of \$645,000 is due during fiscal year 2015.

The District had outstanding termination benefits of \$34,881 payable from the Special Revenue, Management Fund at June 30, 2015, all of which will be paid during fiscal year 2016.

The District had a net pension liability of \$4,525,412 at June 30, 2015. Governmental activities accounted for \$4,392,365 of this total while business type activities accounted for the remaining \$133,047.

The District had a net OPEB liability of \$425,548 as of June 30, 2015. Governmental activities accounted for \$402,185 while business type activities accounted for \$23,363.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change June 30, 2014-15
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2015	2014	2015	2014	2015	2014	
		(Not Restated)		(Not Restated)		(Not Restated)	
General obligation bonds	\$ 3,450,000	4,075,000	-	-	3,450,000	4,075,000	-15.34%
Termination benefits	34,881	50,940	-	-	34,881	50,940	-31.53%
Dishwasher lease	-	-	-	6,000	-	6,000	-100.00%
Net pension liability	4,392,365	-	133,047	-	4,525,412	-	100.00%
Net OPEB liability	402,185	324,963	23,363	18,877	425,548	343,840	23.76%
Total	\$ 8,279,431	4,450,903	156,410	24,877	8,435,841	4,475,780	88.48%

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 has been in the process of a facilities study for the past two years. An architect has been hired as well as a construction manager firm. Plans were in the process to build a new high school using Voted PPEL and SAVE Funds. As of June 30, 2015 these plans were put on hold until after the upcoming school election.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shirley Maxwell, District Secretary/Business Manager/Treasurer, Red Oak Community School District, 2011 North 8th Street, Red Oak, Iowa, 51566.

BASIC FINANCIAL STATEMENTS

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 9,598,565	160,826	9,759,391
Receivables:			
Property tax:			
Delinquent	62,043	-	62,043
Succeeding year	5,446,947	-	5,446,947
Income surtax	727,691	-	727,691
Accounts	87,791	-	87,791
Due from other governments	472,502	-	472,502
Inventories	-	8,500	8,500
Capital assets, net of accumulated depreciation	9,088,702	38,405	9,127,107
TOTAL ASSETS	25,484,241	207,731	25,691,972
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	919,348	27,780	947,128
LIABILITIES			
Accounts payable	323,410	446	323,856
Salaries and benefits payable	1,270,514	45,233	1,315,747
Accrued interest payable	18,728	-	18,728
Unearned revenue	-	7,506	7,506
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	645,000	-	645,000
Termination benefits payable	34,881	-	34,881
Portion due after one year:			
General obligation bonds payable	2,805,000	-	2,805,000
Net pension liability	4,392,365	133,047	4,525,412
Net OPEB liability	402,185	23,363	425,548
TOTAL LIABILITIES	9,892,083	209,595	10,101,678
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	5,446,947	-	5,446,947
Pension related deferred inflows	1,675,122	50,740	1,725,862
TOTAL DEFERRED INFLOWS OF RESOURCES	7,122,069	50,740	7,172,809
NET POSITION			
Net investment in capital assets	5,638,702	38,405	5,677,107
Restricted for:			
Categorical funding	277,713	-	277,713
Management levy purposes	2,115,014	-	2,115,014
Student activities	193,222	-	193,222
School infrastructure	3,398,401	-	3,398,401
Physical plant and equipment	68,692	-	68,692
Unrestricted	(2,302,307)	(63,229)	(2,365,536)
TOTAL NET POSITION	\$ 9,389,437	(24,824)	9,364,613

SEE NOTES TO FINANCIAL STATEMENTS.

**RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,886,104	171,991	76,820	(4,637,293)	-	(4,637,293)
Special	1,717,486	250,433	97,179	(1,369,874)	-	(1,369,874)
Other	2,123,643	251,163	654,957	(1,217,523)	-	(1,217,523)
	<u>8,727,233</u>	<u>673,587</u>	<u>828,956</u>	<u>(7,224,690)</u>	<u>-</u>	<u>(7,224,690)</u>
Support services:						
Student	261,471	-	20,592	(240,879)	-	(240,879)
Instructional staff	1,024,227	-	5,655	(1,018,572)	-	(1,018,572)
Administration	1,385,887	7,000	12,923	(1,365,964)	-	(1,365,964)
Operation and maintenance of plant	1,188,844	-	16,349	(1,172,495)	-	(1,172,495)
Transportation	574,907	23,924	-	(550,983)	-	(550,983)
	<u>4,435,336</u>	<u>30,924</u>	<u>55,519</u>	<u>(4,348,893)</u>	<u>-</u>	<u>(4,348,893)</u>
Non-instructional programs:						
Food service operations	3,045	-	-	(3,045)	-	(3,045)
Other enterprise operations	1,356	-	-	(1,356)	-	(1,356)
	<u>4,401</u>	<u>-</u>	<u>-</u>	<u>(4,401)</u>	<u>-</u>	<u>(4,401)</u>
Long-term debt interest	122,011	-	-	(122,011)	-	(122,011)
Other expenses:						
AEA flowthrough	486,924	-	486,924	-	-	-
Depreciation(unallocated)*	304,924	-	-	(304,924)	-	(304,924)
	<u>791,848</u>	<u>-</u>	<u>486,924</u>	<u>(304,924)</u>	<u>-</u>	<u>(304,924)</u>
Total governmental activities	<u>14,080,829</u>	<u>704,511</u>	<u>1,371,399</u>	<u>(12,004,919)</u>	<u>-</u>	<u>(12,004,919)</u>
Business Type activities:						
Support services:						
Operation and maintenance of plant	13,066	-	-	-	(13,066)	(13,066)
Non-instructional programs:						
Food service operations	643,104	161,532	429,643	-	(51,929)	(51,929)
Total business type activities	<u>656,170</u>	<u>161,532</u>	<u>429,643</u>	<u>-</u>	<u>(64,995)</u>	<u>(64,995)</u>
Total	<u>\$ 14,736,999</u>	<u>866,043</u>	<u>1,801,042</u>	<u>(12,004,919)</u>	<u>(64,995)</u>	<u>(12,069,914)</u>
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,732,020	-	4,732,020
Debt service				755,856	-	755,856
Capital outlay				143,374	-	143,374
Income surtax				783,794	-	783,794
Statewide sales, services and use tax				1,104,965	-	1,104,965
Unrestricted state grants				6,163,858	-	6,163,858
Unrestricted investment earnings				17,200	17	17,217
Other				198,071	1,527	199,598
Transfers				(1,873)	1,873	-
Total general revenues and transfers				<u>13,897,265</u>	<u>3,417</u>	<u>13,900,682</u>
Change in net position				1,892,346	(61,578)	1,830,768
Net position beginning of year, as restated				<u>7,497,091</u>	<u>36,754</u>	<u>7,533,845</u>
Net position end of year				<u>\$ 9,389,437</u>	<u>(24,824)</u>	<u>9,364,613</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Management	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 3,848,489	2,144,328	3,411,105	194,643	9,598,565
Receivables:					
Property tax:					
Delinquent	41,605	10,559	1,575	8,304	62,043
Succeeding year	3,748,806	399,999	544,676	753,466	5,446,947
Income surtax	279,881	-	447,810	-	727,691
Accounts	4,443	-	83,348	-	87,791
Due from other governments	300,917	-	171,585	-	472,502
TOTAL ASSETS	\$ 8,224,141	2,554,886	4,660,099	956,413	16,395,539
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 116,477	4,992	200,520	1,421	323,410
Salaries and benefits payable	1,270,514	-	-	-	1,270,514
Total liabilities	1,386,991	4,992	200,520	1,421	1,593,924
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,748,806	399,999	544,676	753,466	5,446,947
Income surtax	279,881	-	447,810	-	727,691
Total deferred inflows of resources	4,028,687	399,999	992,486	753,466	6,174,638
Fund balances:					
Restricted for:					
Categorical funding	277,713	-	-	-	277,713
Debt service	-	-	-	8,304	8,304
Management levy purposes	-	2,149,895	-	-	2,149,895
Student activities	-	-	-	193,222	193,222
School infrastructure	-	-	3,398,401	-	3,398,401
Physical plant and equipment	-	-	68,692	-	68,692
Assigned	148,408	-	-	-	148,408
Unassigned	2,382,342	-	-	-	2,382,342
Total fund balances	2,808,463	2,149,895	3,467,093	201,526	8,626,977
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,224,141	2,554,886	4,660,099	956,413	16,395,539

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(page 20)	\$	8,626,977
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		9,088,702
Other long-term assets are not available to pay current year expenditures and, therefore, are not recognized as deferred inflows of resources in the governmental funds		727,691
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.		(18,728)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 919,348	
Deferred inflows of resources	<u>(1,675,122)</u>	(755,774)
Long-term liabilities, including general obligation bonds payable, termination benefits payable, other postemployment benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,279,431)</u>
Net position of governmental activities(page 18)	\$	<u><u>9,389,437</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Management	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,028,650	957,640	556,139	755,856	6,298,285
Tuition	405,024	-	-	-	405,024
Other	291,742	14,253	5,934	250,358	562,287
State sources	6,982,148	365	1,105,019	287	8,087,819
Federal sources	504,874	-	-	-	504,874
Total revenues	<u>12,212,438</u>	<u>972,258</u>	<u>1,667,092</u>	<u>1,006,501</u>	<u>15,858,289</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,686,086	139,240	197,578	-	5,022,904
Special	1,747,052	-	-	-	1,747,052
Other	1,929,868	-	-	250,580	2,180,448
	<u>8,363,006</u>	<u>139,240</u>	<u>197,578</u>	<u>250,580</u>	<u>8,950,404</u>
Support services:					
Student	268,328	-	-	-	268,328
Instructional staff	745,609	4,422	261,361	-	1,011,392
Administration	1,293,062	104,555	7,149	-	1,404,766
Operation and maintenance of plant	1,111,726	37,267	66,119	889	1,216,001
Transportation	408,356	15,969	49,500	-	473,825
	<u>3,827,081</u>	<u>162,213</u>	<u>384,129</u>	<u>889</u>	<u>4,374,312</u>
Non-instructional programs:					
Food service operations	-	3,045	1,873	-	4,918
Other enterprise operations	1,356	-	-	-	1,356
	<u>1,356</u>	<u>3,045</u>	<u>1,873</u>	<u>-</u>	<u>6,274</u>
Capital outlay	-	-	597,354	-	597,354
Long-term debt:					
Principal	-	-	-	625,000	625,000
Interest and fiscal charges	-	-	-	124,615	124,615
	<u>-</u>	<u>-</u>	<u>-</u>	<u>749,615</u>	<u>749,615</u>
Other expenditures:					
AEA flowthrough	486,924	-	-	-	486,924
TOTAL EXPENDITURES	<u>12,678,367</u>	<u>304,498</u>	<u>1,180,934</u>	<u>1,001,084</u>	<u>15,164,883</u>
Excess(Deficiency) of revenues over(under) expenditures	(465,929)	667,760	486,158	5,417	693,406
Other financing sources(uses):					
Transfer in	-	-	-	1,608	1,608
Transfer out	-	-	(1,608)	-	(1,608)
Compensation for loss of capital assets	35,686	-	250,365	-	286,051
Total other financing sources(uses)	<u>35,686</u>	<u>-</u>	<u>248,757</u>	<u>1,608</u>	<u>286,051</u>
Change in fund balances	(430,243)	667,760	734,915	7,025	979,457
Fund balances beginning of year	<u>3,238,706</u>	<u>1,482,135</u>	<u>2,732,178</u>	<u>194,501</u>	<u>7,647,520</u>
Fund balances end of year	<u>\$ 2,808,463</u>	<u>2,149,895</u>	<u>3,467,093</u>	<u>201,526</u>	<u>8,626,977</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds(page 22) \$ 979,457

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:

Capital outlay	\$ 430,423	
Depreciation expense	<u>(504,544)</u>	(74,121)

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. 625,000

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. 2,604

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 116,759

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 641,130

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	\$ 16,059	
Pension expense	(337,320)	
Other postemployment benefits	<u>(77,222)</u>	<u>(398,483)</u>

Changes in net position of governmental activities(page 19) \$ 1,892,346

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise, School Nutrition
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 160,826
Inventories	8,500
Total current assets	169,326
Non-current assets:	
Capital assets, net of accumulated depreciation	38,405
TOTAL ASSETS	207,731
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	27,780
LIABILITIES	
Current liabilities:	
Accounts payable	446
Salaries and benefits payable	45,233
Unearned revenue	7,506
Total current liabilities	53,185
Long-term liabilities:	
Net pension liability	133,047
Net OPEB liability	23,363
Total long-term liabilities	156,410
TOTAL LIABILITIES	209,595
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	50,740
NET POSITION	
Net investment in capital assets	38,405
Unrestricted	(63,229)
TOTAL NET POSITION	\$ (24,824)

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 161,532
Miscellaneous	1,527
TOTAL OPERATING REVENUES	163,059
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	12,480
Supplies	586
	13,066
Non-instructional programs:	
Food service operations:	
Salaries	223,147
Benefits	115,536
Services	2,979
Supplies	292,257
Depreciation	9,185
	643,104
TOTAL OPERATING EXPENSES	656,170
OPERATING LOSS	(493,111)
NON-OPERATING REVENUES:	
State sources	5,268
Federal sources	424,375
Interest income	17
TOTAL NON-OPERATING REVENUES	429,660
Change in net position before other financing sources	(63,451)
OTHER FINANCING SOURCES:	
Contributed capital	1,873
Change in net position	(61,578)
Net position beginning of year, as restated	36,754
Net position end of year	\$ (24,824)

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from operating activities	\$ 161,512
Cash received from miscellaneous	1,527
Cash payments to employees for services	(344,367)
Cash payments to suppliers for goods or services	(278,456)
Net cash used in operating activities	(459,784)
Cash flows from non-capital financing activities:	
State grants received	5,268
Federal grants received	430,848
Net cash provided by non-capital financing activities	436,116
Cash flows from capital financing activities:	
Purchased of capital assets	(923)
Yearly payment on dishwasher lease	(6,000)
Net cash used in capital activities	(6,923)
Cash flows from investing activities:	
Interest on investment	17
Net decrease in cash and pooled investments	(30,574)
Cash and pooled investments beginning of year	191,400
Cash and pooled investments end of year	\$ 160,826
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (493,111)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	36,476
Depreciation	9,185
Increase in inventories	(5,891)
Decrease in accounts receivable	45
Decrease in accounts payable	(739)
Decrease in salaries and benefits payable	(1,034)
Decrease in net pension liability	(51,699)
Increase in deferred outflows of resources	(8,177)
Increase in deferred inflows of resources	50,740
Decrease in unearned revenues	(65)
Increase in other postemployment benefits	4,486
Net cash used in operating activities	\$ (459,784)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$36,476.

During the year ended June 30, 2015, the District received contributed capital of \$1,873 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 214,128
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 214,128</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ 449
Contributions	2,221
TOTAL ADDITIONS	<u>2,670</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,613</u>
Change in net position	(1,943)
Net position beginning of year	<u>216,071</u>
Net position end of year	<u>\$ 214,128</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RED OAK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

The Red Oak Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Red Oak, Iowa, and the predominate agricultural territory of Montgomery, Page and Pottawattamie counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Red Oak Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Red Oak Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery County Assessors' Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The 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 liabilities.

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 District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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	\$ 2,500
Buildings	2,500
Land improvements	2,500
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
Buildings	50 years
Land improvements	20 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Assigned - Amounts 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 elementary buildings.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015 the District had no investments.

(3) Interfund Transfers

The detail of the transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 1,608</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 190,930	-	-	190,930
Construction in progress	154,152	296,899	127,071	323,980
Total capital assets not being depreciated	345,082	296,899	127,071	514,910
Capital assets being depreciated:				
Buildings	13,983,800	163,176	-	14,146,976
Land improvements	1,172,720	-	-	1,172,720
Machinery and equipment	1,862,388	97,419	-	1,959,807
Total capital assets being depreciated	17,018,908	260,595	-	17,279,503
Less accumulated depreciation for:				
Buildings	5,810,851	286,429	-	6,097,280
Land improvements	1,005,928	18,495	-	1,024,423
Machinery and equipment	1,384,388	199,620	-	1,584,008
Total accumulated depreciation	8,201,167	504,544	-	8,705,711
Total capital assets being depreciated, net	8,817,741	(243,949)	-	8,573,792
Governmental activities capital assets, net	\$ 9,162,823	52,950	127,071	9,088,702
Business type activities:				
Machinery and equipment	\$ 399,241	2,796	-	402,037
Less accumulated depreciation	354,447	9,185	-	363,632
Business type activities capital assets, net	\$ 44,794	(6,389)	-	38,405

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 27,650
Special	798
Other	17,127
Support services:	
Operation and maintenance of plant	5,764
Transportation	148,281
	<u>199,620</u>
Unallocated depreciation	<u>304,924</u>
Total governmental activities depreciation expense	<u><u>\$ 504,544</u></u>
Business type activities:	
Food service operations	<u><u>\$ 9,185</u></u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,075,000	-	625,000	3,450,000	645,000
Termination benefits	50,940	34,881	50,940	34,881	34,881
Net pension liability	6,099,125	-	1,706,760	4,392,365	-
Net OPEB liability	324,963	77,222	-	402,185	-
Total	<u>\$ 10,550,028</u>	<u>112,103</u>	<u>2,382,700</u>	<u>8,279,431</u>	<u>679,881</u>
Business type activities:					
Dishwasher lease	\$ 6,000	-	6,000	-	-
Net pension liability	184,746	-	51,699	133,047	-
Net OPEB liability	18,877	4,486	-	23,363	-
Total	<u>\$ 209,623</u>	<u>4,486</u>	<u>57,699</u>	<u>156,410</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	School Refunding Bonds		
		Bond Issue May 1, 2010		
		Principal	Interest	Total
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		<u>\$ 3,450,000</u>	<u>333,810</u>	<u>3,783,810</u>

Termination Benefits

During the year ended June 30, 2015, the District offered a voluntary early retirement plan to any full-time licensed teacher who was eligible for full insurance coverage under the requirements of the District's insurer and who were currently performing their assigned duties within the District. This plan was offered for only one year. Employees seeking early retirement benefits must have been age 55 on or before June 30, 2015. Employees wanting to retire must have completed ten years of consecutive service with the District and completed 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, 2015, the District has obligations to two participants with a total liability of \$34,881. Actual early retirement expenditures for the year ended June 30, 2015, totaled \$50,940.

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$660,482.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,525,412 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.111819 percent, which was an increase of 0.000836 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$347,536. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,182	\$ -
Changes of assumptions	199,717	-
Net difference between projected and actual earnings on pension plan investments	-	1,725,862
Changes in proportion and differences between District contributions and proportionate share of contributions	37,747	-
District contributions subsequent to the measurement date	660,482	-
Total	<u>\$ 947,128</u>	<u>\$ 1,725,862</u>

\$660,482 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (364,492)
2017	(364,492)
2018	(364,492)
2019	(364,492)
2020	18,752
	<u>\$ (1,439,216)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 8,550,638	\$ 4,525,412	\$ 1,127,703

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$83,303 for legally required employer contributions and \$55,504 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 148 active and 14 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 122,711
Interest on net OPEB obligation	8,596
Adjustment to annual required contribution	(26,386)
Annual OPEB cost (expense)	<u>104,921</u>
Contributions made	<u>(23,213)</u>
Increase in net OPEB obligation	81,708
Net OPEB obligation - beginning of year	<u>343,840</u>
Net OPEB obligation - end of year	<u><u>\$ 425,548</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2015.

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 103,593	30.33%	\$ 271,245
2014	95,619	24.08%	343,840
2015	104,921	22.12%	425,548

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$0.589 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability

(UAAL) of approximately \$0.589 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7.056 million, and the ratio of the UAAL to the covered payroll was 8.3%. As of June 30, 2015, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. 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. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$486,924 for the year ended June 30, 2015 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, 2015, costs of \$323,980 had been incurred by the District for architect fees associated with a potential high school addition and renovation project. As of June 30, 2015 no contracts had been awarded regarding this project.

(11) Deficit Unrestricted/Total Net Position

The Red Oak Community School District had deficit unrestricted net position of \$63,229 and a deficit total net position of \$24,824 in the Business Type Activities, Enterprise: School Nutrition Fund and a deficit unrestricted net position in the Governmental Activities of \$2,302,307 at June 30, 2015.

(12) Categorical Funding

The District’s ending restricted balances for categorical funding as of June 30, 2015 were comprised of the following programs:

Programs	Amount
Home school assistance program	\$ 3,027
Gifted and talented programs	34,771
Teacher salary supplement	52,688
Four-year old voluntary preschool state aid	125,224
Successful progression for early readers	33,339
Professional development for model core curriculum	28,664
Total	<u>\$ 277,713</u>

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources

and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 12,949,040	\$ 201,897
Net pension liability at June 30, 2014	(6,099,125)	(184,746)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	647,176	19,603
Net position July 1, 2014, as restated	<u>\$ 7,497,091</u>	<u>\$ 36,754</u>

(14) Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$	2,149,895	8,304	2,382,342
Capital assets, net of accumulated depreciation	9,088,702	-	-	-
General obligation bond capitalized indebtedness	(3,450,000)	-	-	-
Termination benefits payable	-	(34,881)	-	-
Accrued interest payable	-	-	(8,304)	(10,424)
Income surtax	-	-	-	727,691
Net OPEB liability	-	-	-	(402,185)
Pension related deferred outflows	-	-	-	919,348
Pension related deferred inflows	-	-	-	(1,675,122)
Net pension liability	-	-	-	(4,392,365)
Assigned fund balance	-	-	-	148,408
Net position (Exhibit A)	<u>\$ 5,638,702</u>	<u>2,115,014</u>	<u>-</u>	<u>(2,302,307)</u>

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 FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,265,596	163,076	7,428,672	8,361,511	8,361,511	(932,839)
State sources	8,087,819	5,268	8,093,087	7,211,757	7,211,757	881,330
Federal sources	504,874	424,375	929,249	1,003,630	1,003,630	(74,381)
Total revenues	15,858,289	592,719	16,451,008	16,576,898	16,576,898	(125,890)
Expenditures/Expenses:						
Instruction	8,950,404	-	8,950,404	11,563,659	11,563,659	2,613,255
Support services	4,374,312	13,066	4,387,378	5,552,600	5,552,600	1,165,222
Non-instructional programs	6,274	643,104	649,378	800,450	800,450	151,072
Other expenditures	1,833,893	-	1,833,893	2,077,694	2,077,694	243,801
Total expenditures/expenses	15,164,883	656,170	15,821,053	19,994,403	19,994,403	4,173,350
Excess(Deficiency) of revenues over(under) expenditures/expenses	693,406	(63,451)	629,955	(3,417,505)	(3,417,505)	4,047,460
Other financing sources, net	286,051	1,873	287,924	-	-	287,924
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	979,457	(61,578)	917,879	(3,417,505)	(3,417,505)	4,335,384
Balances beginning of year, as restated	7,647,520	36,754	7,684,274	6,772,242	6,772,242	912,032
Balances end of year	\$ 8,626,977	(24,824)	8,602,153	3,354,737	3,354,737	5,247,416

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

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

RED OAK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.111819%
District's proportionate share of the net pension liability	\$ 4,525,412
District's covered-employee payroll	\$ 7,392,482
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.22%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 660,482	666,779	622,334	563,763	471,523	488,471	463,283	403,212	344,918	334,849
Contributions in relation to the statutorily required contribution	<u>(660,482)</u>	<u>(666,779)</u>	<u>(622,334)</u>	<u>(563,763)</u>	<u>(471,523)</u>	<u>(488,471)</u>	<u>(463,283)</u>	<u>(403,212)</u>	<u>(344,918)</u>	<u>(334,849)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 7,392,482	7,466,730	7,178,016	6,985,911	6,784,504	7,028,360	7,295,795	6,664,661	5,998,574	5,823,461
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 654	\$ 654	0.0%	\$ 7,531	8.7%
2011	July 1, 2009	\$ -	\$ 654	\$ 654	0.0%	\$ 6,910	9.5%
2012	July 1, 2009	\$ -	\$ 654	\$ 654	0.0%	\$ 6,508	10.0%
2013	July 1, 2012	\$ -	\$ 671	\$ 671	0.0%	\$ 6,903	9.7%
2014	July 1, 2012	\$ -	\$ 627	\$ 627	0.0%	\$ 7,225	8.7%
2015	July 1, 2012	\$ -	\$ 589	\$ 589	0.0%	\$ 7,056	8.3%

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.

Red Oak Community School District

SUPPLEMENTARY INFORMATION

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Student Activity	Debt Service	Total
ASSETS			
Cash and pooled investments	\$ 194,643	-	194,643
Receivables:			
Property tax:			
Delinquent	-	8,304	8,304
Succeeding year	-	753,466	753,466
TOTAL ASSETS	\$ 194,643	761,770	956,413
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,421	-	1,421
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	753,466	753,466
Fund balances:			
Restricted for:			
Debt service	-	8,304	8,304
Student activities	193,222	-	193,222
Total fund balances	193,222	8,304	201,526
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 194,643	761,770	956,413

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue		Total
	Student Activity	Debt Service	
REVENUES:			
Local sources:			
Local tax	\$ -	755,856	755,856
Other	250,190	168	250,358
State sources	-	287	287
TOTAL REVENUES	250,190	756,311	1,006,501
EXPENDITURES:			
Current:			
Instruction:			
Other	250,580	-	250,580
Support services:			
Operation and maintenance of plant	889	-	889
Long-term debt:			
Principal	-	625,000	625,000
Interest and fiscal charges	-	124,615	124,615
TOTAL EXPENDITURES	251,469	749,615	1,001,084
Excess(Deficiency) of revenues over(under) expenditures	(1,279)	6,696	5,417
Other financing sources:			
Transfer in	-	1,608	1,608
Change in fund balances	(1,279)	8,304	7,025
Fund balances beginning of year	194,501	-	194,501
Fund balances end of year	\$ 193,222	8,304	201,526

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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Boys track	\$ 1,088	-	-	-	1,088
Girls track	7,316	2,343	-	-	9,659
Bowling	8,632	978	-	-	9,610
MS Drama	6,472	2,216	1,322	-	7,366
MS band	2,402	4,903	5,269	-	2,036
MS music	1,197	10,855	7,816	-	4,236
MS art club	255	347	602	-	-
MS FCCLA	1,685	181	-	-	1,866
MS science club	9,385	-	22	-	9,363
MS media	2,271	13	2,284	-	-
MS student council	7,840	1,527	4,160	-	5,207
MS yearbook	241	704	922	-	23
HS sadd	410	-	-	-	410
HS drama	2,784	3,698	3,965	-	2,517
HS vocal music	6,310	19,652	15,759	-	10,203
HS band	724	3,942	4,528	-	138
Cross country	469	-	-	-	469
Tennis	7,799	308	-	-	8,107
HS boys basketball	3,871	-	-	-	3,871
HS girls basketball	12,190	2,513	-	-	14,703
HS volleyball	7,183	-	-	-	7,183
HS athletics	42,042	124,443	126,663	3,600	43,422
HS FBLA	678	5,855	4,706	-	1,827
FFA	4,058	19,562	20,356	-	3,264
HS FHA	465	1,438	1,380	-	523
HS international club	289	-	-	-	289
Junior class	1,972	5,536	4,435	-	3,073
HS media	587	159	635	-	111
HS protech club	358	-	-	-	358
HS music trip	109	-	-	-	109
Senior class	1	-	-	-	1
HS student council	4,437	2,233	1,992	-	4,678
HS yearbook	11,197	5,473	8,680	-	7,990
HS environmental club	531	-	-	-	531
HS general resale	373	-	-	-	373
Band boosters	3,306	12,327	15,587	-	46
HS minnisingers	298	200	208	-	290
Cheerleader club	(535)	11,470	10,926	-	9
HS wrestling cheerleaders	(12)	418	406	-	-
Band boosters fiesta bowl	497	6,883	7,380	-	-
HS football	1,739	-	-	-	1,739
HS baseball	576	-	-	-	576
HS letterman's club	519	-	-	-	519
HS wrestling	598	-	-	-	598
HS Art Club	130	-	-	-	130
Love our kids	1,189	-	-	-	1,189
Student needs	340	-	-	-	340
K-12 special olympics	355	-	-	-	355
K-12 interest	27,880	13	1,466	(3,600)	22,827
Total	\$ 194,501	250,190	251,469	-	193,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Red Oak Community School District

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 3,318,691	92,414	3,411,105
Receivables:			
Property tax:			
Delinquent	-	1,575	1,575
Succeeding year	-	544,676	544,676
Income surtax	-	447,810	447,810
Accounts	79,798	3,550	83,348
Due from other governments	171,585	-	171,585
TOTAL ASSETS	\$ 3,570,074	1,090,025	4,660,099
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 171,673	28,847	200,520
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	544,676	544,676
Income surtax	-	447,810	447,810
Total deferred inflows of resources	-	992,486	992,486
Fund balances:			
Restricted for:			
School infrastructure	3,398,401	-	3,398,401
Physical plant and equipment	-	68,692	68,692
Total fund balances	3,398,401	68,692	3,467,093
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,570,074	1,090,025	4,660,099

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	556,139	556,139
Other	5,541	393	5,934
State sources	1,104,965	54	1,105,019
TOTAL REVENUES	1,110,506	556,586	1,667,092
EXPENDITURES:			
Current:			
Instruction:			
Regular	185,722	11,856	197,578
Support services:			
Instructional staff	5,331	256,030	261,361
Administration	-	7,149	7,149
Operation and maintenance of plant	-	66,119	66,119
Transportation	-	49,500	49,500
Non-instructional programs:			
Food service operations	-	1,873	1,873
Capital outlay	94,500	502,854	597,354
TOTAL EXPENDITURES	285,553	895,381	1,180,934
Excess(Deficiency) of revenues over(under) expenditures	824,953	(338,795)	486,158
Other financing sources(uses):			
Transfer out	(1,608)	-	(1,608)
Compensation for loss of capital assets	-	250,365	250,365
Total other financing sources(uses)	(1,608)	250,365	248,757
Change in fund balances	823,345	(88,430)	734,915
Fund balances beginning of year	2,575,056	157,122	2,732,178
Fund balances end of year	\$ 3,398,401	68,692	3,467,093

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2015

		Private Purpose Trust - Scholarship Fund									
		Plank Scholarship	Klopping Scholarship	Bloom Scholarship	Kinnison Scholarship	Lingo Scholarship	Murphy Scholarship	Laughlin Scholarship	Miscellaneous Scholarship	Athletic Scholarship	Total
ASSETS											
Cash and pooled investments	\$	8,605	22,369	20,082	3,388	138,858	14,756	4,530	1,290	250	214,128
LIABILITIES											
		-	-	-	-	-	-	-	-	-	-
NET POSITION											
Held in trust for scholarships	\$	8,605	22,369	20,082	3,388	138,858	14,756	4,530	1,290	250	214,128

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund										
	Plank Scholarship	Klopping Scholarship	Bloom Scholarship	Kinnison Scholarship	Peterson Scholarship	Lingo Scholarship	Murphy Scholarship	Laughlin Scholarship	Miscellaneous Scholarship	Athletic Scholarship	Total
ADDITIONS:											
Local sources:											
Interest	\$ 20	78	70	18	-	238	8	16	1	-	449
Contributions	-	-	-	-	-	240	-	-	1,731	250	2,221
TOTAL ADDITIONS	20	78	70	18	-	478	8	16	1,732	250	2,670
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	750	70	85	500	153	563	500	1,050	942	-	4,613
Change in net position	(730)	8	(15)	(482)	(153)	(85)	(492)	(1,034)	790	250	(1,943)
Net position beginning of year	9,335	22,361	20,097	3,870	153	138,943	15,248	5,564	500	-	216,071
Net position end of year	\$ 8,605	22,369	20,082	3,388	-	138,858	14,756	4,530	1,290	250	214,128

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 6,298,285	6,603,207	7,334,839	7,016,773	6,349,271	5,676,812	5,081,193	4,822,093	4,849,309	4,527,567
Tuition	405,024	344,025	315,413	337,472	219,149	281,984	217,275	155,224	174,615	162,978
Other	562,287	658,197	625,061	639,473	744,819	522,812	574,852	560,195	609,632	537,972
State sources	8,087,819	8,243,941	7,113,741	7,187,785	7,296,832	6,354,297	7,137,629	6,836,732	6,454,187	6,312,868
Federal sources	504,874	576,356	627,073	751,589	1,118,626	1,425,087	637,171	470,330	497,908	666,156
Total	\$ 15,858,289	16,425,726	16,016,127	15,933,092	15,728,697	14,260,992	13,648,120	12,844,574	12,585,651	12,207,541
Expenditures:										
Instruction:										
Regular	\$ 5,022,904	5,543,642	5,549,195	4,905,013	4,922,321	5,643,631	5,384,394	4,898,039	4,752,998	4,532,297
Special	1,747,052	1,710,255	1,587,887	1,653,434	1,669,780	1,588,858	2,070,061	1,774,822	1,512,329	1,390,903
Other	2,180,448	2,153,722	2,107,027	2,141,820	1,932,197	1,637,489	1,404,816	1,444,424	1,305,808	1,359,294
Support services:										
Student	268,328	250,787	299,764	244,618	375,600	424,490	392,315	361,392	346,603	314,905
Instructional staff	1,011,392	708,410	842,377	1,014,078	803,623	593,227	551,001	555,612	549,052	692,601
Administration	1,404,766	1,512,400	1,299,750	1,197,378	1,118,605	1,168,020	1,143,522	1,153,220	1,100,515	1,080,644
Operation and maintenance of plant	1,216,001	1,287,480	1,283,983	1,251,812	1,007,609	1,092,490	1,193,105	1,114,341	1,104,611	1,108,202
Transportation	473,825	596,264	432,627	482,872	762,816	387,943	468,161	531,977	456,792	338,170
Non-instructional programs:										
Food service operations	4,918	1,669	1,470	1,250	1,632	-	-	-	-	-
Other enterprise operations	1,356	3,910	2,345	-	-	-	-	-	-	-
Community service operations	-	-	6,650	-	-	-	-	-	-	-
Capital outlay	597,354	212,428	372,166	148,865	59,664	105,303	107,967	321,210	141,852	90,464
Long-term debt:										
Principal	625,000	769,210	672,175	664,119	585,000	495,000	475,000	465,000	445,000	435,000
Interest and fiscal charges	124,615	147,311	163,992	176,760	169,499	363,573	330,205	347,873	363,668	377,781
Other expenditures:										
AEA flow-through	486,924	486,584	470,998	469,933	530,993	529,094	482,258	447,347	426,129	410,392
Total	\$ 15,164,883	15,384,072	15,092,406	14,351,952	13,939,339	14,029,118	14,002,805	13,415,257	12,505,357	12,130,653

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

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 15	\$ 77,856
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	336,990 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	9,529
			<u>424,375</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>309,270</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>26,990</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 15	<u>45,188</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 15	<u>5,655</u>
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION GRANTS TO STATES (PART B)	84.027	FY 15	<u>58,394</u>
TOTAL			<u><u>\$ 869,872</u></u>

* - Includes \$36,476 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2015 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.

December 21, 2015
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Red Oak Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Red Oak Community School District's major federal programs for the year ended June 30, 2015. Red Oak Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Red Oak Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist which were not 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-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2015
Newton, Iowa

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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 Programs:

Child Nutrition Cluster:

- CFDA Number 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program
- CFDA Number 10.559 - Summer Food Service Program for Children

Individual Programs:

- 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.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 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 one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, posting and reconciling.
- 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 - recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.

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

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

Conclusion - Response accepted.

OTHER MATTERS:

II-B-15 Interest Account - We noted during our audit that the District has an interest account within the Student Activity Fund which has a high carryover balance. With the high carryover balance in the interest account, it would appear that the interest has not been allocated for several years.

Recommendation - Interest earned each year should be allocated to the individual student activity accounts which have earned the interest. The District's Board of Directors should develop a workout plan to reduce the carryover balance in the interest account to zero.

Response - We will check the history of these accounts and prorate the amount of interest back to various accounts. This transfer was approved by the board of directors at the Dec. 14, 2015 meeting.

Conclusion - Response accepted.

RED OAK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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: 2015
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: 2015
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of the internal control structure is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more 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) Financial reporting - preparing, reconciling and approving.
- 6) 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 and Corrective Action Planned - We will continue to review procedures to obtain the best controls possible. As a resource we will use the source "Best Practices in Segregation of Duties for Improved Internal Fiscal Controls", a tool developed by IASBO.

Conclusion - Response accepted.

RED OAK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.
- IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-15 Business Transactions - Business transactions between the District and District officials and employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gayle Allensworth, Principal Husband owns storage units	Rental	\$2,100

In accordance with Attorney General Opinion dated November 9, 1976, the above transaction with the spouse of the District employee does not appear to represent a conflict of interest.

- IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted.
- IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-15 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, 2015 the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 2,575,056
Statewide sales and services tax revenue	\$ 1,104,965	
Interest on investments	5,541	1,110,506
		<hr/>
Total revenues		3,685,562
Expenditures/transfers out:		
School infrastructure construction	\$ 94,500	
Equipment	191,053	
Transferred to other funds:		
Debt service fund	1,608	287,161
		<hr/>
Ending balance		\$ 3,398,401
		<hr/>

For the year ended June 30, 2015, 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
	<hr/>	<hr/>
Debt service levy	\$ 0.00455	\$ 1,608
	<hr/>	<hr/>

IV-M-15 Financial Condition - The District had the following deficit balances at June 30, 2015. The District had a deficit unrestricted net position of \$63,229 and a deficit total net position of \$24,824 in the School Nutrition Fund. The District also had a deficit unrestricted net position in the District's Governmental Activities of \$2,302,307.

Recommendation - The District should continue to monitor these balances and investigate ways to bring the deficits back to a positive balance.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$4,392,365 at June 30, 2015. The District will investigate ways to bring this deficit balance back to a positive balance.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to

other funds. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281- 12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Inactive Accounts: We noted several accounts within the student activity which have had not activity for the past two fiscal years. These include the HS Music Trip, SH Football Team, SH Baseball Team, Art Club, Protech Club, Environmental Club, General Resale, Cross Country Team, Wrestling Team, Love Our Kids, Student Needs, and K-12 Special Olympics accounts within the Student Activity Fund. Each of these accounts has not been used in the prior two fiscal years but each is still carrying a balance at year end.

Recommendation - The inactive accounts should be reviewed by the District. If the District determines that these accounts are inactive and no longer in use by the District the District should determine where to reallocate the remaining balances to other accounts within the Student Activity Fund with the approval of the Board of Education.

Response - We analyzed these inactive accounts and at the Dec. 14, 2015 board meeting the Directors approved the transfer of these funds into other accounts within the Student Activity Fund.

Conclusion - Response accepted.

Questionable Accounts: Noted a General Resale and a Student Needs account within the Student Activity Fund. These accounts do not appear to co-curricular or extra-curricular in nature and would appear more appropriately accounted for in the District's General Fund.

Recommendation - The District should review these accounts for propriety and determine if they are appropriate from the Student Activity Fund. If they are determine to be instructional in nature the remaining balances should be moved to the General Fund.

Response - These accounts were analyzed and at the Dec. 14, 2015 board meeting the Directors approved the transfers of these funds into the appropriate accounts.

Conclusion - Response accepted.

IV-O-15 Fieldtrips - We noted the District charged students a fee for attending a class fieldtrip to a local zoo. This fieldtrip was included as part of the 180 days of instruction.

Recommendation - The August 14, 2008 Declaratory Ruling issued by the Department of Education, states in part that "costs associated with field trips may not be passed along to students if the field trip is a part of a class, whether or not attendance is mandatory". It further states "When a field trip is part of a class, the activity is part of instruction, and therefore falls under tuition, not an allowable fee. If the activity is not part of instruction, the field trip should not be taking place during a "day of instruction" unless the day is not counted by the District as one of its 180 days of

instruction for students. Therefore, there may be no charge passed along to students for an activity that is even more clearly part of a class activity.” The District should not charge fees to students for fieldtrips which are part of the 180 days of instruction.

Response - The district will not charge students fees for fieldtrips which are part of the 180 days of instruction.

Conclusion - Response accepted.