

**RED OAK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

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RED OAK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2008 Election)		
Charla Schmid	President	2008
Lee Fellers	Vice President	2011
Rod DeVries		2009
Elizabeth Dilley		2009
Amy Liddell		2008

(After September 2008 Election)

Charla Schmid	President	2011
Lee Fellers	Vice President	2011
Rod DeVries		2009
Elizabeth Dilley		2009
Amy Liddell	(Resigned, December 2008)	
Dr Warren Hayes	(Appointed, January, 2009)	2009

School Officials

Terry Schmidt	Superintendent
Karen Gutschenritter	District Secretary/ (Resigned, September 2008) Treasurer
Shirley Maxwell	District Secretary/ (Appointed, October 2008) Treasurer

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Red Oak Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 and each major fund of Red Oak Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2010 on our consideration of Red Oak Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 35 through 36 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 26, 2010

RED OAK COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Red Oak Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,244,223 in fiscal year 2008 to \$11,816,812 in fiscal year 2009, while General Fund expenditures increased from \$11,793,834 in fiscal year 2008 to \$12,614,435 in fiscal year 2009.
- The increase in General Fund revenues, was primarily due to categorical state revenue increases. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits as well as categorical spending. This is money given to the District but specified as to where it can be spent.
- The District had a decrease of almost \$800,000 in General Fund balance in fiscal 2009. Allowable growth of 2% or less is inadequate to maintain current programs without using existing reserves.
- A midyear state aid cut was detrimental to the District's finances.

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 Statement of Net Assets 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 agent or custodian for the benefit of those outside of District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds. 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-1
Red Oak Community School District Annual Financial Report

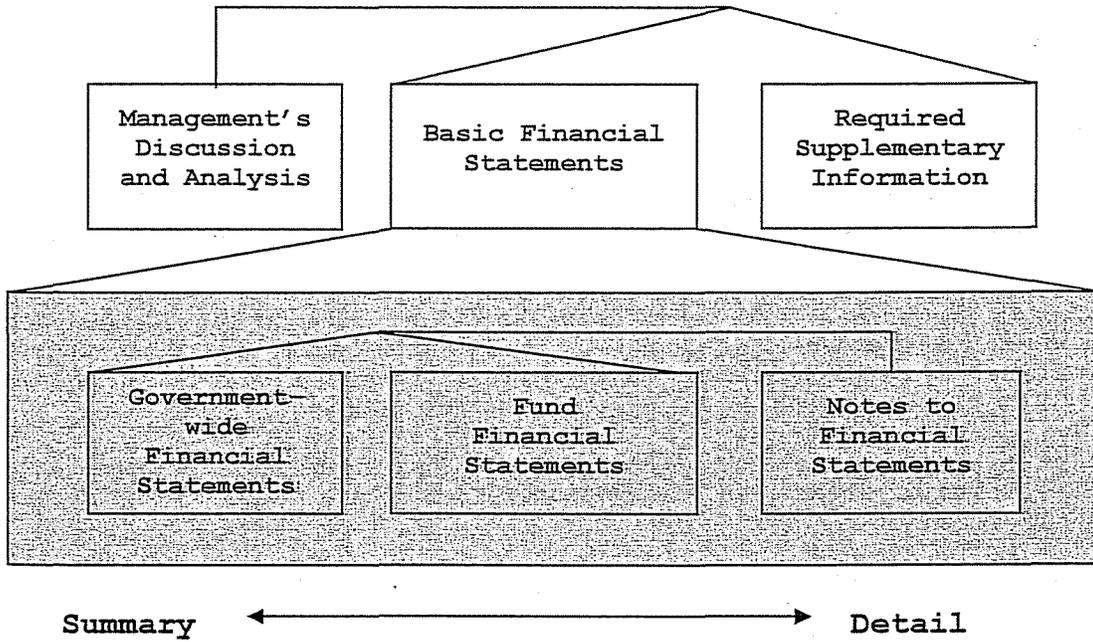


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student enterprise	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 assets • 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 assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets 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. The District has elected to treat all funds as "major" for clarity of presentation.

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 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, Debt Service Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	2008-2009
Current assets	\$ 9,014	7,648	366	328	9,380	7,976	17.60%
Capital assets	9,847	10,229	53	61	9,900	10,290	-3.79%
Total assets	18,861	17,877	419	389	19,280	18,266	5.55%
Current liabilities	7,065	5,350	42	32	7,107	5,382	32.05%
Non-current liabilities	6,984	7,443	-	-	6,984	7,443	-6.17%
Total liabilities	14,049	12,793	42	32	14,091	12,825	9.87%
Net Assets							
Invested in capital assets, net of related debt	2,937	2,844	53	61	2,990	2,905	2.93%
Restricted	2,284	1,445	-	-	2,284	1,445	58.06%
Unrestricted	(409)	795	324	296	(85)	1,091	-107.79%
Total net assets	\$ 4,812	5,084	377	357	5,189	5,441	-4.63%

The District's combined net assets decreased by 5%, or approximately \$252,000 less than the prior year. The largest portion of the District's net assets is invested in capital assets.

Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased approximately \$1,000,000. This decrease in unrestricted net assets was a result of a large decrease in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 262	197	215	204	477	401	18.95%
Operating grants, contributions and restricted interest	2,556	2,182	349	330	2,905	2,512	15.64%
General revenues:							
Property tax	3,943	3,727	-	-	3,943	3,727	5.80%
Income surtax	385	388	-	-	385	388	-0.77%
Statewide sales tax	757	748	-	-	757	748	1.20%
Unrestricted state grants	5,594	5,548	-	-	5,594	5,548	0.83%
Unrestricted investment earnings	16	60	-	-	16	60	-73.33%
Other	139	43	-	-	139	43	-223.26%
Total revenues	13,652	12,893	564	534	14,216	13,427	5.88%
Program expenses:							
Governmental activities:							
Instruction	8,834	8,159	-	-	8,834	8,159	8.27%
Support services	3,740	3,695	-	-	3,740	3,695	1.22%
Non-instructional programs	-	-	544	544	544	544	0.00%
Other expenses	1,350	1,457	-	-	1,350	1,457	-7.34%
Total expenses	13,924	13,311	544	544	14,468	13,855	4.42%
Change in net assets	\$ (272)	(418)	20	(10)	(252)	(428)	-41.12%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$13,652,540 and expenses were \$13,924,444 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities
 (Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 8,834	8,159	8.27%	6,577	6,317	4.12%
Support services	3,740	3,695	1.22%	3,671	3,610	1.69%
Other expenses	1,350	1,457	-7.34%	859	1,005	-14.53%
Totals	\$ 13,924	13,311	4.61%	11,107	10,932	1.60%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$261,693.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,698,133.
- The net cost of governmental activities was financed with \$4,328,169 in property and other taxes and \$5,594,409 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$564,175 and expenses totaled \$544,424. The District's business type activities include the School Nutrition Fund and Enterprise Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, 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 \$1,630,676, an eighteen percent decrease under last year's ending fund balances of \$1,985,361. The decrease in the General Fund accounted for the change.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of several factors. The District has carefully monitored spending to avoid decreases in fund balances; however, uncertain funding from state and federal governments has made this difficult. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee.
- The Capital Projects Fund is being used primarily for property tax relief through payment of General Obligation bonds using local option sales tax funds rather than property taxes.

Proprietary Fund Highlights

The School Nutrition Fund balance increased approximately \$22,000 during the fiscal year ending June 30, 2009. This was primarily a result of cost containment measures.

BUDGETARY HIGHLIGHTS

The District's receipts were \$139,849 more than budgeted receipts, a variance of 1%. This variance resulted from the District receiving more federal source revenue than anticipated.

Total expenditures were less than budgeted in total. The General Fund had the highest difference from anticipated expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$9,846,608, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$480,433.

The original cost of the District's capital assets was \$15,988,817. Governmental funds account for \$15,721,945, with the remainder of \$266,872 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the equipment progress category. The District spent \$89,998 on fixed assets during the year.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	2008-2009
Land	\$ 179	179	-	-	179	179	0.00%
Buildings	9,541	9,794	-	-	9,541	9,794	-2.58%
Furniture and equipment	127	256	53	61	180	317	-43.22%
Totals	\$ 9,847	10,229	53	61	9,900	10,290	-3.79%

Long-term Debt

The District has outstanding debt of \$6,910,000 for a new elementary school and additions to other buildings. The bonds will be paid off in the year 2020. Proceeds of the statewide sales and services tax are being used to make payments on the debt, thus lessening the amount of property tax levied.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District began to receive statewide sales and services tax money in fiscal year 2009. These funds are being used for debt reduction resulting in property tax relief for the taxpayers. The District also uses proceeds from the voted portion of the Physical Plant and Equipment Levy for debt reductions.
- Allowable growth as set by the Legislature is inadequate for the District to maintain its current programs without dipping into existing reserves.

- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.
- Midyear state aid cuts are extremely detrimental as they do not allow for proper planning.

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, Red Oak Community School District, 904 Broad Street, Red Oak, Iowa 51566.

Basic Financial Statements

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,686,609	352,091	3,038,700
ISCAP investments	1,009,739	-	1,009,739
Receivables:			
Property tax:			
Current year	76,137	-	76,137
Succeeding year	4,524,141	-	4,524,141
Income surtaxes	345,092	-	345,092
Due from other governments	246,783	-	246,783
Other receivables	125,672	874	126,546
ISCAP accrued interest receivable	125	-	125
Inventories	-	12,992	12,992
Capital assets, net of accumulated depreciation (note 3)	9,846,608	52,627	9,899,235
Total assets	<u>18,860,906</u>	<u>418,584</u>	<u>19,279,490</u>
Liabilities			
Accounts payable	175,826	5,763	181,589
Accrued salary and benefits	1,244,193	36,207	1,280,400
ISCAP unamortized premium	19,242	-	19,242
ISCAP warrants payable	994,000	-	994,000
ISCAP accrued interest payable	340	-	340
Accrued interest payable	25,903	-	25,903
Deferred revenue:			
Federal programs	80,788	-	80,788
Succeeding year property tax	4,524,141	-	4,524,141
Long term liabilities:			
Portion due within one year:			
Bonds payable	495,000	-	495,000
Early retirement	74,339	-	74,339
Portion due after one year:			
Bonds payable	6,415,000	-	6,415,000
Total liabilities	<u>14,048,772</u>	<u>41,970</u>	<u>14,090,742</u>
Net assets			
Invested in capital assets, net of related debt	2,936,608	52,627	2,989,235
Restricted for:			
Management fund	125,577	-	125,577
Physical plant and equipment levy	1,540,586	-	1,540,586
Capital projects	550,831	-	550,831
Categorical funding	67,380	-	67,380
Unrestricted	(408,848)	323,987	(84,861)
Total net assets	<u>\$ 4,812,134</u>	<u>376,614</u>	<u>5,188,748</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 8,834,193	241,371	2,015,551	(6,577,271)	-	(6,577,271)
Support services:						
Student services	392,315	-	-	(392,315)	-	(392,315)
Instructional staff services	501,994	-	-	(501,994)	-	(501,994)
Administration services	1,143,522	-	-	(1,143,522)	-	(1,143,522)
Operation and maintenance of plant services	1,193,105	-	49,634	(1,143,471)	-	(1,143,471)
Transportation services	509,502	20,322	-	(489,180)	-	(489,180)
	<u>3,740,438</u>	<u>20,322</u>	<u>49,634</u>	<u>(3,670,482)</u>	<u>-</u>	<u>(3,670,482)</u>
Non-instructional programs						
Other expenditures:						
Facilities acquisition and construction	107,967	-	8,159	(99,808)	-	(99,808)
Long-term debt interest	328,224	-	-	(328,224)	-	(328,224)
Long-term debt services	400	-	-	(400)	-	(400)
AEA flowthrough	482,258	-	482,258	-	-	-
Depreciation (unallocated)*	430,964	-	-	(430,964)	-	(430,964)
	<u>1,349,813</u>	<u>-</u>	<u>490,417</u>	<u>(859,396)</u>	<u>-</u>	<u>(859,396)</u>
Total governmental activities	<u>13,924,444</u>	<u>261,693</u>	<u>2,555,602</u>	<u>(11,107,149)</u>	<u>-</u>	<u>(11,107,149)</u>

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	533,115	206,399	348,668	-	21,952	21,952
Enterprise	11,309	8,722	386	-	(2,201)	(2,201)
Total business type activities	\$ 14,468,868	476,814	2,904,656	(11,107,149)	19,751	(11,087,398)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,538,829	-	3,538,829
Management fund				299,225	-	299,225
Capital outlay				104,688	-	104,688
Income surtaxes				385,427	-	385,427
Statewide sales and services tax				757,444	-	757,444
Unrestricted state grants				5,594,409	-	5,594,409
Unrestricted investment earnings				16,326	-	16,326
Other				138,897	-	138,897
Total general revenues				10,835,245	-	10,835,245
Change in net assets				(271,904)	19,751	(252,153)
Net assets beginning of year				5,084,038	356,863	5,440,901
Net assets end of year				\$ 4,812,134	376,614	5,188,748

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

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	<u>General</u>	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 700,037	183,521	215,018	1,196,137	391,896	2,686,609
ISCAP investments	1,009,739	-	-	-	-	1,009,739
Receivables:						
Property tax:						
Current year	68,539	-	5,626	1,972	-	76,137
Succeeding year	4,238,088	-	150,001	136,052	-	4,524,141
Income surtax - succeeding year	-	-	-	345,092	-	345,092
Due from other governments	87,848	-	-	-	158,935	246,783
Other receivables	125,672	-	-	-	-	125,672
ISCAP accrued interest receivable	125	-	-	-	-	125
Total assets	<u>6,230,048</u>	<u>183,521</u>	<u>370,645</u>	<u>1,679,253</u>	<u>550,831</u>	<u>9,014,298</u>

RED OAK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	<u>General</u>	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Total</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	169,477	2,450	1,284	2,615	-	175,826
Accrued salary and benefits	1,224,749	-	19,444	-	-	1,244,193
ISCAP unamortized premium	19,242	-	-	-	-	19,242
ISCAP warrants payable	994,000	-	-	-	-	994,000
ISCAP accrued interest payable	340	-	-	-	-	340
Deferred revenue:						
Federal programs	80,788	-	-	-	-	80,788
Succeeding year property tax	4,238,088	-	150,001	136,052	-	4,524,141
Income surtax - succeeding year	-	-	-	345,092	-	345,092
Total liabilities	<u>6,726,684</u>	<u>2,450</u>	<u>170,729</u>	<u>483,759</u>	<u>-</u>	<u>7,383,622</u>
Fund balances:						
Reserved for capital projects	-	-	-	-	550,831	550,831
Reserved for categorical funding	67,380	-	-	-	-	67,380
Unreserved	(564,016)	181,071	199,916	1,195,494	-	1,012,465
Total fund balances	<u>(496,636)</u>	<u>181,071</u>	<u>199,916</u>	<u>1,195,494</u>	<u>550,831</u>	<u>1,630,676</u>
Total liabilities and fund balances	<u>\$ 6,230,048</u>	<u>183,521</u>	<u>370,645</u>	<u>1,679,253</u>	<u>550,831</u>	<u>9,014,298</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)		\$ 1,630,676
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		345,092
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		9,846,608
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.		(25,903)
Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (6,910,000)	
Early retirement	<u>(74,339)</u>	<u>(6,984,339)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 4,812,134</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	<u>General</u>	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:							
Local sources:							
Local tax	\$ 3,538,829	-	299,225	485,695	757,444	-	5,081,193
Tuition	217,275	-	-	-	-	-	217,275
Other	286,165	231,151	19,510	29,867	8,159	-	574,852
State sources	7,137,372	-	191	66	-	-	7,137,629
Federal sources	637,171	-	-	-	-	-	637,171
Total revenues	<u>11,816,812</u>	<u>231,151</u>	<u>318,926</u>	<u>515,628</u>	<u>765,603</u>	<u>-</u>	<u>13,648,120</u>
Expenditures:							
Instruction:							
	<u>8,565,263</u>	<u>231,113</u>	<u>62,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,859,271</u>
Support services:							
Student services	392,315	-	-	-	-	-	392,315
Instructional staff services	550,202	-	-	799	-	-	551,001
Administration services	1,123,006	-	20,516	-	-	-	1,143,522
Operation and maintenance of plant services	1,046,477	-	146,628	-	-	-	1,193,105
Transportation services	454,914	-	13,247	-	-	-	468,161
	<u>3,566,914</u>	<u>-</u>	<u>180,391</u>	<u>799</u>	<u>-</u>	<u>-</u>	<u>3,748,104</u>

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	<u>General</u>	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Other expenditures:							
Facilities acquisition and construction	-	-	-	107,967	-	-	107,967
Long-term debt:							
Principal	-	-	-	-	-	475,000	475,000
Interest	-	-	-	-	-	329,805	329,805
Services	-	-	-	-	-	400	400
AEA flowthrough	482,258	-	-	-	-	-	482,258
	<u>482,258</u>	<u>-</u>	<u>-</u>	<u>107,967</u>	<u>-</u>	<u>805,205</u>	<u>1,395,430</u>
 Total expenditures	 <u>12,614,435</u>	 <u>231,113</u>	 <u>243,286</u>	 <u>108,766</u>	 <u>-</u>	 <u>805,205</u>	 <u>14,002,805</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(797,623)</u>	 <u>38</u>	 <u>75,640</u>	 <u>406,862</u>	 <u>765,603</u>	 <u>(805,205)</u>	 <u>(354,685)</u>
 Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	805,205	805,205
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,205)</u>	<u>(690,000)</u>	<u>-</u>	<u>(805,205)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,205)</u>	<u>(690,000)</u>	<u>805,205</u>	<u>-</u>
 Change in fund balances	 <u>(797,623)</u>	 <u>38</u>	 <u>75,640</u>	 <u>291,657</u>	 <u>75,603</u>	 <u>-</u>	 <u>(354,685)</u>
 Fund balances beginning of year	 <u>300,987</u>	 <u>181,033</u>	 <u>124,276</u>	 <u>903,837</u>	 <u>475,228</u>	 <u>-</u>	 <u>1,985,361</u>
 Fund balances end of year	 <u>\$ (496,636)</u>	 <u>181,071</u>	 <u>199,916</u>	 <u>1,195,494</u>	 <u>550,831</u>	 <u>-</u>	 <u>1,630,676</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, 2009

Net change in fund balances - total governmental funds (Exhibit E)		\$ (354,685)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities		
This represents the change from FY08 to FY09		4,420
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 89,998	
Depreciation expense	<u>(472,305)</u>	(382,307)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		
		475,000
 Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Additions	(74,339)	
Payments	<u>58,426</u>	(15,913)
 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.		
		<u>1,581</u>
 Change in net assets of governmental activities (Exhibit B)		 <u>\$ (271,904)</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Enterprise</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 343,337	8,754	352,091
Other receivables	874	-	874
Inventories	12,992	-	12,992
Capital assets, net of accumulated depreciation	52,627	-	52,627
Total assets	<u>409,830</u>	<u>8,754</u>	<u>418,584</u>
Liabilities			
Unearned revenues	5,763	-	5,763
Accrued salary and benefits	36,207	-	36,207
Total liabilities	<u>41,970</u>	<u>-</u>	<u>41,970</u>
Net assets			
Invested in capital assets, net of related debt	52,627	-	52,627
Unrestricted	315,233	8,754	323,987
Total net assets	<u>\$ 367,860</u>	<u>8,754</u>	<u>376,614</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Enterprise</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 206,399	8,722	215,121
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	175,673	-	175,673
Benefits	46,135	-	46,135
Services	31,367	-	31,367
Supplies	271,812	-	271,812
Depreciation	8,128	-	8,128
	<u>533,115</u>	<u>-</u>	<u>533,115</u>
Other enterprise operations:			
Services	-	11,309	11,309
Total operating expenses	<u>533,115</u>	<u>11,309</u>	<u>544,424</u>
Operating (loss)	<u>(326,716)</u>	<u>(2,587)</u>	<u>(329,303)</u>
Non-operating revenues:			
Interest on investments	7,574	386	7,960
State sources	6,211	-	6,211
Federal sources	334,883	-	334,883
	<u>348,668</u>	<u>386</u>	<u>349,054</u>
Change in fund net assets	21,952	(2,201)	19,751
Net assets beginning of year	<u>345,908</u>	<u>10,955</u>	<u>356,863</u>
Net assets end of year	<u>\$ 367,860</u>	<u>8,754</u>	<u>376,614</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	School Nutrition	Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 211,288	8,722	220,010
Cash payments to employees for services	(218,094)	-	(218,094)
Cash payments to suppliers for goods or services	(279,863)	(11,309)	(291,172)
Net cash (used by) operating activities	<u>(286,669)</u>	<u>(2,587)</u>	<u>(289,256)</u>
Cash flows from non-capital financing activities:			
State grants received	6,211	-	6,211
Federal grants received	307,358	-	307,358
Net cash provided by non-capital financing activities	<u>313,569</u>	<u>-</u>	<u>313,569</u>
Cash flows from investing activities:			
Interest on investments	7,574	386	7,960
Net increase (decrease) in cash and cash equivalents	34,474	(2,201)	32,273
Cash and cash equivalents beginning of year	308,863	10,955	319,818
Cash and cash equivalents end of year	<u>\$ 343,337</u>	<u>8,754</u>	<u>352,091</u>
Reconciliation of operating (loss) to net cash used by operating activities:			
Operating (loss)	\$ (326,716)	(2,587)	(329,303)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	8,128	-	8,128
Commodities used	27,525	-	27,525
(Increase) in other receivables	874	-	874
(Increase) in inventory	(4,209)	-	(4,209)
Increase in unearned revenue	5,763	-	5,763
Increase in accrued payroll and benefits	3,714	-	3,714
	<u>\$ (284,921)</u>	<u>(2,587)</u>	<u>(287,508)</u>
Non-cash investing, capital and financing activities:			

During the year ended June 30, 2009, the District received federal commodities valued at \$27,525.

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	<u>Private Purpose Trusts</u>
Assets	
Cash	\$ 211,841
Total assets	<u>211,841</u>
Net Assets	
Reserved for scholarships	<u>211,841</u>
Total net assets	<u><u>\$ 211,841</u></u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Miscellaneous	\$ 12,355
Deductions:	
Support services:	
Scholarships awarded	<u>6,362</u>
Change in net assets	5,993
Net assets beginning of year	<u>205,848</u>
Net assets end of year	<u><u>\$ 211,841</u></u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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 includes the City of Red Oak, Iowa, and agricultural territory in 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. 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 Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the School Nutrition and Enterprise Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Enterprise Fund is used to account for a student operated business.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund 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 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, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is 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 become 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

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

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

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 Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 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; 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, 2009, the District had no investments.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 179,360	-	-	179,360
Capital assets being depreciated:				
Buildings	13,854,031	-	-	13,854,031
Furniture and Equipment	1,598,556	89,998	-	1,688,554
Total capital assets being depreciated	15,452,587	89,998	-	15,542,585
Less accumulated depreciation for:				
Buildings	4,059,838	252,942	-	4,312,780
Furniture and Equipment	1,343,194	219,363	-	1,562,557
Total accumulated depreciation	5,403,032	472,305	-	5,875,337
Total capital assets being depreciated, net	10,049,555	(382,307)	-	9,667,248
Governmental activities, capital assets, net	\$ 10,228,915	(382,307)	-	9,846,608
Business type activities				
Furniture and Equipment	\$ 266,872	-	-	266,872
Less accumulated depreciation	206,117	8,128	-	214,245
Business type activities capital assets, net	\$ 60,755	(8,128)	-	52,627

Depreciation expense was charged to the following functions:

Governmental activities:		
Transportation		\$ 41,341
Unallocated		430,964
		<u>\$ 472,305</u>
Business type activities:		
Food service operations		<u>\$ 8,128</u>

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	General Obligation Bonds	Early Retirement	Total
Balance beginning of year	\$7,385,000	58,426	7,443,426
Additions	-	74,339	74,339
Reductions	475,000	58,426	533,426
Balance end of year	<u>\$6,910,000</u>	<u>74,339</u>	<u>6,984,339</u>

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$463,283, \$403,212, and \$344,918 respectively, equal to the required contributions for each year.

(6) Risk Management

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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) 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 \$482,258 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2010	4.00-4.10%	\$ 310,840	495,000	805,840
2011	4.10-4.20	290,463	515,000	805,463
2012	4.20-4.30	268,645	545,000	813,645
2013	4.30-4.40	245,130	565,000	810,130
2014	4.40-4.50	220,190	590,000	810,190
2015	4.50-4.60	193,448	615,000	808,448
2016	4.60-4.70	164,965	645,000	809,965
2017	4.70-4.80	134,458	675,000	809,458
2018	4.80-4.85	101,865	715,000	816,865
2019	4.85-4.90	66,668	750,000	816,668
2020	4.90-4.90	29,400	800,000	829,400
Total		<u>\$2,026,072</u>	<u>6,910,000</u>	<u>8,936,072</u>

(9) Interfund Transfers

The detail of interfund transfers for the year ending June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Capital projects	\$690,000
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>115,205</u>
	Total	<u>\$805,205</u>

(10) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2009-10A	6/25/09	6/23/10	<u>\$1,009,739</u>	<u>125</u>	<u>994,000</u>	<u>340</u>	<u>19,242</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2009.

The warrants bear interest rate, and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2009-10A	2.500%	0.902%

The District did not participate in series 09A or 09B.

(11) Financial Condition

The General Fund had a deficit balance of \$496,636 at June 30, 2009.

Required Supplementary Information

RED OAK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 5,873,320	223,081	6,096,401	6,039,612	6,039,612	56,789
State sources	7,137,629	6,211	7,143,840	7,313,710	7,313,710	(169,870)
Federal sources	637,171	334,883	972,054	719,484	719,484	252,570
Total revenues	<u>13,648,120</u>	<u>564,175</u>	<u>14,212,295</u>	<u>14,072,806</u>	<u>14,072,806</u>	<u>139,489</u>
Expenditures/Expenses:						
Instruction	8,859,271	-	8,859,271	8,962,673	8,962,673	103,402
Support services	3,748,104	-	3,748,104	4,785,008	4,785,008	1,036,904
Non-instructional programs	-	544,424	544,424	871,017	871,017	326,593
Other expenditures	1,395,430	-	1,395,430	1,821,483	1,821,483	426,053
Total expenditures/expenses	<u>14,002,805</u>	<u>544,424</u>	<u>14,547,229</u>	<u>16,440,181</u>	<u>16,440,181</u>	<u>1,892,952</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(354,685)	19,751	(334,934)	(2,367,375)	(2,367,375)	2,032,441
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(354,685)	19,751	(334,934)	(2,367,375)	(2,367,375)	2,032,441
Balance beginning of year	<u>1,985,361</u>	<u>356,863</u>	<u>2,342,224</u>	<u>2,630,862</u>	<u>2,630,862</u>	<u>(288,638)</u>
Balance end of year	<u>\$ 1,630,676</u>	<u>376,614</u>	<u>2,007,290</u>	<u>263,487</u>	<u>263,487</u>	<u>1,743,803</u>

See accompanying independent auditor's report.

RED OAK COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SH Athletics	\$ 8,091	58,711	65,335	1,467
SH Band	475	2,252	2,727	-
SH Drama	3,488	1,038	591	3,935
SH FBLA	1,766	12,080	13,249	597
SH FFA	4,709	8,298	8,424	4,583
SH FCCLA	149	2,987	3,136	-
SH Music Trip	8	-	-	8
SH FHA	2,132	-	2,132	-
SH French Club	1,237	-	180	1,057
SH General	3,041	7,054	7,107	2,988
SH Graduation	5	1,304	-	1,309
SH Junior Class	725	7,989	8,714	-
SH Locks	99	5	-	104
SH Media	440	11	10	441
SH Protech Class	358	-	-	358
SH Senior Class	1,114	567	333	1,348
SH Speech	1	755	756	-
SH Student Council	1,746	2,314	2,618	1,442
SH Towels	27	-	-	27
SH Vocal Music	6,548	19,098	17,964	7,682
SH Yearbook	22,142	11,261	5,936	27,467
SH Environmental Club	171	40	-	211
MS Band	1,337	6,745	5,817	2,265
MS Drama	6,477	2,129	2,766	5,840
MS FHA	96	-	42	54
MS General	3,470	9,589	7,671	5,388
MS Science	-	563	409	154
MS Media	1,854	2,795	1,786	2,863
MS Student Council	7,106	12,221	15,624	3,703
MS Vending	3,269	2,357	1,785	3,841
MS Yearbook	1,305	2,046	2,950	401
MS FCCLA	(71)	573	502	-
4-5 General	7,967	767	802	7,932
4-5 Media	658	265	339	584
4-5 Vending	1,057	2,290	1,923	1,424
K-3 General	14,717	3,871	2,891	15,697
K-3 Media	-	11,826	11,826	-
K-12 Petty Cash	44	-	-	44
K-12 Interest	47,113	4,635	371	51,377
K-12 General	3,637	1,633	1,026	4,244
SH General Resale	7	6	-	13
Booster Club	-	8,076	8,076	-
Band Boosters	4,933	2,889	5,478	2,344
Love Our Kids	1,189	-	-	1,189
SH Minnisingers	111	375	250	236

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Cheerleader Club	992	1,990	1,431	1,551
SH Cheerleader Club	-	2,954	2,954	-
SH Wrestling Cheerleader Club	566	921	411	1,076
MS Team 6	152	-	99	53
MS Team 7	812	1,023	754	1,081
MS Team 8	617	400	316	701
SH Football Club	513	-	513	-
Tennis Resale	1	-	-	1
Band Boosters Fiesta Bowl	1,018	9,093	9,072	1,039
Student Needs	340	-	-	340
SH Football Resale	3,049	514	-	3,563
SH Baseball Resale	3	-	-	3
SH Letterman's Club	393	1,110	886	617
Dance Team	1,400	1,731	3,131	-
K-12 Special Olympics	355	-	-	355
HS Volleyball Resale	6,074	-	-	6,074
Total	\$ 181,033	231,151	231,113	181,071

See accompanying independent auditor's report.

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trusts

June 30, 2009

	<u>Anderson Scholarship</u>	<u>Stanley Plank Scholarship</u>	<u>Klopping Trust</u>	<u>Bloom Scholarship</u>	<u>Lowell G. and Blanche Kinnison Scholarship</u>	<u>Leland Peterson Scholarship</u>	<u>Class of 38 Scholarship</u>	<u>Gustafson Scholarship</u>	<u>CG & Aluia K Lingo Memorial Scholarship</u>	<u>Total</u>
Assets										
Cash	\$ 42	10,302	22,953	20,318	5,664	4,058	1,191	6,413	140,900	211,841
Total assets	<u>42</u>	<u>10,302</u>	<u>22,953</u>	<u>20,318</u>	<u>5,664</u>	<u>4,058</u>	<u>1,191</u>	<u>6,413</u>	<u>140,900</u>	<u>211,841</u>
Net assets										
Reserved for scholarships	\$ <u>42</u>	<u>10,302</u>	<u>22,953</u>	<u>20,318</u>	<u>5,664</u>	<u>4,058</u>	<u>1,191</u>	<u>6,413</u>	<u>140,900</u>	<u>211,841</u>

See accompanying independent auditor's report.

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2009

	Anderson Scholarship	Stanley Plank Scholarship	Klopping Trust	Bloom Scholarship	Lowell G. and Blanche Kinnison Scholarship	Leland Peterson Scholarship	Class of 38 Scholarship	Gustafson Scholarship	CG & Aluia K Lingo Memorial Scholarship	Total
Revenues:										
Local sources:										
Interest on investments \$	-	255	622	132	183	142	4	205	3,145	4,688
Contributions	9	-	-	-	-	-	970	6,688	-	7,667
	<u>9</u>	<u>255</u>	<u>622</u>	<u>132</u>	<u>183</u>	<u>142</u>	<u>974</u>	<u>6,893</u>	<u>3,145</u>	<u>12,355</u>
Expenditures:										
Instruction:										
Regular instruction:										
Other	-	450	900	550	482	1,000	500	480	2,000	6,362
Excess (deficiency) of revenues over (under) expenditures	9	(195)	(278)	(418)	(299)	(858)	474	6,413	1,145	5,993
Balance beginning of year	33	10,497	23,231	20,736	5,963	4,916	717	-	139,755	205,848
Balance end of year	<u>\$ 42</u>	<u>10,302</u>	<u>22,953</u>	<u>20,318</u>	<u>5,664</u>	<u>4,058</u>	<u>1,191</u>	<u>6,413</u>	<u>140,900</u>	<u>211,841</u>

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 Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 5,081,193	4,822,093	4,849,309	4,527,567	4,569,648	4,096,414
Tuition	217,275	155,224	174,615	162,978	144,052	79,707
Other	574,852	560,195	609,632	537,972	430,076	421,198
State sources	7,137,629	6,836,732	6,454,187	6,312,868	5,770,513	5,471,489
Federal sources	637,171	470,330	497,908	666,156	640,139	614,537
Total	<u>\$ 13,648,120</u>	<u>12,844,574</u>	<u>12,585,651</u>	<u>12,207,541</u>	<u>11,554,428</u>	<u>10,683,345</u>
Expenditures:						
Instruction	\$ 8,859,271	8,117,285	7,571,135	7,282,494	7,051,332	6,797,257
Support services:						
Student	392,315	361,392	346,603	314,905	299,819	360,943
Instructional staff	551,001	555,612	549,052	692,601	422,038	510,280
Administration	1,143,522	1,153,220	1,100,515	1,080,644	1,131,089	1,052,107
Operation and maintenance of plant	1,193,105	1,114,341	1,104,611	1,108,202	904,146	963,629
Transportation	468,161	531,977	456,792	338,170	345,271	258,896
Non-instructional programs:						
Food service operations	-	-	-	-	130	20
Community service and education	-	-	-	-	8,750	10,205
Other expenditures:						
Facilities acquisition	107,967	321,210	141,852	90,464	356,386	653,176
Debt Service:						
Principal	475,000	465,000	445,000	435,000	420,000	400,000
Interest and service charges	330,205	347,873	363,668	377,781	390,510	402,560
AEA flowthrough	482,258	447,347	426,129	410,392	379,179	376,524
Total	<u>\$ 14,002,805</u>	<u>13,415,257</u>	<u>12,505,357</u>	<u>12,130,653</u>	<u>11,708,650</u>	<u>11,785,597</u>

See accompanying independent auditor's report.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY09	\$ 73,480
Fresh Fruit and Vegetable Program	10.582	FY09	4,000
Food Distribution (non-cash)	10.555	FY09	27,525
National School Lunch Program	10.555	FY09	229,878
			<u>334,883</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5463-G-09	239,320
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY09	5,586
Enhancing Education Through Technology	84.318	FY09	1,000
ARRA - Title I Grants to Local Educational Agencies Recovery Act	84.389	FY09	109,964
Improving Teacher Quality - Grants to States	84.367	FY09	56,876
Grants for Assessments and Related Activities	84.369	FY09	8,041
Title III - English Language Acquisition State Grants	84.357	FY09	431
Vocational Education - Basic Grants to States	84.048	FY09	60,392
Special Education - State Program Improvement Grants for Children With Disabilities	84.323	FY09	4,747
Title I Program for Neglected and Delinquent Children	84.013	FY09	42,931
Reading First - State Grants	84.357	FY09	46,184
Green Valley Area Education Agency:			
Special Education - Grants to States (IDEA Part B)	84.027	FY09	72,658
Department of Health and Human Services:			
Iowa State University:			
Drug Abuse Research Programs	93.279	FY09	<u>1,500</u>
Total			<u>\$ 984,513</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of 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 basis financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

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
Red Oak Community School District:

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 the Red Oak Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2010. 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.

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 our 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Red Oak Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Red Oak Community School District's financial statements that is more than inconsequential will not be prevented or detected by Red Oak Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Red Oak Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

Compliance and Other Matters

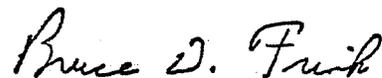
As part of obtaining reasonable assurance about whether Red Oak Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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, 2009 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 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Red Oak Community School District and other parties to whom Red Oak Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.



BRUCE D. FRINK
Certified Public Accountant

March 26, 2010

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Red Oak Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Red Oak Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Red Oak Community School District's management. Our responsibility is to express an opinion on Red Oak Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Red Oak Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Red Oak Community School District's compliance with those requirements.

In our opinion Red Oak Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Red Oak Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be material weakness.

Red Oak Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Red Oak Community School District and other parties to whom Red Oak Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 26, 2010

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weaknesses.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational AgenciesSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (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, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

II-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number: 84.010 Title I Grants to Local Educational Agencies
Grant Numbers: 5463-G-09
Federal Award Year: 2009
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
10.555 National School Lunch Program
Federal Award Year: 2009
US Department of Agriculture
Passed through Iowa Department of Education

III-A-09 Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult an the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

IV-A-09 Certified Budget - During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions.

IV-B-09 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-09 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-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Schmid Construction Husband of Board President	Remodeling	\$12,624

The transactions with Schmid Construction were properly bid and thus does not violate Iowa Code regarding business transactions with board members.

Recommendation - We recommend that the District annually review these transactions to ensure continued compliance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-E-09 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-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-H-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-I-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	757,444
Expenditures/transfers out:	
School infrastructure:	
General obligation	<u>690,000</u>
Ending balance	<u>\$ 67,444</u>

IV-L-09 Deficit Balance - The General Fund had a deficit balance of \$496,636 June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficit in the General Fund at the end of the fiscal year.

Conclusion - Response accepted.