

GILBERT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Jim McKean	President	2005
Marcia DeZonia	Vice President	2006
Mary Zimmerman	Board Member	2006
Janet Warg	Board Member	2004
Chris Benda	Board Member	2005
Board of Education (After September 2004 Election)		
Jim McKean	President	2005
Marcia DeZonia	Vice President	2006
Mary Zimmerman	Board Member	2006
Janet Warg	Board Member	2007
Chris Benda	Board Member	2005
School Officials		
Douglas C. Williams	Superintendent	2005
Johna Clancy	District Secretary/Treasurer and Business Manager	2005
Belin, Lamson, McCormick, Zumbach P.C.	Attorney	2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Gilbert 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 Gilbert Community School District, Gilbert, Iowa, as of and for the year ended June 30, 2005, 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, each major fund and the aggregate remaining fund information of Gilbert Community School District at June 30, 2005, 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.

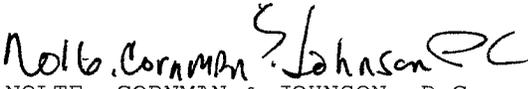
In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2005 on our consideration of Gilbert Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 13 and 37 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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 Gilbert 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 three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gilbert 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,161,125 in fiscal 2004 to \$7,599,960 in fiscal 2005, while General Fund expenditures increased from \$7,021,416 in fiscal 2004 to \$7,605,669 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$293,683 in fiscal 2004 to a balance of \$258,496 in fiscal 2005, a 12% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was more than the District's General Fund revenue for fiscal 2005.
- The District continues to receive local option sales and service tax from Story and Boone County.
- In April 2004, the District had an 85% passage of a bond issue of \$8,275,000 for middle school and high school renovations. The monies from the bond issue came in during the current year. The District also issued \$3,870,000 in revenue bond. The \$12,145,000 in new bonds is going to be used to fund the new middle school project.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gilbert 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 Gilbert 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 Gilbert Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

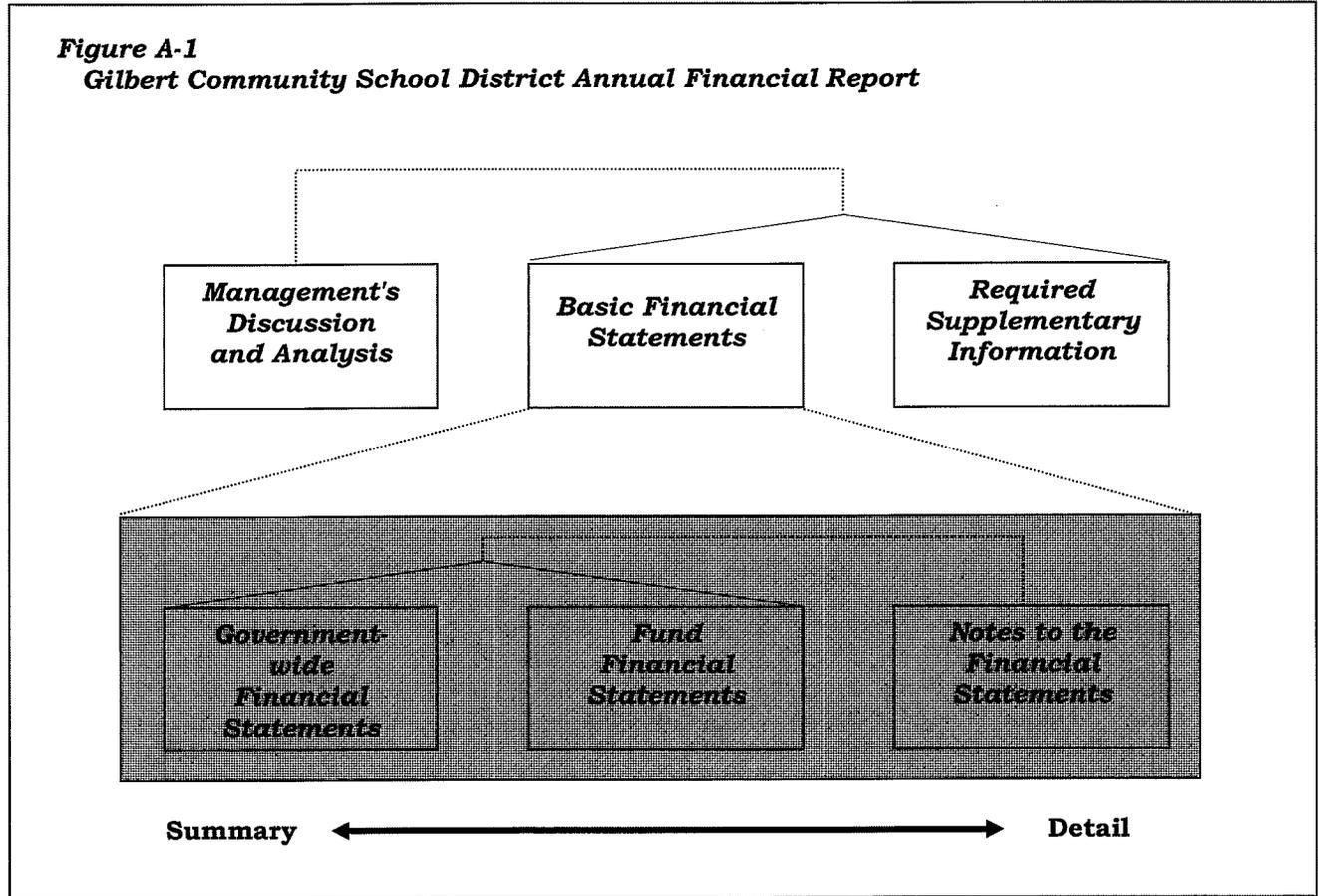


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
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 net assets • Statement of cash flows
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
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

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 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.

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 two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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 for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Current and other assets	\$ 17,112,443	5,631,485	\$ 20,407	28,449	\$ 17,132,850	5,659,934
Capital assets	7,465,325	5,205,934	33,606	39,532	7,498,931	5,245,466	42.96%
Total assets	<u>24,577,768</u>	<u>10,837,419</u>	<u>54,013</u>	<u>67,981</u>	<u>24,631,781</u>	<u>10,905,400</u>	<u>125.87%</u>
Long-term obligations	5,624,220	2,370,118	0	0	5,624,220	2,370,118	137.30%
Other liabilities	14,108,024	4,941,591	10,236	10,282	14,118,260	4,951,873	185.11%
Total liabilities	<u>19,732,244</u>	<u>7,311,709</u>	<u>10,236</u>	<u>10,282</u>	<u>19,742,480</u>	<u>7,321,991</u>	<u>169.63%</u>
Net assets:							
Invested in capital assets, net of related debt	4,553,508	2,835,816	33,606	39,532	4,587,114	2,875,348	59.53%
Restricted	150,148	515,062	0	0	150,148	515,062	-70.85%
Unrestricted	141,868	174,832	10,171	18,167	152,039	192,999	-21.22%
Total net assets	<u>\$ 4,845,524</u>	<u>3,525,710</u>	<u>\$ 43,777</u>	<u>57,699</u>	<u>\$ 4,889,301</u>	<u>3,583,409</u>	<u>36.44%</u>

The District's combined net assets increased by nearly 36% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately 71% over the prior year. The decrease was primarily a result of reclassifying the Capital Projects fund balance from prior year to the invested in capital assets line.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 21% from the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Revenues:						
Program revenues:							
Charges for services	\$ 1,310,677	1,216,804	\$ 238,808	222,357	1,549,485	1,439,161	7.67%
Operating grants and contributions and restricted interest	734,856	662,400	76,027	73,072	810,883	735,472	10.25%
General revenues:							
Property tax	3,555,843	3,357,818	0	0	3,555,843	3,357,818	5.90%
Local option sales and service tax	999,044	602,984	0	0	999,044	602,984	0.00%
Unrestricted state grants	3,480,187	3,053,323	0	0	3,480,187	3,053,323	13.98%
Other	163,170	13,196	481	264	163,651	13,460	1115.83%
Total revenues	10,243,777	8,906,525	315,316	295,693	10,559,093	9,202,218	14.75%
Program expenses:							
Governmental activities:							
Instructional	5,946,895	5,409,857	0	0	5,946,895	5,409,857	9.93%
Support services	1,991,640	1,795,139	0	0	1,991,640	1,795,139	10.95%
Non-instructional programs	8,621	5,623	329,238	298,828	337,859	304,451	10.97%
Other expenses	976,807	726,241	0	0	976,807	726,241	34.50%
Total expenses	8,923,963	7,936,860	329,238	298,828	9,253,201	8,235,688	12.35%
Change in net assets	1,319,814	969,665	(13,922)	(3,135)	1,305,892	966,530	35.11%
Net assets beginning of year	3,525,710	2,556,045	57,699	60,834	3,583,409	2,616,879	36.93%
Net assets end of year	\$ 4,845,524	3,525,710	\$ 43,777	57,699	4,889,301	3,583,409	36.44%

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 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,243,777 and expenses were \$8,923,963. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,946,895	4,187,671
Support services	1,991,640	1,970,390
Non-instructional	8,621	8,621
Other expenses	976,807	711,748
Totals	\$ 8,923,963	6,878,430

-
- The cost financed by users of the District's programs was \$1,310,677.
 - Federal and state governments subsidized certain programs with grants and contributions totaling \$734,856.
 - The net cost of governmental activities was financed with \$3,555,843 in local tax, \$999,044 in local option sales and service tax, \$3,480,187 in unrestricted state grants, and \$252,072 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$315,316 and expenses were \$329,238. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Gilbert Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$11,564,466, above last year's ending fund balances of a \$768,979. However, the primary reason for the increase was the sale of bonds that occurred during the year.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Increase in state and federal grant money resulted in an increase in revenues. However, the increase in expenditures offset the District's increase in General Fund revenues ensuring the financial position of the District decrease.
- The Management fund balance decreased from \$69,710 in 2004, to \$61,309 in 2005, due to the continuing increase in insurance premiums every year.
- The Activity fund balance increased from \$105,906 to \$110,235, due to the controlled spending of the individual accounts.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$34,292 to \$63,298, due to a decrease in total expenditures for the year.
- The Debt Service fund balance increased from \$1,771 in 2004, to \$395,579 in 2005, due to the refinancing of bonds. The District received \$1,295,000 in bond revenue which they used to payoff \$1,280,000 in old bonds which were at a higher interest rate.
- The District passed general obligation and revenue bonds amounting to \$13,440,000 in the Capital Projects fund during the current year. This resulted in an increase from \$263,617, to \$10,675,549.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased \$13,922, or approximately 24%. This was due to the continuing increase in salaries and benefits, as well as, the price for food and supplies.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gilbert Community School District amended its annual budget one time to reflect additional expenditures associated with special education activities.

The District's revenues were \$475,361 more than budgeted revenues, a variance of 5%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$7.5 million, 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 amount represents a net increase of 30% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$269,409.

The original cost of the District's capital assets was \$11,512,750. Governmental funds account for \$11,407,084 with the remainder of \$105,666 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District started a new middle school project during the year. At year end the project was not completed, therefore no depreciation can be taken on it. Therefore, the amount completed of \$2,365,433 has to be put on the construction in progress line until the project is completed.

Figure A-6

	Capital Assets, Net of Depreciation							
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	2005	2004	2005	2004	2005	2004	2004-05	
Land	\$ 459,445	458,445	\$ 0	0	\$ 459,445	458,445	0.22%	
Buildings	3,893,958	4,004,694	0	0	3,893,958	4,004,694	-2.84%	
Improvements other than buildings	275,024	303,835	0	0	275,024	303,835	-10.48%	
Machinery and equipment	471,465	438,960	33,606	39,532	505,071	478,492	5.26%	
Construction in progress	2,365,433	0	0	0	2,365,433	0	100.00%	
Total	<u>\$ 7,465,325</u>	<u>5,205,934</u>	<u>\$ 33,606</u>	<u>39,532</u>	<u>\$ 7,498,931</u>	<u>5,245,466</u>	<u>30.05%</u>	

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$14,108,024 in general obligation bonds, early retirement, and loans. This represents an increase of approximately 478% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had three outstanding general obligation bonds payable for a total of \$9,740,000 at June 30, 2005. During the year the District had two new bond issues, one for \$8,275,000. The other one was for \$1,295,000, which refinanced the September 1, 1997 issuance that had \$1,280,000 remaining as of June 30, 2004.

The District has a Capital loan note payable of \$360,000, at June 30, 2005.

The District has an Energy loan payable of \$80,845, at June 30, 2005.

During the year, the District also issued revenue bonds which amounted to \$3,870,000. The first payment of principal on these bonds will not be paid until fiscal year 2007.

The District also had total outstanding early retirement payable of \$57,179 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation	\$ 9,740,000	1,795,000	442.6%
Capital loan note	360,000	470,000	-23.4%
Energy loan	80,845	105,118	-23.1%
Revenue bonds	3,870,000	0	100.0%
Early retirement	57,179	69,508	-17.7%
Totals	\$ 14,108,024	2,439,626	478.3%

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:

- Enrollment grew 3.32% or 31.8 students during the current year, and the district expects continued increases in the years to come.
- During the year, the District approved a 4.06% package increase to bargaining groups.
- The District annexed land for the new Middle School project, which started during the year. They also started high school renovations.
- New administration will take affect in the 2005-06 year. John Kinley will become superintendent beginning July 1, 2005, and Chris Billings will be the new middle school principal starting August 1, 2005.
- The increase in interest rates will help with the Districts goal of trying to increase cash reserves.
- The continuing increase in local option sales tax dollars from Boone and Story counties, along with assessed valuations for the District increasing 9.15%, will allow for the possibilities of more property tax monies being received in the future.

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 Johna Clancy, District Board Secretary, Gilbert Community School District, 103 Mathews Drive, Gilbert, Iowa, 50105.

BASIC FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP (Note 4)	\$ 1,422,517	0	1,422,517
Other	11,400,781	12,388	11,413,169
Receivables:			
Property tax:			
Delinquent	18,717	0	18,717
Succeeding year	4,104,793	0	4,104,793
Accounts	125	0	125
Accrued interest			
ISCAP (Note 4)	6,910	0	6,910
Due from other governments	158,600	0	158,600
Inventories	0	8,019	8,019
Capital assets, net of accumulated depreciation (Note 5)	7,465,325	33,606	7,498,931
TOTAL ASSETS	24,577,768	54,013	24,631,781
LIABILITIES			
Accounts payable	3,427	0	3,427
Interest payable	76,243	0	76,243
ISCAP warrants payable (Note 4)	1,417,000	0	1,417,000
ISCAP accrued interest payable (Note 4)	7,424	0	7,424
ISCAP premiums payable	15,333	0	15,333
Deferred revenue:			
Succeeding year property tax	4,104,793	0	4,104,793
Other	0	10,236	10,236
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	350,000	0	350,000
Energy loan	25,565	0	25,565
Capital loan	115,000	0	115,000
Early retirement	30,179	0	30,179
Portion due after one year:			
General obligation bonds	9,390,000	0	9,390,000
Energy loan	55,280	0	55,280
Capital loan	245,000	0	245,000
Revenue bonds	3,870,000	0	3,870,000
Early retirement	27,000	0	27,000
TOTAL LIABILITIES	19,732,244	10,236	19,742,480
NET ASSETS			
Investment in capital assets, net of related debt	4,553,508	33,606	4,587,114
Restricted for:			
Phase III	35,783	0	35,783
Management levy	4,130	0	4,130
Other special revenue purposes	110,235	0	110,235
Unrestricted	141,868	10,171	152,039
TOTAL NET ASSETS	\$ 4,845,524	43,777	4,889,301

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,400,938	680,813	422,129
Special instruction	1,571,933	116,650	41,828
Other instruction	974,024	497,804	0
	<u>5,946,895</u>	<u>1,295,267</u>	<u>463,957</u>
Support services:			
Student services	135,296	0	0
Instructional staff services	324,965	0	0
Administration services	659,545	0	0
Operation and maintenance of plant services	541,748	0	0
Transportation services	330,086	15,410	5,840
	<u>1,991,640</u>	<u>15,410</u>	<u>5,840</u>
Non-Instructional:			
Community service & education operations	8,621	0	0
Other expenditures:			
Facilities acquisitions	62,518	0	0
Long-term debt interest	509,683	0	0
AEA flowthrough	265,059	0	265,059
Depreciation(unallocated)*	139,547	0	0
	<u>976,807</u>	<u>0</u>	<u>265,059</u>
Total governmental activities	8,923,963	1,310,677	734,856
Business-Type activities:			
Non-instructional programs:			
Nutrition services	329,238	238,808	76,027
Total business-type activities	<u>329,238</u>	<u>238,808</u>	<u>76,027</u>
Total	<u>\$ 9,253,201</u>	<u>1,549,485</u>	<u>810,883</u>

General Revenues:

Property tax levied for:
General purposes
Debt services
Capital outlay
Local option sales and services tax
Unrestricted state grants
Premium on bonds
Bond accrued interest
Cost of issuance of bonds
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,297,996)	0	(2,297,996)
(1,413,455)	0	(1,413,455)
(476,220)	0	(476,220)
<u>(4,187,671)</u>	<u>0</u>	<u>(4,187,671)</u>
(135,296)	0	(135,296)
(324,965)	0	(324,965)
(659,545)	0	(659,545)
(541,748)	0	(541,748)
(308,836)	0	(308,836)
<u>(1,970,390)</u>	<u>0</u>	<u>(1,970,390)</u>
(8,621)	0	(8,621)
(62,518)	0	(62,518)
(509,683)	0	(509,683)
0	0	0
(139,547)	0	(139,547)
<u>(711,748)</u>	<u>0</u>	<u>(711,748)</u>
(6,878,430)	0	(6,878,430)
0	(14,403)	(14,403)
0	(14,403)	(14,403)
<u>(6,878,430)</u>	<u>(14,403)</u>	<u>(6,892,833)</u>
\$ 2,561,667	0	2,561,667
678,696	0	678,696
315,480	0	315,480
999,044	0	999,044
3,480,187	0	3,480,187
58,111	0	58,111
3,030	0	3,030
(150,043)	0	(150,043)
252,072	481	252,553
<u>8,198,244</u>	<u>481</u>	<u>8,198,725</u>
1,319,814	(13,922)	1,305,892
3,525,710	57,699	3,583,409
<u>\$ 4,845,524</u>	<u>43,777</u>	<u>4,889,301</u>

GILBERT COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and pooled investments					
ISCAP (Note 4)	\$ 1,422,517	0	0	0	1,422,517
Other	245,319	10,530,378	392,007	233,077	11,400,781
Receivables:					
Property tax					
Delinquent	12,825	0	3,572	2,320	18,717
Succeeding year	2,896,914	0	763,956	443,923	4,104,793
Accounts	125	0		0	125
Accrued interest					
ISCAP (Note 4)	6,910	0	0	0	6,910
Due from other governments	13,429	145,171	0	0	158,600
TOTAL ASSETS	\$ 4,598,039	10,675,549	1,159,535	679,320	17,112,443
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,872	0	0	555	3,427
ISCAP warrants payable (Note 4)	1,417,000	0	0	0	1,417,000
ISCAP accrued interest payable (Note 4)	7,424	0	0	0	7,424
ISCAP premiums payable	15,333	0	0	0	15,333
Deferred revenue:					
Succeeding year property tax	2,896,914	0	763,956	443,923	4,104,793
Total liabilities	4,339,543	0	763,956	444,478	5,547,977
Fund balances:					
Reserved for:					
Debt service	0	0	395,579	0	395,579
Phase III	35,783	0	0	0	35,783
Unreserved:					
Undesignated	222,713	10,675,549	0	234,842	11,133,104
Total fund balances	258,496	10,675,549	395,579	234,842	11,564,466
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,598,039	10,675,549	1,159,535	679,320	17,112,443

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 17) \$ 11,564,466

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 7,465,325

Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (76,243)

Long-term liabilities, including bonds payable, capital loan note payable, energy loan payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (14,108,024)

Net assets of governmental activites (page 14) \$ 4,845,524

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,436,517	0	678,696	440,630	3,555,843
LOSST	0	999,044	0	0	999,044
Tuition	797,463	0	0	0	797,463
Other	151,591	212,261	5,282	396,152	765,286
State sources	3,987,960	0	397	257	3,988,614
Federal sources	226,429	0	0	0	226,429
Total revenues	7,599,960	1,211,305	684,375	837,039	10,332,679
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,341,919	0	0	58,205	3,400,124
Special instruction	1,575,302	0	0	0	1,575,302
Other instruction	603,705	0	0	387,179	990,884
	5,520,926	0	0	445,384	5,966,310
Support services:					
Student services	99,117	0	0	0	99,117
Instructional staff services	336,575	0	0	0	336,575
Administration services	597,509	0	0	61,440	658,949
Operation and maintenance of plant services	478,036	0	0	67,445	545,481
Transportation services	299,826	0	0	77,111	376,937
	1,811,063	0	0	205,996	2,017,059
Non-instructional:					
Community service & education operations	8,621	0	0	0	8,621
Other expenditures:					
Facilities acquisitions	0	2,397,441	0	31,510	2,428,951
Long-term debt:					
Principal	0	0	0	0	0
Interest and fiscal charges	0	0	479,299	0	479,299
AEA flowthrough	265,059	0	442,991	0	708,050
	265,059	2,397,441	922,290	31,510	3,616,300
Total expenditures	7,605,669	2,397,441	922,290	682,890	11,608,290
Excess(deficiency) of revenues over (under) expenditures	(5,709)	(1,186,136)	(237,915)	154,149	(1,275,611)
Other financing sources (uses):					
Transfers in	0	0	616,723	0	616,723
Transfers out	(29,478)	(458,030)	0	(129,215)	(616,723)
Sale of bonds	0	12,145,000	0	0	12,145,000
Refunded debt issued	0	0	1,295,000	0	1,295,000
Premium on bonds	0	58,111	0	0	58,111
Bond accrued interest	0	3,030	0	0	3,030
Payment to refunding escrow agent	0	0	(1,280,000)	0	(1,280,000)
Cost of issuance of bonds	0	(150,043)	0	0	(150,043)
Total other financing sources (uses)	(29,478)	11,598,068	631,723	(129,215)	12,071,098
Net change in fund balances	(35,187)	10,411,932	393,808	24,934	10,795,487
Fund balance beginning of year	293,683	263,617	1,771	209,908	768,979
Fund balance end of year	\$ 258,496	10,675,549	395,579	234,842	11,564,466

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT 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, 2005

Net change in fund balances - total governmental funds (page 19) \$ 10,795,487

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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	\$ 2,522,874	
Depreciation expense	<u>(263,483)</u>	2,259,391

Repayment of issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	13,440,000	
Repaid	<u>(1,759,273)</u>	(11,680,727)

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. (66,666)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	12,329
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Changes in net assets of governmental activities (page 16) \$ 1,319,814

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 12,388
Inventories	8,019
Capital assets, net of accumulated depreciation	<u>33,606</u>
TOTAL ASSETS	<u>54,013</u>
LIABILITIES	
Deferred revenues	<u>10,236</u>
TOTAL LIABILITES	<u>10,236</u>
NET ASSETS	
Invested in capital assets	33,606
Unrestricted	<u>10,171</u>
TOTAL NET ASSETS	<u>\$ 43,777</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 238,648
Miscellaneous	160
TOTAL OPERATING REVENUES	238,808
OPERATING EXPENSES:	
Food service operations:	
Salaries	108,334
Benefits	53,987
Services	13,300
Supplies	147,691
Depreciation	5,926
TOTAL OPERATING EXPENSES	329,238
OPERATING LOSS	(90,430)
NON-OPERATING REVENUES:	
Interest	481
State sources	4,458
Federal sources	71,569
TOTAL NON-OPERATING REVENUES	76,508
Change in net assets	(13,922)
Net assets at beginning of year	57,699
Net assets end of year	\$ 43,777

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 239,219
Cash received from miscellaneous operating activities	160
Cash payments to employees for services	(162,321)
Cash payments to suppliers for goods or services	(143,750)
Net cash used in operating activities	(66,692)
Cash flows from non-capital financing activities:	
State grants received	4,458
Federal grants received	53,963
Net cash provided by non-capital financing activities	58,421
Cash flows from investing activities:	
Interest on investments	481
Net cash provided by investing activities	481
Net decrease in cash and cash equivalents	(7,790)
Cash and cash equivalents at beginning of year	20,178
Cash and cash equivalents at end of year	\$ 12,388
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (90,430)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,606
Depreciation	5,926
Increase in inventories	(365)
Decrease in accounts receivable	617
Decrease in deferred revenue	(46)
Net cash used in operating activities	\$ (66,692)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 12,388
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2005, the District received Federal commodities valued at \$17,606.	

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Gilbert 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Gilbert, Iowa, and the predominate agricultural territory in Boone and Story 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, Gilbert Community School District has included all funds, organizations, Account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Gilbert Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

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 are 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, 2005, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 9,353,799</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 29,478
Debt Service	PPEL	129,215
Debt Service	LOSST	68,000
Debt Sinking	LOSST	<u>390,030</u>
Total		<u>\$ 616,723</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Accrued Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05B	1/28/2005	1/27/2006	495,428	6,712	494,000	7,247
2005-06A	6/28/2005	6/28/2006	927,089	198	923,000	177
Total			<u>\$ 1,422,517</u>	<u>6,910</u>	<u>1,417,000</u>	<u>7,424</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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 458,445	1,000	0	459,445
Construction in progress	0	2,365,433	0	2,365,433
Total capital assets not being depreciated	458,445	2,366,433	0	2,824,878
Capital assets being depreciated:				
Buildings	6,196,393	0	0	6,196,393
Land improvements	656,265	0	0	656,265
Machinery and equipment	1,573,107	156,441	0	1,729,548
Total capital assets being depreciated	8,425,765	156,441	0	8,582,206
Less accumulated depreciation for:				
Buildings	2,191,699	110,736	0	2,302,435
Land improvements	352,430	28,811	0	381,241
Machinery and equipment	1,134,147	123,936	0	1,258,083
Total accumulated depreciation	3,678,276	263,483	0	3,941,759
Total capital assets being depreciated, net	4,747,489	(107,042)	0	4,640,447
Governmental activities capital assets, net	\$ 5,205,934	2,259,391	0	7,465,325
Business-type activities:				
Machinery and equipment	\$ 105,666	0	0	105,666
Less accumulated depreciation	66,134	5,926	0	72,060
Business-type activities capital assets	\$ 39,532	(5,926)	0	33,606

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 53,964
Special		1,831
Other		4,212
Support services:		
Instructional staff		2,903
Administration services		596
Operation and maintenance of plant services		2,907
Transportation		57,523
		<u>123,936</u>
Unallocated depreciation		<u>139,547</u>
Total governmental activities depreciation expense		<u>\$ 263,483</u>
Business-type activities:		
Food services		<u>\$ 5,926</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,795,000	9,570,000	1,625,000	9,740,000	350,000
Capital loan note	470,000	0	110,000	360,000	115,000
Revenue bonds	0	3,870,000	0	3,870,000	0
Energy loan	105,118	0	24,273	80,845	25,565
Early retirement	69,508	36,179	48,508	57,179	30,179
Total	<u>\$ 2,439,626</u>	<u>13,476,179</u>	<u>1,807,781</u>	<u>14,108,024</u>	<u>520,744</u>

Capital Loan Notes

On December 1, 1998, the District issued capital loan notes of \$1,080,000. Details of the District's capital loan indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	4.00 %	\$ 115,000	14,526	129,526
2007	4.00	120,000	9,926	129,926
2008	4.00	125,000	5,126	130,126
Total		<u>\$ 360,000</u>	<u>29,578</u>	<u>389,578</u>

Energy Loan

The District purchased new lighting for the elementary and secondary buildings and installed a geothermal heating/cooling system. The loan payments are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	5.25 % \$	25,565	3,913	29,478
2007	5.25	26,924	2,553	29,477
2008	5.25	28,356	1,121	29,477
Total		\$ 80,845	7,587	88,432

General Obligation Bonds

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of July 1, 2004		
		Principal	Interest	Total
2006	4.05 % \$	0	360,545	360,545
2007	4.05	0	360,545	360,545
2008	4.05	0	360,545	360,545
2009	4.05	0	360,545	360,545
2010	4.05	410,000	356,394	766,394
2011	4.05	425,000	339,586	764,586
2012	4.05	440,000	322,272	762,272
2013	4.05	460,000	304,250	764,250
2014	4.05	475,000	285,518	760,518
2015	4.05	495,000	266,079	761,079
2016	4.05-4.15	515,000	245,829	760,829
2017	4.15-4.30	540,000	224,273	764,273
2018	4.30-4.40	560,000	201,040	761,040
2019	4.40-4.50	585,000	176,320	761,320
2020	4.50-4.60	615,000	149,803	764,803
2021	4.60-4.65	640,000	121,320	761,320
2022	4.65	670,000	91,291	761,291
2023	4.65-4.70	705,000	59,787	764,787
2024	4.70-4.75	740,000	26,270	766,270
		\$ 8,275,000	4,612,212	12,887,212

Year Ending June 30,	Interest Rate	Bond issue of July 1, 2004		
		Principal	Interest	Total
2006	2.20-2.55 % \$	250,000	29,145	279,145
2007	2.70-2.90	255,000	22,895	277,895
2008	3.00-3.15	265,000	15,487	280,487
2009	3.30-3.45	275,000	7,058	282,058
		\$ 1,045,000	74,585	1,119,585

Year Ending June 30,	Interest Rate	Bond issue of June 1, 1995		
		Principal	Interest	Total
2006	5.35 %	\$ 100,000	23,066	123,066
2007	5.40	105,000	17,716	122,716
2008	5.50	105,000	12,046	117,046
2009	5.70	110,000	6,270	116,270
Subtotal		\$ 420,000	59,098	479,098
Total		\$ 9,740,000	4,745,895	14,485,895

Revenue Bonds

During the year, the District issued Revenue Bonds of \$3,870,000. Details of the District's June 30, 2005 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of March 1, 2005		
		Principal	Interest	Total
2006	3.00 %	\$ 0	100,996	100,996
2007	3.00	390,000	115,345	505,345
2008	3.00	450,000	102,745	552,745
2009	3.00	465,000	89,020	554,020
2010	3.00	480,000	74,845	554,845
2011	3.00	495,000	60,220	555,220
2012	3.15	510,000	44,763	554,763
2013	3.35	530,000	27,852	557,852
2014	3.45	550,000	9,487	559,487
Total		\$ 3,870,000	625,273	4,495,273

Early Retirement

The District offers a voluntary early retirement plan to its all employees. Eligible employees must be at least age fifty-five and must have completed twelve years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 45% if the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2005, totaled \$48,508.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$258,992, \$250,485, and

\$243,100, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment is going to be 2% of the 2004-05 and 2005-06 premiums. As of June 30, 2005 the District had paid \$1,276 of the assessment. The remainder if the 2% assessment will be paid on a monthly basis along with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$63,791.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$265,059 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitments

The District has active construction projects as of June 30, 2005. The projects include a new middle school. At the end of the year, the District paid \$2,365,433 with \$8,992,321 of outstanding contract agreements to be paid upon completion of the capital projects.

(11) Bond Defeasement

On July 1, 2004 the District issued \$1,295,000 in general obligation bonds to advance refund \$1,280,000 of outstanding general obligation bonds dated September 1, 1997. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2005, \$1,050,000 of such bonds is outstanding. The escrow fund pays interest on the new refunding bonds until that time. Defeasement of principal and interest for the year was \$230,000 and \$61,930. The present value savings of this bond refunding is \$58,834.

REQUIRED SUPPLEMENTAL INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 6,117,636	239,289
State sources	3,988,614	4,458
Federal sources	226,429	71,569
Total revenues	<u>10,332,679</u>	<u>315,316</u>
Expenditures:		
Instruction	5,966,310	0
Support services	2,017,059	0
Non-instructional programs	8,621	329,238
Other expenditures	3,616,300	0
Total expenditures	<u>11,608,290</u>	<u>329,238</u>
Excess(deficiency) of revenues over(under) expenditures	(1,275,611)	(13,922)
Other financing sources, net	<u>12,071,098</u>	<u>0</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	10,795,487	(13,922)
Balance beginning of year	<u>768,979</u>	<u>57,699</u>
Balance end of year	<u>\$ 11,564,466</u>	<u>43,777</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,356,925	5,861,625	5,861,625	495,300
3,993,072	4,109,009	4,109,009	(115,937)
297,998	202,000	202,000	95,998
<u>10,647,995</u>	<u>10,172,634</u>	<u>10,172,634</u>	<u>475,361</u>
5,966,310	5,670,906	6,200,000	233,690
2,017,059	2,251,000	2,600,000	582,941
337,859	414,500	414,500	76,641
<u>3,616,300</u>	<u>1,637,830</u>	<u>5,137,830</u>	<u>1,521,530</u>
<u>11,937,528</u>	<u>9,974,236</u>	<u>14,352,330</u>	<u>2,414,802</u>
(1,289,533)	198,398	(4,179,696)	2,890,163
<u>12,071,098</u>	<u>0</u>	<u>0</u>	<u>12,071,098</u>
10,781,565	198,398	(4,179,696)	14,961,261
826,678	481,208	481,208	345,470
<u>11,608,243</u>	<u>679,606</u>	<u>(3,698,488)</u>	<u>15,306,731</u>

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$4,378,094.

OTHER SUPPLEMENTAL INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	
ASSETS				
Cash and pooled investments	\$ 60,650	61,637	110,790	233,077
Receivables:				
Property tax:				
Current year delinquent	659	1,661	0	2,320
Succeeding year	100,000	343,923	0	443,923
TOTAL ASSETS	\$ 161,309	407,221	110,790	679,320
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 0	0	555	555
Deferred revenue:				
Succeeding year property tax	100,000	343,923	0	443,923
	100,000	343,923	555	444,478
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	61,309	63,298	110,235	234,842
Total fund balances	61,309	63,298	110,235	234,842
TOTAL LIABILITIES AND FUND EQUITY	\$ 161,309	407,221	110,790	679,320

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue			Total Nonmajor Governmental Funds
	Physical Plant & Manage- ment	Equipment Levy	Student Activity	
REVENUES:				
Local sources:				
Local tax	\$ 125,150	315,480	0	440,630
Other	2,704	1,940	391,508	396,152
State sources	73	184	0	257
TOTAL REVENUES	127,927	317,604	391,508	837,039
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	48,054	10,151	0	58,205
Other instruction	0	0	387,179	387,179
	48,054	10,151	387,179	445,384
Support services:				
Administration services	61,440	0	0	61,440
Operation and maintenance of plant services	17,597	49,848	0	67,445
Transportation services	9,237	67,874	0	77,111
	88,274	117,722	0	205,996
Other expenditures:				
Facility acquisition	0	31,510	0	31,510
	0	31,510	0	31,510
TOTAL EXPENDITURES	136,328	159,383	387,179	682,890
Excess (deficiency) of revenues over (under) expenditures	(8,401)	158,221	4,329	154,149
Other financing uses:				
Operating transfers out	0	(129,215)	0	(129,215)
Net change in fund balances	(8,401)	29,006	4,329	24,934
Fund balance beginning of year	69,710	34,292	105,906	209,908
Fund balance end of year	\$ 61,309	63,298	110,235	234,842

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys basketball	\$ 2,470	7,904	6,797	3,577
Girls basketball	3,957	7,245	9,310	1,892
Football	1,647	35,879	35,059	2,467
Soccer	720	8,236	7,440	1,516
Baseball	0	7,478	7,464	14
Softball	141	5,244	5,376	9
Boys track/CC	82	9,157	6,313	2,926
Girls track/CC	7,143	6,943	4,575	9,511
Golf	2,532	1,932	2,591	1,873
Wrestling	0	3,006	3,006	0
Volleyball	4,472	7,062	6,433	5,101
Cheerleading I	0	13,619	13,610	9
G club	6,498	5,971	4,218	8,251
Fitness club	2,350	23,223	23,556	2,017
Annual	1,113	18,110	13,294	5,929
Business club	1,067	620	560	1,127
Drama	1,874	2,939	2,384	2,429
After prom	839	5,585	5,878	546
FCCLA	9	50,810	50,814	5
History club	14	1,376	708	682
HS student council	392	3,954	3,738	608
JH student council	0	354	350	4
SADD	0	802	750	52
Spanish club	2,682	4,422	4,600	2,504
Art club	292	6,140	6,428	4
Secondary student pop	3,068	1,814	1,308	3,574
Secondary teachers pop	219	249	344	124
Secondary LMC	343	39	0	382
National honor society	384	2,036	1,905	515
Science club	8	0	0	8
FFA	1,335	10,511	7,753	4,093
Student activity	4,815	8,337	6,071	7,081
Elementary TAG	3	0	0	3
Elementary book fair	3,325	150	3,357	118
Character counts	0	500	500	0
GESS	30,400	39,533	51,269	18,664
Elementary pop	668	415	351	732
Elementary principal	3,242	300	778	2,764
Elem 6th grade carnival	1,315	627	166	1,776
Instrumental music	7,218	58,030	60,847	4,401
Secondary band	0	2,043	0	2,043
Elementary band	549	612	801	360
Vocal music	0	12,471	10,186	2,285
Adult education	463	0	0	463
Elementary health club	285	425	369	341
General activity	2,088	150	732	1,506
Industrial education projects	0	675	673	2
Agriculture education	172	1,869	1,318	723
Alumni	946	249	500	695
Class of 03	96	(96)	0	0
Class of 04	153	(153)	0	0
Class of 05	2,240	1,268	3,259	249
Class of 06	386	9,699	8,018	2,067
Class of 07	0	949	443	506
Student padlock	1,847	795	935	1,707
Towel service	44	0	44	0
	<u>\$ 105,906</u>	<u>391,508</u>	<u>387,179</u>	<u>110,235</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 4,554,887	3,960,802	3,157,622	2,928,913
Tuition	797,463	779,286	752,732	683,023
Other	765,286	450,714	413,524	431,562
State sources	3,988,614	3,548,507	3,510,642	3,380,812
Federal sources	226,429	167,216	70,730	59,113
Total	\$ 10,332,679	8,906,525	7,905,250	7,483,423
Expenditures:				
Instruction:				
Regular instruction	\$ 3,400,124	3,184,131	3,089,308	2,990,343
Special instruction	1,575,302	1,337,762	1,139,223	1,189,562
Other instruction	990,884	874,004	786,766	771,859
Support services:				
Student services	99,117	94,973	132,030	126,014
Instructional staff services	336,575	290,551	288,456	281,738
Administration services	658,949	643,275	595,973	755,582
Operation and maintenance of plant services	545,481	493,087	554,503	498,741
Transportation services	376,937	310,496	272,912	213,182
Central support services	0	45,195	39,193	32,969
Non-instructional:				
Community service & education operations	8,621	5,623	10,081	11,350
Other expenditures:				
Facilities acquisitions	2,428,951	435,506	35,748	137,582
Long Term Debt:				
Principal	479,273	433,083	416,884	400,788
Interest	443,017	134,894	153,806	171,724
AEA flow-through	265,059	244,617	252,761	246,893
Total	\$ 11,608,290	8,527,197	7,767,644	7,828,327

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Gilbert 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 Gilbert Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 10, 2005. 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 Gilbert Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gilbert 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Gilbert Community School District and other parties to Gilbert 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 Gilbert Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 10, 2005

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-05 Checks Outstanding - We noted during our audit that the District had checks included in the Activity Fund bank reconciliation which have been outstanding for over a year.

Recommendation - The District needs to forward these checks to the Treasurer of Iowa after a reasonable length of time.

Response - We will comply.

Conclusion - Response accepted.

I-C-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will review our procedures.

Conclusion - Response accepted.

I-D-05 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will comply.

Conclusion - Response accepted.

I-E-05 Interest in Student Activity Fund - We noted during our audit that the District did not record interest in the Student Activity Fund.

Recommendation - Interest should be recorded and allocated out among the Student Activity accounts at year end.

Response - We will make the necessary changes.

Conclusion - Response accepted.

I-F-05 Meal Reimbursements - We noted during our audit that there were instances of lack of detail on receipts for meal reimbursements.

Recommendation - The District should review its procedures for meal reimbursements and make the necessary changes. A credit card receipt is not detailed enough to know what was purchased. Employees should obtain the actual detailed receipt from the vendor.

Response - We will comply.

Conclusion - Response accepted.

I-G-05 Student Activity Account - We noted during our audit, that the Student Activity Fund has a student padlock account.

Recommendation - This account is not a student run organization, therefore would more appropriately be run through the General Fund.

Response - We will comply.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Marcia DeZonia, Board Member	Assessment consulting	\$1,636
Chris Benda, Board Member	Coach	\$1,740

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member does not appear to be a conflict of interest.

- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will comply.

Conclusion - Response accepted.

- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.