

GILBERT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Notes to Financial Statements		22-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	36
Schedule of Changes in Student Activity Accounts	3	37-38
Debt Service Funds:		
Combining Balance Sheet	4	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	41
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 <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-49

Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Marcia DeZonia	President	2009
Kim Mosiman	Vice President	2008
Chris Benda	Board Member	2008
Mary Zimmerman	Board Member	2009
Paul Livingston	Board Member	2010
Board of Education (After September 2008 Election)		
Marcia DeZonia	President	2009
Kim Mosiman	Vice President	2011
Chris Benda	Board Member	2011
Mary Zimmerman	Board Member	2009
Paul Livingston	Board Member	2011 *
School Officials		
John Kinley	Superintendent	2009
Johna Clancy	Board Secretary/Treasurer and Business Manager	2009
Ahlers & Cooney, P.C.	Attorney	2009

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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, 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.

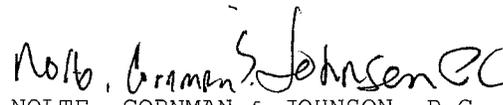
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District at June 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 January 5, 2010, 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 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

January 5, 2010

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, 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 \$10,067,656 in fiscal 2008 to \$10,590,989 in fiscal 2009, while General Fund expenditures increased from \$9,741,199 in fiscal 2008 to \$10,487,682 in fiscal 2009. The District's General Fund balance increased from \$899,801 in fiscal 2008, to \$1,003,108 in fiscal 2009, an 11.48% increase over the prior year.
- The increase in General Fund revenues was mostly attributable to increases in local and state revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

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.

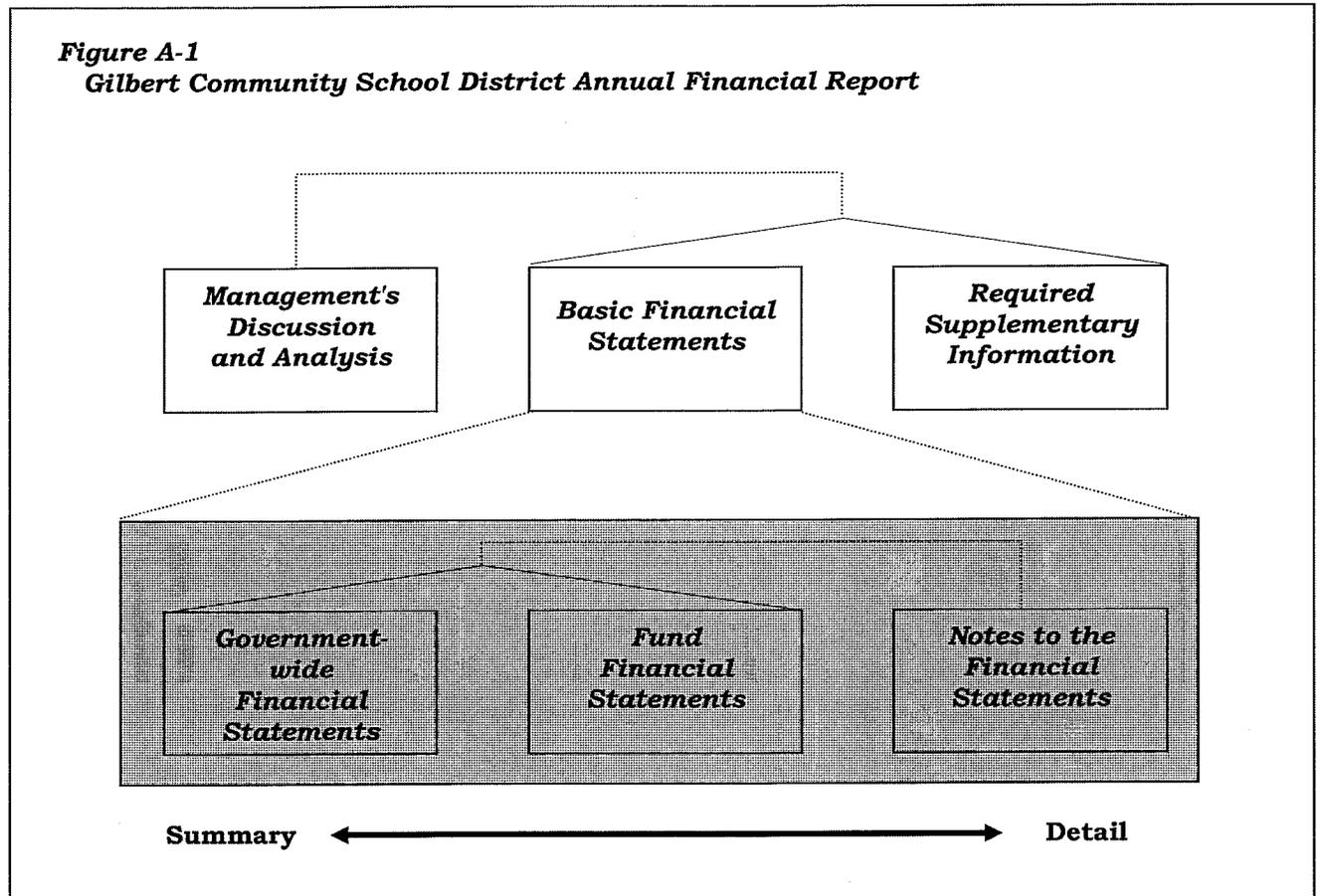


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 11,679,895	10,334,656	18,208	16,525	11,698,103	10,351,181	13.01%
Capital assets	16,190,285	16,405,280	127,550	145,386	16,317,835	16,550,666	-1.41%
Total assets	<u>27,870,180</u>	<u>26,739,936</u>	<u>145,758</u>	<u>161,911</u>	<u>28,015,938</u>	<u>26,901,847</u>	<u>4.14%</u>
Long-term obligations	10,897,792	11,757,361	0	5,393	10,897,792	11,762,754	-7.35%
Other liabilities	6,515,524	6,216,120	12,630	11,735	6,528,154	6,227,855	4.82%
Total liabilities	<u>17,413,316</u>	<u>17,973,481</u>	<u>12,630</u>	<u>17,128</u>	<u>17,425,946</u>	<u>17,990,609</u>	<u>-3.14%</u>
Net assets:							
Invested in capital assets, net of related debt	5,350,285	4,715,280	127,550	145,386	5,477,835	4,860,666	12.70%
Restricted	4,360,189	3,287,577	0	0	4,360,189	3,287,577	32.63%
Unrestricted	746,390	763,598	5,578	(603)	751,968	762,995	-1.45%
Total net assets	<u>\$ 10,456,864</u>	<u>8,766,455</u>	<u>133,128</u>	<u>144,783</u>	<u>10,589,992</u>	<u>8,911,238</u>	<u>18.84%</u>

The District's combined net assets increased by nearly 18.84%, or \$1,678,754 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 increased approximately 32.63%, or approximately \$1,072,612, over the prior year.

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 1.45%, or approximately \$11,027, from the prior year.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues :							
Program revenues:							
Charges for services	\$ 1,940,578	1,685,318	365,179	339,840	2,305,757	2,025,158	13.86%
Operating grants and contributions and restricted interest	1,558,367	1,075,550	112,311	100,880	1,670,678	1,176,430	42.01%
Capital grants and contributions and restricted interest	0	4,109	0	0	0	4,109	-100.00%
General revenues:							
Property tax	5,162,576	4,940,131	0	0	5,162,576	4,940,131	4.50%
Statewide sales and service tax	1,134,397	1,038,858	0	0	1,134,397	1,038,858	9.20%
Unrestricted state grants	4,191,299	4,147,709	0	0	4,191,299	4,147,709	1.05%
Unrestricted interest	94,785	236,934	405	1,204	95,190	238,138	-60.03%
Other general revenue	122,488	243,327	1,385	0	123,873	243,327	-49.09%
Transfers	(2,740)	0	2,740	0	0	0	0.00%
Total revenues	14,201,750	13,371,936	482,020	441,924	14,683,770	13,813,860	6.30%
Program expenses:							
Governmental activities:							
Instructional	8,322,020	7,525,491	0	0	8,322,020	7,525,491	10.58%
Support services	2,842,470	2,793,186	0	0	2,842,470	2,793,186	1.76%
Non-instructional programs	14,406	2,920	493,675	461,742	508,081	464,662	9.34%
Other expenses	1,332,445	1,521,866	0	0	1,332,445	1,521,866	-12.45%
Total expenses	12,511,341	11,843,463	493,675	461,742	13,005,016	12,305,205	5.69%
Change in net assets	1,690,409	1,528,473	(11,655)	(19,818)	1,678,754	1,508,655	11.27%
Net assets beginning of year	8,766,455	7,237,982	144,783	164,601	8,911,238	7,402,583	20.38%
Net assets end of year	\$ 10,456,864	8,766,455	133,128	144,783	10,589,992	8,911,238	18.84%

In fiscal 2009, property tax and unrestricted state grants account for 65.86% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.50% of the revenue from business type activities.

The District's total revenues were \$14,683,770 of which \$14,201,750 was for governmental activities and \$482,020 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.30% increase in revenues and a 5.69% increase in expenses. Property tax increased approximately \$222,445 to fund increases in expenditures. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$14,201,750 and expenses were \$12,511,341.

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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 8,322,020	7,525,491	10.58%	5,285,946	5,134,004	2.96%
Support services	2,842,470	2,793,186	1.76%	2,835,641	2,774,884	2.19%
Non-instructional programs	14,406	2,920	393.36%	14,406	2,920	393.36%
Other expenses	1,332,445	1,521,866	-12.45%	876,403	1,166,678	-24.88%
Totals	\$ 12,511,341	11,843,463	5.64%	9,012,396	9,078,486	-0.73%

- The cost financed by users of the District's programs was \$1,940,578.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,558,367.
- The net cost of governmental activities was financed with \$5,162,576 in property tax, \$1,134,397 in statewide sales and service tax, \$4,191,299 in unrestricted state grants, \$94,785 in interest income and \$122,488 in other income.

Business Type Activities

Revenues of the District's business type activities were \$482,020 and expenses were \$493,675. 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 \$5,235,440, above last year's ending fund balances of a \$4,197,907. The primary reason for the increase is attributable to the increase the District's funding sources that was reflected in all except other general revenue and unrestricted interest revenue.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increases in local and state money resulted in an increase in revenues.
- The Management fund balance increased from \$110,613 in 2008, to \$333,954 in 2009, due to an increase in revenues of \$102,980 or 32.17% and a decrease in expenditures of \$78,652 or 28.25%. The major decrease was in the transportation functional area.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$29,275 in fiscal 2008 to \$123,577 in fiscal 2009. The increase in the fund balance was due to a decrease in facilities acquisitions expenditures.

- The Capital Projects fund increased from \$2,082,733 in fiscal 2008 to \$2,691,627 in fiscal 2009. The fund balance increased due to the Capital Projects Fund having one major expense, which was transferring money to the Debt Service Fund for the bond payments.
- The Debt Service fund balance decreased from \$957,168 in 2008, to \$951,658 in 2009. While revenue decreased by \$138,538 or 9.53%, the expenditures decreased by \$157,762 or 10.69%, mainly due to the reduction in principal and interest of the bonds.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$144,783 in 2008, to \$133,128 in 2009. Revenues for the fiscal year increased by \$40,096 or 9.07%. The expenditures increased by \$31,933 or 6.92%. The higher cost of transportation, storage, and actual cost of the food, along with an increase in wages and benefits was the big factors for the increase.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,884,476 more than budgeted revenues, a variance of approximately 14.72%. 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, 2009, the District had invested \$16,317,835, 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 decrease of 1.41% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$515,608.

The original cost of the District's capital assets was \$21,796,289. Governmental funds account for \$21,536,317 with the remainder of \$259,972 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$20,232 at June 30, 2009, due to the District having restoration work performed on the High School.

Figure A-6

	Capital Assets, Net of Depreciation							
	Governmental		Business type		Total		Total	
	Activities		Activities		School District		Change	
	June 30,		June 30,		June 30,		June 30,	
	2009	2008	2009	2008	2009	2008	2008-09	
Land	\$ 659,445	659,445	0	0	659,445	659,445	0.00%	
Construction in progress	20,232	0	0	0	20,232	0	100.00%	
Buildings	14,807,041	15,042,931	0	0	14,807,041	15,042,931	-1.57%	
Improvements other than buildings	232,999	195,989	0	0	232,999	195,989	18.88%	
Machinery and equipment	470,568	506,915	127,550	145,386	598,118	652,301	-8.31%	
Total	\$ 16,190,285	16,405,280	127,550	145,386	16,317,835	16,550,666	-1.41%	

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$10,897,792 in general obligation bonds, revenue bonds and early retirement. This represents a decrease of 7.35% 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 has an outstanding general obligation bonds payable for a total of \$8,275,000 at June 30, 2009.

The District had revenue bonds payable of \$2,565,000 at June 30, 2009.

The District also had total outstanding early retirement payable of \$57,792 at June 30, 2009, that is payable from the Special Revenue, Management Levy Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,	June 30,	June 30,
	2009	2008	2008-09
General obligation bonds	\$ 8,275,000	8,660,000	-4.45%
Revenue bonds	2,565,000	3,030,000	-15.35%
Early retirement	57,792	72,754	-20.57%
Totals	\$ 10,897,792	11,762,754	-7.35%

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 is starting to stabilize, and the district expects continued growth in the years to come. The increases in enrollment will help the District gain financial stability and aid in repayment of the District's obligations.
- The District realizes that with budget cuts, stagnate economy, and massive unemployment that it could be necessary to implement budget cuts where necessary. The District is hopeful that FY 10 will be a better year and the economy will continue to recover.

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, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 628,801	0	628,801
Other	5,128,940	0	5,128,940
Receivables:			
Property tax:			
Delinquent	37,160	0	37,160
Succeeding year	5,723,767	0	5,723,767
Accounts	83,117	0	83,117
ISCAP accrued interest	78	0	78
Due from other governments	78,032	0	78,032
Inventories	0	18,208	18,208
Capital assets, net of accumulated depreciation	16,190,285	127,550	16,317,835
TOTAL ASSETS	27,870,180	145,758	28,015,938
LIABILITIES			
Accounts payable	89,493	0	89,493
Interest payable	71,069	0	71,069
ISCAP warrants payable	619,000	0	619,000
ISCAP accrued interest payable	212	0	212
ISCAP premiums payable	11,983	0	11,983
Deferred revenue:			
Succeeding year property tax	5,723,767	0	5,723,767
Unearned revenue	0	12,630	12,630
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	410,000	0	410,000
Revenue bonds	480,000	0	480,000
Early retirement	35,292	0	35,292
Portion due after one year:			
General obligation bonds	7,865,000	0	7,865,000
Revenue bonds	2,085,000	0	2,085,000
Early retirement	22,500	0	22,500
TOTAL LIABILITIES	17,413,316	12,630	17,425,946
NET ASSETS			
Invested in capital assets, net of related debt	5,350,285	127,550	5,477,835
Restricted for:			
Categorical funding	185,649	0	185,649
Management levy	276,162	0	276,162
Physical plant & equipment levy	123,577	0	123,577
Capital projects	2,691,627	0	2,691,627
Debt service	951,658	0	951,658
Other special revenue purposes	131,516	0	131,516
Unrestricted	746,390	5,578	751,968
TOTAL NET ASSETS	\$ 10,456,864	133,128	10,589,992

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,194,858	1,026,401	1,043,260	(3,125,197)	0	(3,125,197)
Special	1,334,405	163,755	52,236	(1,118,414)	0	(1,118,414)
Other	1,792,757	750,422	0	(1,042,335)	0	(1,042,335)
	<u>8,322,020</u>	<u>1,940,578</u>	<u>1,095,496</u>	<u>(5,285,946)</u>	<u>0</u>	<u>(5,285,946)</u>
Support services:						
Student	145,056	0	0	(145,056)	0	(145,056)
Instructional staff	363,151	0	0	(363,151)	0	(363,151)
Administration	1,041,960	0	0	(1,041,960)	0	(1,041,960)
Operation and maintenance of plant	841,182	0	0	(841,182)	0	(841,182)
Transportation	451,121	0	6,829	(444,292)	0	(444,292)
	<u>2,842,470</u>	<u>0</u>	<u>6,829</u>	<u>(2,835,641)</u>	<u>0</u>	<u>(2,835,641)</u>
Non-Instructional:						
Community service & education operations	4,194	0	0	(4,194)	0	(4,194)
Food service operations	10,212	0	0	(10,212)	0	(10,212)
	<u>14,406</u>	<u>0</u>	<u>0</u>	<u>(14,406)</u>	<u>0</u>	<u>(14,406)</u>
Other expenditures:						
Facilities acquisitions	242,736	0	75,664	(167,072)	0	(167,072)
Long-term debt interest	459,282	0	0	(459,282)	0	(459,282)
AEA flowthrough	380,378	0	380,378	0	0	0
Depreciation(unallocated)*	250,049	0	0	(250,049)	0	(250,049)
	<u>1,332,445</u>	<u>0</u>	<u>456,042</u>	<u>(876,403)</u>	<u>0</u>	<u>(876,403)</u>
Total governmental activities	12,511,341	1,940,578	1,558,367	(9,012,396)	0	(9,012,396)
Business Type activities:						
Non-instructional programs:						
Nutrition services	493,675	365,179	112,311	0	(16,185)	(16,185)
Total business type activities	<u>493,675</u>	<u>365,179</u>	<u>112,311</u>	<u>0</u>	<u>(16,185)</u>	<u>(16,185)</u>
Total	\$ 13,005,016	2,305,757	1,670,678	(9,012,396)	(16,185)	(9,028,581)
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,974,605	0	3,974,605
Debt services				751,219	0	751,219
Capital outlay				436,752	0	436,752
Statewide sales and services tax				1,134,397	0	1,134,397
Unrestricted state grants				4,191,299	0	4,191,299
Unrestricted investment earnings				94,785	405	95,190
Other				122,488	1,385	123,873
Transfers				(2,740)	2,740	0
Total general revenues and transfers				<u>10,702,805</u>	<u>4,530</u>	<u>10,707,335</u>
Changes in net assets				1,690,409	(11,655)	1,678,754
Net assets beginning of year				8,766,455	144,783	8,911,238
Net assets end of year				<u>\$ 10,456,864</u>	<u>133,128</u>	<u>10,589,992</u>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
ASSETS					
Cash and pooled investments:					
ISCAP	\$ 628,801	0	0	0	628,801
Other	991,125	2,608,594	946,208	583,013	5,128,940
Receivables:					
Property tax:					
Delinquent	25,760	0	5,410	5,990	37,160
Succeeding year	4,075,042	0	766,794	881,931	5,723,767
Accounts	0	0	40	44	84
ISCAP accrued interest	78	0	0	0	78
Due from other governments	78,032	83,033	0	0	161,065
TOTAL ASSETS	\$ 5,798,838	2,691,627	1,718,452	1,470,978	11,679,895
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 89,493	0	0	0	89,493
ISCAP warrants payable	619,000	0	0	0	619,000
ISCAP accrued interest payable	212	0	0	0	212
ISCAP premiums payable	11,983	0	0	0	11,983
Deferred revenue:					
Succeeding year property tax	4,075,042	0	766,794	881,931	5,723,767
Total liabilities	4,795,730	0	766,794	881,931	6,444,455
Fund balances:					
Reserved for:					
Debt service	0	0	951,658	0	951,658
Categorical funding	185,649	0	0	0	185,649
Unreserved	817,459	2,691,627	0	589,047	4,098,133
Total fund balances	1,003,108	2,691,627	951,658	589,047	5,235,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,798,838	2,691,627	1,718,452	1,470,978	11,679,895

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT 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 (page 15)	\$	5,235,440
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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.		16,190,285
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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.		(71,069)
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Long-term liabilities, including bonds payable, and early retirement are not due and payable in and, therefore, are not reported as liabilities in the governmental funds.		<u>(10,897,792)</u>
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Net assets of governmental activities (page 13)	\$	<u><u>10,456,864</u></u>
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GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,579,750	1,134,397	751,219	831,607	6,296,973
Tuition	1,117,011	0	0	0	1,117,011
Other	226,145	23,100	11,911	859,718	1,120,874
State sources	5,289,069	0	341	1,208	5,290,618
Federal sources	379,014	0	0	0	379,014
Total revenues	10,590,989	1,157,497	763,471	1,692,533	14,204,490
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,124,956	0	0	111,276	5,236,232
Special	1,329,561	0	0	0	1,329,561
Other	967,788	0	0	737,224	1,705,012
	7,422,305	0	0	848,500	8,270,805
Support services:					
Student	146,556	0	0	0	146,556
Instructional staff	363,677	0	0	0	363,677
Administration	1,031,261	0	0	15,780	1,047,041
Operation and maintenance of plant	767,768	0	0	59,036	826,804
Transportation	368,803	0	0	114,026	482,829
	2,678,065	0	0	188,842	2,866,907
Non-instructional:					
Community service and education operations	4,194	0	0	0	4,194
Food service operations	0	0	0	10,212	10,212
	4,194	0	0	10,212	14,406
Other expenditures:					
Facilities acquisitions	0	0	0	314,137	314,137
Long-term debt:					
Principal	0	0	850,000	0	850,000
Interest and fiscal charges	0	0	467,584	0	467,584
AEA flowthrough	380,378	0	0	0	380,378
	380,378	0	1,317,584	314,137	2,012,099
Total expenditures	10,484,942	0	1,317,584	1,361,691	13,164,217
Excess(deficiency) of revenues over(under) expenditures	106,047	1,157,497	(554,113)	330,842	1,040,273
Other financing sources(uses):					
Transfers in	0	0	548,603	0	548,603
Transfers out	(2,740)	(548,603)	0	0	(551,343)
Total other financing sources(uses)	(2,740)	(548,603)	548,603	0	(2,740)
Net change in fund balances	103,307	608,894	(5,510)	330,842	1,037,533
Fund balance beginning of year	899,801	2,082,733	957,168	258,205	4,197,907
Fund balance end of year	\$ 1,003,108	2,691,627	951,658	589,047	5,235,440

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, 2009

Net change in fund balances - total governmental funds (page 17) \$ 1,037,533

*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	\$ 282,777	
Depreciation expense	(497,772)	(214,995)

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 850,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 8,302

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		9,569

Changes in net assets of governmental activities (page 14) \$ 1,690,409

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
ASSETS	
Inventories	\$ 18,208
Capital assets, net of accumulated depreciation	127,550
TOTAL ASSETS	145,758
 LIABILITIES	
Unearned revenues	12,630
TOTAL LIABILITIES	12,630
 NET ASSETS	
Invested in capital assets	127,550
Unrestricted	5,578
TOTAL NET ASSETS	\$ 133,128

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, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 365,179
Miscellaneous	1,385
TOTAL OPERATING REVENUES	366,564
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	136,469
Benefits	76,310
Services	5,510
Supplies	257,550
Depreciation	17,836
TOTAL OPERATING EXPENSES	493,675
OPERATING LOSS	(127,111)
NON-OPERATING REVENUES:	
Interest	405
State sources	5,260
Federal sources	107,051
TOTAL NON-OPERATING REVENUES	112,716
Change in net assets before other financing sources	(14,395)
Other financing sources:	
Transfer in	2,740
Change in net assets	(11,655)
Net assets at beginning of year	144,783
Net assets end of year	\$ 133,128

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 366,706
Cash received from miscellaneous operating activities	1,385
Cash payments to employees for services	(218,172)
Cash payments to suppliers for goods or services	(231,002)
Net cash used in operating activities	(81,083)
Cash flows from non-capital financing activities:	
Transfers from the General Fund	2,740
State grants received	5,260
Federal grants received	73,123
Net cash provided by non-capital financing activities	81,123
Cash flows from investing activities:	
Interest on investments	405
Net increase in cash and cash equivalents	445
Cash and cash equivalents at beginning of year	(445)
Cash and cash equivalents at end of year	\$ 0
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (127,111)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	33,928
Depreciation	17,836
Increase in inventories	(1,870)
Decrease in accounts receivable	187
Decrease in early retirement benefits payable	(5,393)
Increase in unearned revenue	1,340
Net cash used in operating activities	\$ (81,083)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 0
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$33,928.	

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(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, 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 is 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 and proprietary 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 Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
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.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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 Balances - 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, 2009, expenditures in the support services functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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:

	Amortized Cost
Diversified Portfolio	\$ 173,410

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

Credit risk. The investments in Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 548,603
Nutrition Fund	General Fund	2,740
		<u>\$ 551,343</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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	06/25/2009	06/23/2010	\$ 628,801	78	619,000	212

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. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2009.

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
2008-09A	3.500%	3.469%
2009-10A	2.500%	0.902%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 259,972	0	0	259,972
Less accumulated depreciation	114,586	17,836	0	132,422
Business type activities capital assets	\$ 145,386	(17,836)	0	127,550

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 659,445	0	0	659,445
Construction in progress	0	20,232	0	20,232
Total capital assets not being depreciated	659,445	20,232	0	679,677
Capital assets being depreciated:				
Buildings	18,191,733	0	0	18,191,733
Land improvements	656,265	51,169	0	707,434
Machinery and equipment	1,800,777	211,376	54,680	1,957,473
Total capital assets being depreciated	20,648,775	262,545	54,680	20,856,640
Less accumulated depreciation for:				
Buildings	3,148,802	235,890	0	3,384,692
Land improvements	460,276	14,159	0	474,435
Machinery and equipment	1,293,862	247,723	54,680	1,486,905
Total accumulated depreciation	4,902,940	497,772	54,680	5,346,032
Total capital assets being depreciated, net	15,745,835	(235,227)	0	15,510,608
Governmental activities capital assets, net	\$ 16,405,280	(214,995)	0	16,190,285

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 30,060
Special		2,778
Other		113,682
Support services:		
Instructional staff		4,524
Administration services		8,860
Operation and maintenance of plant services		19,877
Transportation		67,942
		<u>247,723</u>
Unallocated depreciation		<u>250,049</u>
Total governmental activities depreciation expense		<u>\$ 497,772</u>
Business type activities:		
Food services		<u>\$ 17,836</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 8,660,000	0	385,000	8,275,000	410,000
Revenue bonds	3,030,000	0	465,000	2,565,000	480,000
Early retirement	72,754	27,792	42,754	57,792	35,292
Total	\$ 11,762,754	27,792	892,754	10,897,792	925,292

General Obligation Bonds

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			
	Interest Rate	Principal	Interest	Total
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
2015-2019	4.05-4.50	2,695,000	1,113,541	3,808,541
2020-2024	4.50-4.75	3,370,000	448,471	3,818,471
Total		\$ 8,275,000	3,170,032	11,445,032

Revenue Bonds

During the year ended June 30, 2005, the District issued Revenue Bonds of \$3,870,000. Details of the District's June 30, 2009 indebtedness is as follows:

Year Ending June 30,	Bond Issue of March 1, 2005			
	Interest Rates	Principal	Interest	Total
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		\$ 2,565,000	217,167	2,782,167

The District has pledged future statewide sales and services tax revenues to repay the \$3,870,000 bonds issued in March 2005. The bonds were issued for the purpose of financing a portion of the costs of a new middle school. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 49 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$2,782,167. For the year ended June 30, 2009, principal and interest paid on the bonds were \$465,000 and \$89,020, respectively.

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 fifteen 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 48% 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, 2009, totaled \$42,754.

(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 4.10% of their annual covered salary and the District is required to contribute 6.35% of its annual covered payroll for the years ended June 30, 2009, 2008, and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$405,920, \$349,774, and \$308,073, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$380,378 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the support services functional area exceeded the amount budgeted.

(11) Construction Commitment

The District has entered into various contracts totaling \$72,800 for the remodeling project of high school bathrooms. At June 30, 2009, costs of \$20,232 had been incurred against the contracts. The balance of \$52,568 remaining at June 30, 2009 will be paid as work on the project progresses. The total cost of the new high school will be added to the District's fixed asset listing upon completion.

(12) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
Weighted limited english proficient	\$ 3,380
Home school assistance program	35,383
Weighted at-risk programs	15,340
Talented and gifted	470
Dropout and dropout prevention	72,840
Beginning teacher mentoring and induction program	123
Salary improvement program	1,299
Professional development/additional salary	21,351
Phase III	3,192
Professional development for model core curriculum	12,803
Professional development	10,874
Market factor	1,273
Market factor incentives	7,321
Total	<u>\$ 185,649</u>

(13) Other Postemployment Benefits (OPEB)

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expenses and related liabilities or assets note disclosures, and if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement Number 45 for the year ending June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,534,858	366,969	8,901,827	7,368,326	7,368,326	1,533,501
State sources	5,290,618	5,260	5,295,878	5,260,968	5,260,968	34,910
Federal sources	379,014	107,051	486,065	170,000	170,000	316,065
Total revenues	14,204,490	479,280	14,683,770	12,799,294	12,799,294	1,884,476
Expenditures/expenses:						
Instruction	8,270,805	0	8,270,805	8,903,673	8,903,673	632,868
Support services	2,866,907	0	2,866,907	2,773,000	2,773,000	(93,907)
Non-instructional programs	14,406	493,675	508,081	542,000	542,000	33,919
Other expenditures	2,012,099	0	2,012,099	3,051,739	3,051,739	1,039,640
Total expenditures/expenses	13,164,217	493,675	13,657,892	15,270,412	15,270,412	1,612,520
Excess(deficiency) of revenues over(under) expenditures/expenses	1,040,273	(14,395)	1,025,878	(2,471,118)	(2,471,118)	3,496,996
Other financing sources, net	(2,740)	2,740	0	554,420	554,420	(554,420)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,037,533	(11,655)	1,025,878	(1,916,698)	(1,916,698)	2,942,576
Balance beginning of year	4,197,907	144,783	4,342,690	2,412,536	2,412,536	1,930,154
Balance end of year	\$ 5,235,440	133,128	5,368,568	495,838	495,838	4,872,730

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 in the support services functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant & Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 131,516	331,084	120,413	583,013
Receivables:				
Property tax:				
Current year delinquent	0	2,849	3,141	5,990
Succeeding year	0	400,000	481,931	881,931
Accounts	0	21	23	44
TOTAL ASSETS	\$ 131,516	733,954	605,508	1,470,978
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 0	400,000	481,931	881,931
Total liabilities	0	400,000	481,931	881,931
Fund balances:				
Unreserved	131,516	333,954	123,577	589,047
Total fund balances	131,516	333,954	123,577	589,047
TOTAL LIABILITIES AND FUND BALANCES	\$ 131,516	733,954	605,508	1,470,978

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue			
	Student Activity	Manage- ment Levy	Physical Plant & Equipment Levy	Total Special Revenue
REVENUES:				
Local sources:				
Local tax	\$ 0	394,855	436,752	831,607
Other	750,423	27,209	82,086	859,718
State sources	0	1,010	198	1,208
TOTAL REVENUES	750,423	423,074	519,036	1,692,533
EXPENDITURES:				
Current:				
Instruction:				
Regular	0	98,079	13,197	111,276
Other	737,224	0	0	737,224
Support services:				
Administration	0	15,780	0	15,780
Operation and maintenance of plant	0	59,036	0	59,036
Transportation	0	16,626	97,400	114,026
Non-instructional:				
Food service operations	0	10,212	0	10,212
Other expenditures:				
Facilities acquisition	0	0	314,137	314,137
TOTAL EXPENDITURES	737,224	199,733	424,734	1,361,691
Net change in fund balances	13,199	223,341	94,302	330,842
Fund balance beginning of year	118,317	110,613	29,275	258,205
Fund balance end of year	\$ 131,516	333,954	123,577	589,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Elementary</u>				
Elementary TAG	\$ 3	0	0	3
Character counts	1	1	0	2
GESS	23,413	54,613	39,403	38,623
Elementary pop	110	50	160	0
Elementary student activity	603	4,154	3,110	1,647
Elem 6th grade carnival	1,541	536	499	1,578
Student scrip	4,878	263,069	251,267	16,680
	<u>30,549</u>	<u>322,423</u>	<u>294,439</u>	<u>58,533</u>
<u>Music</u>				
Instrumental music	4,977	0	4,242	735
Secondary band	96	77,062	76,984	174
MS band	357	983	1,340	0
Vocal music	3,147	8,426	6,486	5,087
Vocal robes	0	159	65	94
	<u>8,577</u>	<u>86,630</u>	<u>89,117</u>	<u>6,090</u>
<u>Miscellaneous</u>				
Adult education	635	660	480	815
Elementary health club	1,449	430	254	1,625
General activity	9,620	5	242	9,383
Industrial education projects	137	1,396	1,402	131
Agriculture education	206	1,450	1,618	38
	<u>12,047</u>	<u>3,941</u>	<u>3,996</u>	<u>11,992</u>
<u>Classes</u>				
Alumni	753	1,488	0	2,241
Class of 2006	877	0	877	0
Class of 2007	743	0	743	0
Class of 2008	397	0	397	0
Class of 2009	3,324	1,558	4,882	0
Class of 2010	892	12,076	8,355	4,613
Class of 2011	0	943	299	644
	<u>6,986</u>	<u>16,065</u>	<u>15,553</u>	<u>7,498</u>
<u>Athletics</u>				
Boys basketball	1,315	11,308	12,348	275
Girls basketball	3,609	8,145	11,704	50
Football	1,188	44,000	40,440	4,748
Soccer	0	9,997	9,997	0
Baseball	0	16,095	16,095	0
Softball	0	4,895	4,895	0
Boys track/CC	3,511	26,390	29,901	0
Girls track/CC	8,963	4,478	12,900	541
Golf	2,225	550	2,775	0
Football camp	2,543	10,073	12,102	514
Wrestling	783	14,319	15,102	0
Cross country camp	0	2,496	2,496	0
Volleyball	0	6,969	6,969	0
Baseball camp	118	2	0	120
Girls basketball camp	1,086	1,914	2,085	915
Softball camp	0	1,920	1,664	256
Boys basketball camp	2,505	5,589	7,229	865
Volleyball camp	1,923	2,965	3,041	1,847
	<u>29,769</u>	<u>172,105</u>	<u>191,743</u>	<u>10,131</u>

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Athletic support</u>				
Cheerleading MS I	0	1,558	1,558	0
Cheerleading HS II	0	3,342	3,018	324
G club	4,910	0	4,910	0
Fitness club	926	5,400	5,778	548
	<u>5,836</u>	<u>10,300</u>	<u>15,264</u>	<u>872</u>
<u>HS clubs/organizations</u>				
Annual	2,205	20,040	19,122	3,123
Business club	2,181	1,320	1,467	2,034
Drama	4,320	2,784	2,942	4,162
After prom	2,657	8,502	8,784	2,375
FCCLA	154	35,813	32,832	3,135
District XI FHA	0	4,128	2,424	1,704
History club	230	583	446	367
HS student council	1,671	4,835	5,118	1,388
SADD	0	170	170	0
MOC	47	1	0	48
Spanish club	2,991	13,281	13,660	2,612
Art club	0	6,511	5,552	959
Secondary student pop	2,139	0	2,129	10
Secondary teachers pop	20	46	66	0
Secondary LMC	147	0	147	0
National honor society	217	388	605	0
Science club	8	1	0	9
FFA	1,782	25,681	17,508	9,955
Student activity	929	2,291	3,220	0
	<u>21,698</u>	<u>126,375</u>	<u>116,192</u>	<u>31,881</u>
<u>Registration</u>				
Student padlock	450	146	0	596
<u>Middle school</u>				
MS special olympics	0	261	180	81
MS student activity	601	3,740	3,703	638
MS guidance	247	185	49	383
MS FCCLA	0	4,379	4,339	40
MS yearbook	850	1,990	1,232	1,608
MS teachers pop	165	2	63	104
MS student council	82	887	550	419
MS art club	64	458	164	358
	<u>2,405</u>	<u>12,438</u>	<u>10,920</u>	<u>3,923</u>
Totals	<u>\$ 118,317</u>	<u>750,423</u>	<u>737,224</u>	<u>131,516</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2009

<u>Debt Service Fund</u>			
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 36,192	910,016	946,208
Receivables:			
Property tax:			
Current year delinquent	5,410	0	5,410
Succeeding year	766,794	0	766,794
Accounts	40	0	40
TOTAL ASSETS	\$ 808,436	910,016	1,718,452
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 766,794	0	766,794
Total liabilities	766,794	0	766,794
Fund balances:			
Reserved for debt service	41,642	910,016	951,658
Total fund balances	41,642	910,016	951,658
TOTAL LIABILITIES AND FUND BALANCES	\$ 808,436	910,016	1,718,452

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICES FUNDS
 YEAR ENDED JUNE 30, 2009

	Debt Service Fund		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 751,219	0	751,219
Other	5,240	6,671	11,911
State sources	341	0	341
TOTAL REVENUES	756,800	6,671	763,471
EXPENDITURES:			
Current:			
Other expenditures:			
Long-term debt:			
Principal	385,000	465,000	850,000
Interest and fiscal charges	376,573	91,011	467,584
TOTAL EXPENDITURES	761,573	556,011	1,317,584
Deficiency of revenues under expenditures	(4,773)	(549,340)	(554,113)
Other financing sources:			
Transfers in	0	548,603	548,603
Net change in fund balances	(4,773)	(737)	(5,510)
Fund balance beginning of year	46,415	910,753	957,168
Fund balance end of year	\$ 41,642	910,016	951,658

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 6,296,974	5,978,989	5,752,840	4,902,630	4,554,887	3,960,802
Tuition	1,117,011	1,069,366	833,141	781,055	797,463	779,286
Other	1,120,873	1,096,214	903,823	815,712	765,286	450,714
State sources	5,290,618	5,045,511	4,830,135	4,249,279	3,988,614	3,548,507
Federal sources	379,014	181,856	192,299	191,698	226,429	167,216
Total	<u>\$ 14,204,490</u>	<u>13,371,936</u>	<u>12,512,238</u>	<u>10,940,374</u>	<u>10,332,679</u>	<u>8,906,525</u>
Expenditures:						
Instruction:						
Regular	\$ 5,236,232	4,874,038	4,689,576	3,883,576	3,400,124	3,184,131
Special	1,329,561	1,189,439	1,197,259	1,384,622	1,575,302	1,337,762
Other	1,705,012	1,409,132	852,669	1,119,677	990,884	874,004
Support services:						
Student	146,556	133,394	127,416	92,712	99,117	94,973
Instructional staff	363,677	352,823	396,916	345,799	336,575	290,551
Administration	1,047,041	1,021,126	913,903	803,992	658,949	643,275
Operation and maintenance of plant	826,804	796,851	696,035	545,010	545,481	493,087
Transportation	482,829	542,904	477,046	408,024	376,937	310,496
Central support	0	0	0	0	0	45,195
Non-instructional:						
Community service and education operations	4,194	4,420	5,501	6,169	8,621	5,623
Food service operations	10,212	0	0	0	0	0
Other expenditures:						
Facilities acquisitions	314,137	360,156	2,171,839	8,485,959	2,428,951	435,506
Long Term Debt:						
Principal	850,000	973,356	896,924	490,565	479,273	433,083
Interest and fiscal charges	467,584	501,990	534,019	535,999	443,017	134,894
AEA flow-through	380,378	351,079	332,307	286,885	265,059	244,617
Total	<u>\$ 13,164,217</u>	<u>12,510,708</u>	<u>13,291,410</u>	<u>18,388,989</u>	<u>11,608,290</u>	<u>8,527,197</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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 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 January 5, 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 Gilbert Community School District 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 Gilbert Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gilbert 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 and other 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 Gilbert 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 Gilbert Community School District's financial statements that is more than inconsequential will not be prevented or detected by Gilbert Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Gilbert 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 item I-A-09 is a material weakness.

Compliance and Other Matters

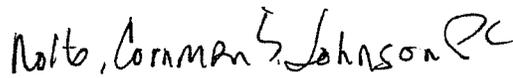
As part of obtaining reasonable assurance about whether Gilbert Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

Gilbert Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Gilbert 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 Gilbert Community School District and other parties to whom 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.

January 5, 2010

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-09 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, that segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will continue to monitor its controls and make changes when the resources are available.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

- I-B-09 Board Policies - We noted during our audit, that the District hasn't implemented a cell phone policy. The policy should address the issues and requirements for employees who utilize District owned cell phones or receive a dollar allowance for their personal cell phones.

Recommendation - The District should review their procedures in place and update or implement the necessary policies.

Response - The District is establishing a policy.

Conclusion - Response accepted.

- I-C-09 Grant Revenue/ Recognition - We noted during our audit that in the General Fund, state grant monies were being recorded in the miscellaneous revenue account. State grants are allocated to a specific source code and should not be coded to miscellaneous income.

Recommendation - The District is required to maintain state grant reporting in compliance with the Department of Education reporting. The District should review their posting process and make necessary changes to ensure state grants are properly recorded.

Response - The District is improving their procedures on coding grant revenue.

Conclusion - Response accepted.

I-D-09 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should retain all documentation for the payroll process.

Response - The District will review our procedures and make corrections where necessary.

Conclusion - Response accepted.

I-E-09 Payments to Athletic Officials - We noted during our audit, instances of employees being paid separately through accounts payable for officiating an athletic event rather than through payroll.

Recommendation - Wages received by a District employee for officiating an athletic event needs to be included on the individual employee's W-2 and on the District payroll reports.

Response - The District will review our procedures and make corrections where necessary.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the support services functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will keep better track of the budget and file the amendments in a timely fashion.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks for purchase of flowers for funerals from the Student Activity Fund. Flowers for funerals do not appear to meet public purpose per Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their policies on public purpose and should refrain from using District's monies for non-public purpose items.

Response - We have moved these out of the activity fund beginning this year.

Conclusion - Response accepted.

II-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.

II-D-09 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 President Consulting	Purchased services	\$500
Chris Benda, Board Member Substitute bus driver	Payroll	\$573
Cindy Knock, Substitute Teacher Owner of Knock and Kneedles, LLC	Purchased services	\$2,076

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

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the owner of Knock and Kneedles do not appear to represent a conflict of interest.

II-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.

II-F-09 Board Minutes - During our audit we noted a permanent transfer from the General Fund to the Nutrition Fund for \$2,740, which did not appear to be approved by the Board. All allowable transfers or loans require board approval.

Recommendation - The District should review its policies and procedures on the proper procedures of transferring monies between funds.

Response - The \$2,740 to the Food Service Fund was approved consent agenda in the approval of bills. So it was approved, just not spelled out in a separate board action item.

Conclusion - Response acknowledge. Consent items should only include routine items. Transfers between funds should be presented to the Board of Directors in a separate Board action.

II-G-09 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-H-09 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-I-09 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.

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

II-K-09 Statewide Sales and Service Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

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 services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		1,134,397
Expenditures/transfers out:		
Debt service for school infrastructure:		
Transfer to Debt Sinking		548,603
		<hr/>
Ending Balance	\$	<u>585,794</u>

II-L-09 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular

activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

More specifically, transactions in the General Activity account appear to be controlled by teachers for break room beverages and flowers sent to funerals. A student activity fund must be established in any school corporation receiving money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related cocurricular or extracurricular activities. The General Activity account expenditures do not appear to meet the guidelines for inclusion in the Student Activity Fund. The account balance should be transferred to the General Fund.

Also noted in the Student Activity, there was a student padlock account. In accordance of Chapter 9 of Local and Area Education Agencies, this is not an appropriate fund to use for public fees, rents, or sales or any other revenues or expenditures more properly included in another fund. The collection of fees for padlocks would appear to be rental income and therefore should be recorded in the General Fund. The District should review their policies and procedures with these transactions in this account and make the necessary transfers.

It was noted that there was a cash machine at the After Prom Party. "All funds from all student organizations and activities residing in the school district funds including the student activity fund are owned by the school district." "The students are not owners of the funds, and the funds do not meet the legal requirement of description to be specific identifiable money (1967 Senior Class of Pekin vs Tharp, Supreme Court of Iowa, December 12, 1967)." "An excess of revenues over expenditures for any student activity remains under the control of the board and may not be distributed to any individual member of such activity" as provided for in Chapter 9.

Currently, donations from Target are recorded in the Elementary account in the Student Activity Fund. Target donations are considered an undesignated donation, therefore, pending Board designation they should be receipted into the General Fund for use as determined by the Board of Directors. The designation should be noted annually in the District's board minutes.

The District writes various checks throughout the year for start up cash for the gate at District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are barer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

Response - The District has implemented most of the recommendations and will continue to implement the rest in the near future. The District will make the necessary designations for the donations.

Conclusion - Response accepted.

II-M-09 Signing of All Contracts - We noted during our audit that the Board President was not signing all contracts according to Chapter 291.1 of the Code of Iowa, which states that "the Board President shall sign all contracts entered into by the District."

Recommendation - The District shall have the Board President sign any and all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The District subsequently has the Board President signing all contracts.

Conclusion - Response accepted.