

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

JUNE 30, 2010

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Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
Marcia DeZonia	President	2009
Kim Mosiman	Vice President	2011
Chris Benda	Board Member	2011
Mary Zimmerman	Board Member	2009
Paul Livingston	Board Member	2011
<b>Board of Education (After September 2009 Election)</b>		
Marcia DeZonia	President	2013
Kim Mosiman	Vice President	2011
Chris Benda	Board Member	2011
Mary Zimmerman	Board Member	2013
Paul Livingston	Board Member	2011
<b>School Officials</b>		
John Kinley	Superintendent	2010
Johna Clancy	Board Secretary/Treasurer and Business Manager	2010
Ahlers & Cooney, P.C.	Attorney	2010

GILBERT COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
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, 2010, 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.

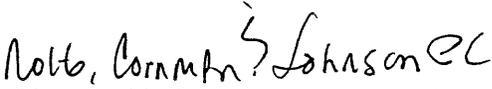
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District at June 30, 2010, 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 February 10, 2011, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 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 six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

February 10, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$10,590,989 in fiscal 2009 to \$11,144,403 in fiscal 2010, while General Fund expenditures increased from \$10,487,682 in fiscal 2009 to \$10,797,243 in fiscal 2010. The District's General Fund balance increased from \$1,003,108 in fiscal 2009, to \$1,350,268 in fiscal 2010, a 34.61% increase over the prior year.
- The increase in General Fund revenues was mostly attributable to increases in local and federal revenues in fiscal 2010. 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

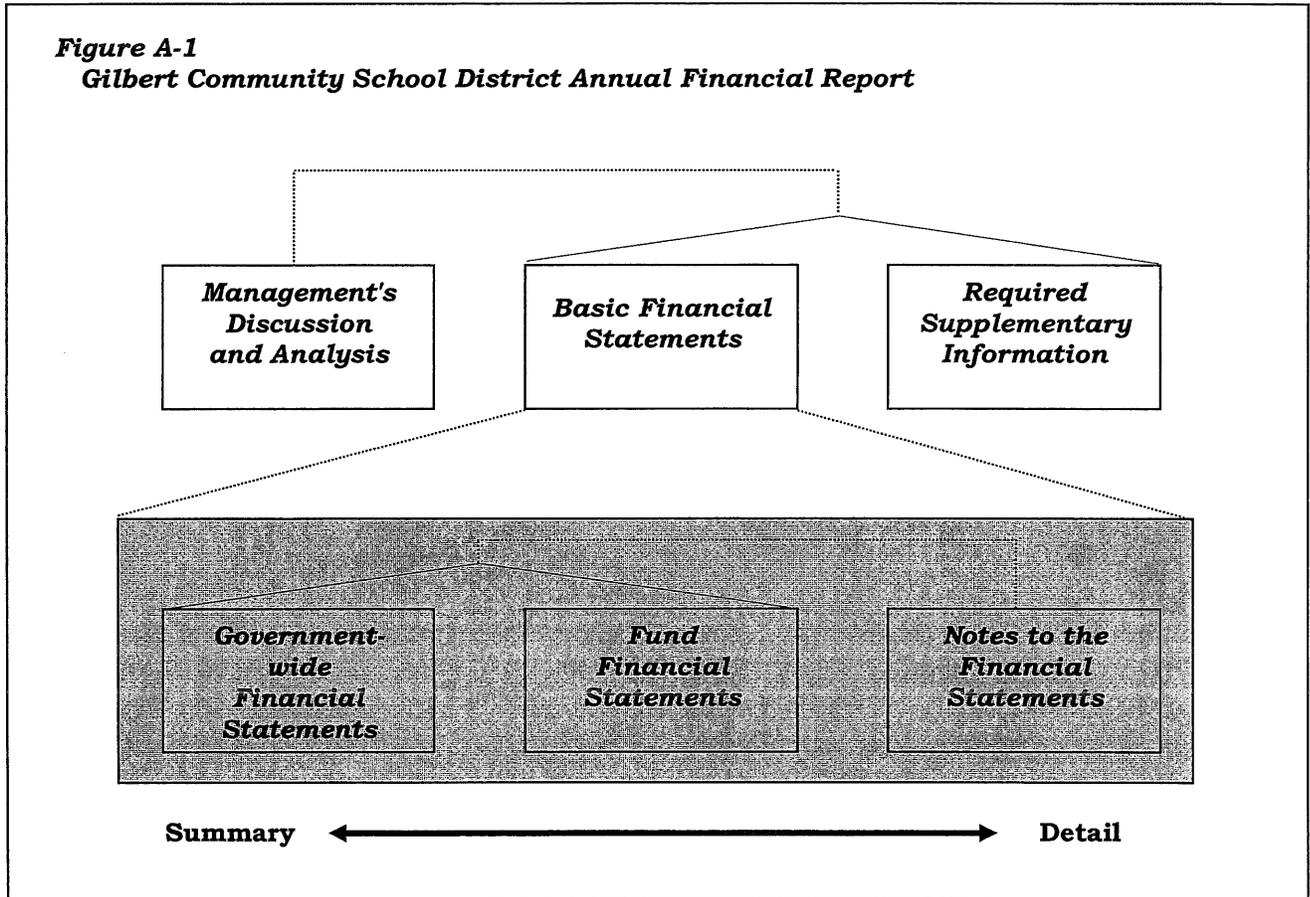


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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.

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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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 12,685,608	11,679,895	36,793	18,208	12,722,401	11,698,103	8.76%
Capital assets	15,933,686	16,190,285	110,262	127,550	16,043,948	16,317,835	-1.68%
Total assets	<u>28,619,294</u>	<u>27,870,180</u>	<u>147,055</u>	<u>145,758</u>	<u>28,766,349</u>	<u>28,015,938</u>	2.68%
Long-term obligations	10,094,006	10,897,792	1,421	0	10,095,427	10,897,792	-7.36%
Other liabilities	6,406,318	6,515,524	11,866	12,630	6,418,184	6,528,154	-1.68%
Total liabilities	<u>16,500,324</u>	<u>17,413,316</u>	<u>13,287</u>	<u>12,630</u>	<u>16,513,611</u>	<u>17,425,946</u>	-5.24%
Net assets:							
Invested in capital assets, net of related debt	5,983,686	5,350,285	110,262	127,550	6,093,948	5,477,835	11.25%
Restricted	5,075,737	4,360,189	0	0	5,075,737	4,360,189	16.41%
Unrestricted	1,059,547	746,390	23,506	5,578	1,083,053	751,968	44.03%
Total net assets	<u>\$ 12,118,970</u>	<u>10,456,864</u>	<u>133,768</u>	<u>133,128</u>	<u>12,252,738</u>	<u>10,589,992</u>	15.70%

The District's combined net assets increased by nearly 15.70%, or \$1,662,746 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 16.41%, or approximately \$715,548, 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- increased approximately 44.03%, or approximately \$331,085, from the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues :							
Program revenues:							
Charges for services	\$ 1,935,185	1,940,578	376,195	365,179	2,311,380	2,305,757	0.24%
Operating grants and contributions and restricted interest	2,069,612	1,558,367	124,111	112,311	2,193,723	1,670,678	31.31%
Capital grants and contributions and restricted interest	4,675	0	0	0	4,675	0	100.00%
General revenues:							
Property tax	5,738,039	5,162,576	0	0	5,738,039	5,162,576	11.15%
Statewide sales and service tax	1,114,623	1,134,397	0	0	1,114,623	1,134,397	-1.74%
Unrestricted state grants	3,572,507	4,191,299	0	0	3,572,507	4,191,299	-14.76%
Unrestricted interest	58,817	94,785	179	405	58,996	95,190	-38.02%
Other general revenue	114,427	122,488	3,080	1,385	117,507	123,873	-5.14%
Transfers	0	(2,740)	0	2,740	0	0	0.00%
Total revenues	<u>14,607,885</u>	<u>14,201,750</u>	<u>503,565</u>	<u>482,020</u>	<u>15,111,450</u>	<u>14,683,770</u>	<u>2.91%</u>
Program expenses:							
Governmental activities:							
Instructional	8,410,230	8,322,020	0	0	8,410,230	8,322,020	1.06%
Support services	2,891,972	2,842,470	0	0	2,891,972	2,842,470	1.74%
Non-instructional programs	11,950	14,406	502,925	493,675	514,875	508,081	1.34%
Other expenses	1,631,627	1,332,445	0	0	1,631,627	1,332,445	22.45%
Total expenses	<u>12,945,779</u>	<u>12,511,341</u>	<u>502,925</u>	<u>493,675</u>	<u>13,448,704</u>	<u>13,005,016</u>	<u>3.41%</u>
Change in net assets	1,662,106	1,690,409	640	(11,655)	1,662,746	1,678,754	-0.95%
Net assets beginning of year	<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>
Net assets end of year	<u>\$ 12,118,970</u>	<u>10,456,864</u>	<u>133,768</u>	<u>133,128</u>	<u>12,252,738</u>	<u>10,589,992</u>	<u>15.70%</u>

In fiscal 2010, property tax and unrestricted state grants account for 63.74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.35% of the revenue from business type activities.

The District's total revenues were \$15,111,450 of which \$14,607,885 was for governmental activities and \$503,565 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.91% increase in revenues and a 3.41% increase in expenses. Property tax increased approximately \$575,463 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 \$14,607,885 and expenses were \$12,945,779.

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		
	2010	2009	Change	2010	2009	Change
			2009-10			2009-10
Instruction	\$ 8,410,230	8,322,020	1.06%	4,853,446	5,285,946	-8.18%
Support services	2,891,972	2,842,470	1.74%	2,871,825	2,835,641	1.28%
Non-instructional programs	11,950	14,406	-17.05%	11,950	14,406	-17.05%
Other expenses	1,631,627	1,332,445	22.45%	1,199,086	876,403	36.82%
Totals	\$ 12,945,779	12,511,341	3.47%	8,936,307	9,012,396	-0.84%

- The cost financed by users of the District's programs was \$1,935,185.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,074,287.
- The net cost of governmental activities was financed with \$5,738,039 in property tax, \$1,114,623 in statewide sales and service tax, \$3,572,507 in unrestricted state grants, \$58,817 in interest income and \$114,427 in other income.

## Business Type Activities

Revenues of the District's business type activities were \$503,565 and expenses were \$502,925. 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 \$6,341,775, above last year's ending fund balances of a \$5,235,440. District revenues increased at a slower rate than expenses, however revenues still exceeded expenses by \$1,106,335.

### Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increases in local and federal money resulted in an increase in revenues.
- The Management fund balance increased from \$333,954 in 2009, to \$573,315 in 2010, due to an increase in revenues of \$2,956 or 0.70% and a decrease in expenditures of \$13,064 or 6.54%. The major decrease was in the regular instruction functional area.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$123,577 in fiscal 2009 to \$58,300 in fiscal 2010. The decrease in the fund balance was due to a increase in facilities acquisitions expenditures.

- The Capital Projects fund increased from \$2,691,627 in fiscal 2009 to \$3,270,664 in fiscal 2010. 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 increased from \$951,658 in 2009, to \$957,125 in 2010. While revenue increased by \$18,722 or 1.43%, the expenditures increased by \$7,745 or 0.59%, mainly due to the reduction in principal and interest of the bonds.

### Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$133,128 in 2009, to \$133,768 in 2010. Revenues for the fiscal year increased by \$24,285 or 5.07%. The expenditures increased by \$9,250 or 1.87%. 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 \$298,493 less than budgeted revenues, a variance of approximately 1.94%. The most significant variance resulted from the District receiving more in federal 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, 2010, the District had invested \$16,043,948, 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 1.68% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$591,984.

The original cost of the District's capital assets was \$22,114,386. Governmental funds account for \$21,854,414 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 \$0 at June 30, 2010, compared to \$20,232 in 2009 due to the District having finished restoration work performed at 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,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 659,445	659,445	0	0	659,445	659,445	0.00%
Construction in progress	0	20,232	0	0	0	20,232	-100.00%
Buildings	14,528,778	14,807,041	0	0	14,528,778	14,807,041	-1.88%
Improvements other than buildings	210,609	232,999	0	0	210,609	232,999	-9.61%
Machinery and equipment	534,854	470,568	110,262	127,550	645,116	598,118	7.86%
<b>Total</b>	<b>\$ 15,933,686</b>	<b>16,190,285</b>	<b>110,262</b>	<b>127,550</b>	<b>16,043,948</b>	<b>16,317,835</b>	<b>-1.68%</b>

## Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$10,095,427 in general obligation bonds, revenue bonds and early retirement. This represents a decrease of 7.36% 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 \$7,865,000 at June 30, 2010.

The District had revenue bonds payable of \$2,085,000 at June 30, 2010.

The District also had total outstanding early retirement payable of \$127,576 at June 30, 2010, that is payable from the Special Revenue, Management Levy Fund.

The District had a net OPEB liability of \$16,430 in the governmental activities and \$1,421 in the business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 7,865,000	8,275,000	0	0	7,865,000	8,275,000	-4.95%
Revenue bonds	2,085,000	2,565,000	0	0	2,085,000	2,565,000	-18.71%
Early retirement	127,576	57,792	0	0	127,576	57,792	120.75%
Net OPEB obligation	16,430	0	1,421	0	17,851	0	100.00%
Total	\$ 10,094,006	10,897,792	1,421	0	10,095,427	10,897,792	-7.36%

## 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 11 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.

GILBERT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:	\$ 6,079,429	17,519	6,096,948
Receivables:			
Property tax:			
Delinquent	37,944	0	37,944
Succeeding year	6,248,564	0	6,248,564
Accounts	183,988	0	183,988
Due from other governments	135,683	0	135,683
Inventories	0	19,274	19,274
Capital assets, net of accumulated depreciation	15,933,686	110,262	16,043,948
<b>TOTAL ASSETS</b>	<b>28,619,294</b>	<b>147,055</b>	<b>28,766,349</b>
<b>LIABILITIES</b>			
Accounts payable	95,269	0	95,269
Interest payable	62,485	0	62,485
Deferred revenue:			
Succeeding year property tax	6,248,564	0	6,248,564
Unearned revenue	0	11,866	11,866
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	425,000	0	425,000
Revenue bonds	495,000	0	495,000
Early retirement	85,085	0	85,085
Portion due after one year:			
General obligation bonds	7,440,000	0	7,440,000
Revenue bonds	1,590,000	0	1,590,000
Early retirement	42,491	0	42,491
Net OPEB liability	16,430	1,421	17,851
<b>TOTAL LIABILITIES</b>	<b>16,500,324</b>	<b>13,287</b>	<b>16,513,611</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,983,686	110,262	6,093,948
Restricted for:			
Categorical funding	211,806	0	211,806
Management levy	445,739	0	445,739
Physical plant & equipment levy	58,300	0	58,300
Capital projects	3,270,664	0	3,270,664
Debt service	957,125	0	957,125
Other special revenue purposes	132,103	0	132,103
Unrestricted	1,059,547	23,506	1,083,053
<b>TOTAL NET ASSETS</b>	<b>\$ 12,118,970</b>	<b>133,768</b>	<b>12,252,738</b>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
<b>Governmental activities:</b>							
<b>Instruction:</b>							
Regular	\$ 5,212,651	1,083,900	1,219,470	0	(2,909,281)	0	(2,909,281)
Special	1,302,542	204,571	384,318	0	(713,653)	0	(713,653)
Other	1,895,037	646,714	17,811	0	(1,230,512)	0	(1,230,512)
	<u>8,410,230</u>	<u>1,935,185</u>	<u>1,621,599</u>	<u>0</u>	<u>(4,853,446)</u>	<u>0</u>	<u>(4,853,446)</u>
<b>Support services:</b>							
Student	154,005	0	0	0	(154,005)	0	(154,005)
Instructional staff	392,799	0	0	0	(392,799)	0	(392,799)
Administration	1,033,551	0	0	0	(1,033,551)	0	(1,033,551)
Operation and maintenance of plant	839,054	0	0	4,675	(834,379)	0	(834,379)
Transportation	472,563	0	15,472	0	(457,091)	0	(457,091)
	<u>2,891,972</u>	<u>0</u>	<u>15,472</u>	<u>4,675</u>	<u>(2,871,825)</u>	<u>0</u>	<u>(2,871,825)</u>
<b>Non-Instructional:</b>							
Community service & education operations	692	0	0	0	(692)	0	(692)
Food service operations	11,258	0	0	0	(11,258)	0	(11,258)
	<u>11,950</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,950)</u>	<u>0</u>	<u>(11,950)</u>
<b>Other expenditures:</b>							
Facilities acquisitions	393,080	0	0	0	(393,080)	0	(393,080)
Long-term debt interest	426,745	0	0	0	(426,745)	0	(426,745)
AEA flowthrough	432,541	0	432,541	0	0	0	0
Depreciation(unallocated)*	379,261	0	0	0	(379,261)	0	(379,261)
	<u>1,631,627</u>	<u>0</u>	<u>432,541</u>	<u>0</u>	<u>(1,199,086)</u>	<u>0</u>	<u>(1,199,086)</u>
<b>Total governmental activities</b>	<b>12,945,779</b>	<b>1,935,185</b>	<b>2,069,612</b>	<b>4,675</b>	<b>(8,936,307)</b>	<b>0</b>	<b>(8,936,307)</b>
<b>Business Type activities:</b>							
<b>Non-instructional programs:</b>							
Nutrition services	502,925	376,195	124,111	0	0	(2,619)	(2,619)
<b>Total business type activities</b>	<b>502,925</b>	<b>376,195</b>	<b>124,111</b>	<b>0</b>	<b>0</b>	<b>(2,619)</b>	<b>(2,619)</b>
<b>Total</b>	<b>\$ 13,448,704</b>	<b>2,311,380</b>	<b>2,193,723</b>	<b>4,675</b>	<b>(8,936,307)</b>	<b>(2,619)</b>	<b>(8,938,926)</b>
<b>General Revenues:</b>							
<b>Property tax levied for:</b>							
General purposes					\$ 4,486,430	0	4,486,430
Debt services					767,199	0	767,199
Capital outlay					484,410	0	484,410
Statewide sales and services tax					1,114,623	0	1,114,623
Unrestricted state grants					3,572,507	0	3,572,507
Unrestricted investment earnings					58,817	179	58,996
Other					114,427	3,080	117,507
					<u>10,598,413</u>	<u>3,259</u>	<u>10,601,672</u>
<b>Total general revenues and transfers</b>					<b>10,598,413</b>	<b>3,259</b>	<b>10,601,672</b>
Changes in net assets					1,662,106	640	1,662,746
Net assets beginning of year					10,456,864	133,128	10,589,992
Net assets end of year					<u>\$ 12,118,970</u>	<u>133,768</u>	<u>12,252,738</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,190,767	3,178,835	952,006	757,821	6,079,429
Receivables:					
Property tax:					
Delinquent	27,016	0	5,078	5,850	37,944
Succeeding year	4,611,742	0	764,987	871,835	6,248,564
Accounts	183,900	0	41	47	183,988
Due from other governments	43,854	91,829	0	0	135,683
<b>TOTAL ASSETS</b>	<b>\$ 6,057,279</b>	<b>3,270,664</b>	<b>1,722,112</b>	<b>1,635,553</b>	<b>12,685,608</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 95,269	0	0	0	95,269
Deferred revenue:					
Succeeding year property tax	4,611,742	0	764,987	871,835	6,248,564
Total liabilities	4,707,011	0	764,987	871,835	6,343,833
Fund balances:					
Reserved for:					
Debt service	0	0	957,125	0	957,125
Categorical funding	211,806	0	0	0	211,806
Unreserved	1,138,462	3,270,664	0	763,718	5,172,844
Total fund balances	1,350,268	3,270,664	957,125	763,718	6,341,775
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,057,279</b>	<b>3,270,664</b>	<b>1,722,112</b>	<b>1,635,553</b>	<b>12,685,608</b>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

Total fund balances of governmental funds (page 20) \$ 6,341,775

*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. 15,933,686

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. (62,485)

Long-term liabilities, including bonds payable, early  
retirement, and net OPEB liability are not due and payable  
in and, therefore, are not reported as liabilities in the  
governmental funds. (10,094,006)

Net assets of governmental activities (page 18) \$ 12,118,970

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,085,906	1,114,623	767,199	884,934	6,852,662
Tuition	1,212,944	0	0	0	1,212,944
Other	199,436	24,807	2,890	668,352	895,485
State sources	4,711,810	0	314	363	4,712,487
Federal sources	934,307	0	0	0	934,307
Total revenues	11,144,403	1,139,430	770,403	1,553,649	14,607,885
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	5,086,926	0	0	96,933	5,183,859
Special	1,301,969	0	0	0	1,301,969
Other	1,264,890	0	0	633,419	1,898,309
	7,653,785	0	0	730,352	8,384,137
Support services:					
Student	155,266	0	0	0	155,266
Instructional staff	383,309	0	0	0	383,309
Administration	1,018,839	0	0	15,608	1,034,447
Operation and maintenance of plant	783,507	0	0	54,126	837,633
Transportation	369,304	0	0	116,178	485,482
	2,710,225	0	0	185,912	2,896,137
Non-instructional:					
Community service and education operations	692	0	0	0	692
Food service operations	0	0	0	11,258	11,258
	692	0	0	11,258	11,950
Other expenditures:					
Facilities acquisitions	0	0	0	451,456	451,456
Long-term debt:					
Principal	0	0	890,000	0	890,000
Interest and fiscal charges	0	0	435,329	0	435,329
AEA flowthrough	432,541	0	0	0	432,541
	432,541	0	1,325,329	451,456	2,209,326
Total expenditures	10,797,243	0	1,325,329	1,378,978	13,501,550
Excess(deficiency) of revenues over(under) expenditures	347,160	1,139,430	(554,926)	174,671	1,106,335
Other financing sources(uses):					
Transfers in	0	0	560,393	0	560,393
Transfers out	0	(560,393)	0	0	(560,393)
Total other financing sources(uses)	0	(560,393)	560,393	0	0
Net change in fund balances	347,160	579,037	5,467	174,671	1,106,335
Fund balance beginning of year	1,003,108	2,691,627	951,658	589,047	5,235,440
Fund balance end of year	\$ 1,350,268	3,270,664	957,125	763,718	6,341,775

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 1,106,335

*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	\$ 318,097	
Depreciation expense	(574,696)	(256,599)

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 890,000

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. 8,584

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	(69,784)	
Net OPEB liability	(16,430)	(86,214)

Changes in net assets of governmental activities (page 19) \$ 1,662,106

GILBERT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,519
Inventories	19,274
Capital assets, net of accumulated depreciation	110,262
<b>TOTAL ASSETS</b>	<u>147,055</u>
<b>LIABILITIES</b>	
Unearned revenues	11,866
Net OPEB liability	1,421
<b>TOTAL LIABILITIES</b>	<u>13,287</u>
<b>NET ASSETS</b>	
Invested in capital assets	110,262
Unrestricted	23,506
<b>TOTAL NET ASSETS</b>	<u>\$ 133,768</u>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 376,195
Miscellaneous	3,080
TOTAL OPERATING REVENUES	379,275
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	150,090
Benefits	69,886
Services	4,047
Supplies	261,614
Depreciation	17,288
TOTAL OPERATING EXPENSES	502,925
OPERATING LOSS	(123,650)
NON-OPERATING REVENUES:	
Interest	179
State sources	4,800
Federal sources	119,311
TOTAL NON-OPERATING REVENUES	124,290
Change in net assets	640
Net assets at beginning of year	133,128
Net assets end of year	\$ 133,768

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 375,431
Cash received from miscellaneous operating activities	3,080
Cash payments to employees for services	(219,976)
Cash payments to suppliers for goods or services	(225,217)
Net cash used in operating activities	(66,682)
Cash flows from non-capital financing activities:	
State grants received	4,800
Federal grants received	79,222
Net cash provided by non-capital financing activities	84,022
Cash flows from investing activities:	
Interest on investments	179
Net increase in cash and cash equivalents	17,519
Cash and cash equivalents at beginning of year	0
Cash and cash equivalents at end of year	\$ 17,519
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (123,650)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	40,089
Depreciation	17,288
Increase in inventories	(1,066)
Increase in net OPEB liability	1,421
Decrease in unearned revenue	(764)
Net cash used in operating activities	\$ (66,682)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$40,089.

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, equipment, and intangibles 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
Intangibles	25,000
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
Intangibles	2 or more 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 Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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	\$ 1,853,608

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

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

(3) **Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 560,393

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 Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. During the year June 30, 2010 the District had no ISCAP borrowings or repayments.

During the year ended June 30, 2010, the District paid \$15,177 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	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	20,232	53,176	73,408	0
Total capital assets not being depreciated	679,677	53,176	73,408	659,445
Capital assets being depreciated:				
Buildings	18,191,733	73,408	0	18,265,141
Land improvements	707,434	5,200	0	712,634
Machinery and equipment	1,957,473	259,721	0	2,217,194
Total capital assets being depreciated	20,856,640	338,329	0	21,194,969
Less accumulated depreciation for:				
Buildings	3,384,692	351,671	0	3,736,363
Land improvements	474,435	27,590	0	502,025
Machinery and equipment	1,486,905	195,435	0	1,682,340
Total accumulated depreciation	5,346,032	574,696	0	5,920,728
Total capital assets being depreciated, net	15,510,608	(236,367)	0	15,274,241
Governmental activities capital assets, net	\$ 16,190,285	(183,191)	73,408	15,933,686

	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	132,422	17,288	0	149,710
Business type activities capital assets	<u>\$ 127,550</u>	<u>(17,288)</u>	<u>0</u>	<u>110,262</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 30,020
Special	2,073
Other	23,633
Support services:	
Instructional staff	8,993
Administration services	12,371
Operation and maintenance of plant services	34,149
Transportation	84,196
	<u>195,435</u>
Unallocated depreciation	<u>379,261</u>
Total governmental activities depreciation expense	<u>\$ 574,696</u>
Business type activities:	
Food services	<u>\$ 17,288</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 8,275,000	0	410,000	7,865,000	425,000
Revenue bonds	2,565,000	0	480,000	2,085,000	495,000
Early retirement	57,792	127,576	57,792	127,576	85,085
Net OPEB liability	0	16,430	0	16,430	0
Total	<u>\$ 10,897,792</u>	<u>144,006</u>	<u>947,792</u>	<u>10,094,006</u>	<u>1,005,085</u>
Business Type Activities:					
Net OPEB liability	<u>\$ 0</u>	<u>1,421</u>	<u>0</u>	<u>1,421</u>	<u>0</u>

#### General Obligation Bonds

Details of the District's June 30, 2010 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			
	Interest Rate	Principal	Interest	Total
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		\$ 7,865,000	2,813,638	10,678,638

#### 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, 2010 indebtedness is as follows:

Year Ending June 30,	Bond Issue of March 1, 2005			
	Interest Rates	Principal	Interest	Total
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		\$ 2,085,000	142,322	2,227,322

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 \$2,227,322. For the year ended June 30, 2010, principal and interest paid on the bonds were \$480,000 and \$74,845, 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, 2010, totaled \$57,792.

**(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of its annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$439,866, \$405,920, \$349,774, respectively, equal to the required contributions for each year.

**(8) Other Post-employment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 81 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 36,357
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>36,357</u>
Contributions made	<u>(18,506)</u>
Increase in net OPEB obligation	17,851
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 17,851</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$18,506 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 36,357	50.90%	\$ 17,851

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$290,530, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$290,530. The covered payroll (annual payroll of active employees covered by the plan) was \$6,318,704, and the ratio of the UAAL to covered payroll was 4.60%. As of June 30, 2010 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$432.35 for single, \$1,165.31 for family, \$902.87 for employee plus child, and \$969.88 for employee plus spouse under PPO 500, \$526.79 for single, \$1,317.00 for family, \$658.61 for employee plus child, and \$712.54 for employee plus spouse under PPO 1000, and \$445.56 for single, \$1,113.93 for family, \$588.87 for employee plus child, and \$637.09 for employee plus spouse under HD 2500 for retirees less than age 65 and \$3,858.34 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) 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.

**(10) 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 \$432,541 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
Weighted limited english proficient	\$ 4,368
Home school assistance program	47,535
Weighted at-risk programs	8,954
Talented and gifted	3,989
Dropout and dropout prevention	92,070
Beginning teacher mentoring and induction program	117
Salary improvement program	1,299
Professional development/additional salary	21,027
Professional development for model core curriculum	21,535
Professional development	3,591
Market factor incentives	7,321
	<hr/>
Total	<u>\$ 211,806</u>

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,961,091	379,454	9,340,545	8,890,238	8,890,238	450,307
Intermediary sources	0	0	0	1,000	1,000	(1,000)
State sources	4,712,487	4,800	4,717,287	6,283,705	6,283,705	(1,566,418)
Federal sources	934,307	119,311	1,053,618	235,000	235,000	818,618
Total revenues	14,607,885	503,565	15,111,450	15,409,943	15,409,943	(298,493)
Expenditures/expenses:						
Instruction	8,384,137	0	8,384,137	9,730,317	9,730,317	1,346,180
Support services	2,896,137	0	2,896,137	4,008,809	4,008,809	1,112,672
Non-instructional programs	11,950	502,925	514,875	596,783	596,783	81,908
Other expenditures	2,209,326	0	2,209,326	2,490,029	2,490,029	280,703
Total expenditures/expenses	13,501,550	502,925	14,004,475	16,825,938	16,825,938	2,821,463
Excess(deficiency) of revenues over(under) expenditures/expenses	1,106,335	640	1,106,975	(1,415,995)	(1,415,995)	2,522,970
Balance beginning of year	5,235,440	133,128	5,368,568	4,342,689	4,342,689	1,025,879
Balance end of year	\$ 6,341,775	133,768	6,475,543	2,926,694	2,926,694	3,548,849

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 290,530	\$ 290,530	0.00%	\$ 6,318,704	4.60%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2010

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant & Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 132,103	570,644	55,074	757,821
Receivables:				
Property tax:				
Delinquent	0	2,650	3,200	5,850
Succeeding year	0	349,999	521,836	871,835
Accounts	0	21	26	47
<b>TOTAL ASSETS</b>	<b>\$ 132,103</b>	<b>923,314</b>	<b>580,136</b>	<b>1,635,553</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 0	349,999	521,836	871,835
Total liabilities	0	349,999	521,836	871,835
Fund balances:				
Unreserved	132,103	573,315	58,300	763,718
Total fund balances	132,103	573,315	58,300	763,718
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 132,103</b>	<b>923,314</b>	<b>580,136</b>	<b>1,635,553</b>

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, 2010

	Special Revenue			
	Student Activity	Manage- ment Levy	Physical Plant & Equipment Levy	Total Special Revenue
REVENUES:				
Local sources:				
Local tax	\$ 0	400,524	484,410	884,934
Other	634,006	25,342	9,004	668,352
State sources	0	164	199	363
TOTAL REVENUES	634,006	426,030	493,613	1,553,649
EXPENDITURES:				
Current:				
Instruction:				
Regular	0	83,275	13,658	96,933
Other	633,419	0	0	633,419
Support services:				
Administration	0	15,608	0	15,608
Operation and maintenance of plant	0	54,126	0	54,126
Transportation	0	22,402	93,776	116,178
Non-instructional:				
Food service operations	0	11,258	0	11,258
Other expenditures:				
Facilities acquisition	0	0	451,456	451,456
TOTAL EXPENDITURES	633,419	186,669	558,890	1,378,978
Net change in fund balances	587	239,361	(65,277)	174,671
Fund balance beginning of year	131,516	333,954	123,577	589,047
Fund balance end of year	\$ 132,103	573,315	58,300	763,718

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<b><u>Elementary</u></b>					
Elementary TAG	\$ 3	0	3	0	0
Character counts	2	3	0	0	5
GESS	38,623	47,628	44,872	0	41,379
Elementary health club	1,625	102	88	0	1,639
Elementary student activity	1,647	2,614	2,978	(122)	1,161
Student scrip	16,680	216,715	217,812	0	15,583
	<u>58,580</u>	<u>267,062</u>	<u>265,753</u>	<u>(122)</u>	<u>59,767</u>
<b><u>Music</u></b>					
Instrumental music	735	27,343	20,718	0	7,360
Secondary band	174	407	581	0	0
MS band	0	1,231	746	0	485
Vocal music	5,087	2,268	4,307	0	3,048
Vocal robes	94	0	94	0	0
	<u>6,090</u>	<u>31,249</u>	<u>26,446</u>	<u>0</u>	<u>10,893</u>
<b><u>Miscellaneous</u></b>					
Adult education	815	0	0	0	815
General activity	9,383	0	904	0	8,479
	<u>10,367</u>	<u>2,673</u>	<u>904</u>	<u>0</u>	<u>9,294</u>
<b><u>Registration</u></b>					
Student padlock	596	0	596	0	0
<b><u>Athletics</u></b>					
General Athletics	0	21,936	18,856	(2,970)	110
Boys basketball	275	10,465	10,740	0	0
Girls basketball	50	10,532	10,582	0	0
Football	4,748	23,512	22,332	(5,928)	0
Boy's Soccer	0	7,146	8,240	1,094	0
Girl's Soccer	0	3,944	4,042	98	0
Baseball	0	11,369	11,921	552	0
Softball	0	5,143	5,429	286	0
Boys' track	0	8,905	15,002	6,097	0
Boys/Girls Cross Country	541	9,187	9,728	0	0
Girls' Track	0	7,795	8,566	771	0
Boys' Golf	0	713	713	0	0
Girls' Golf	0	998	998	0	0
Football camp	514	4,220	4,734	0	0
Wrestling	0	7,992	8,808	816	0
Cross country camp	0	2,425	2,425	0	0
Volleyball	0	6,333	6,333	0	0
Baseball camp	120	0	120	0	0
Girls basketball camp	915	1,194	2,109	0	0
Softball camp	256	1,078	1,334	0	0
Boys basketball camp	865	896	1,761	0	0
Volleyball camp	1,847	1,292	3,139	0	0
	<u>10,131</u>	<u>147,075</u>	<u>157,912</u>	<u>816</u>	<u>110</u>

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<b><u>Classes</u></b>					
Alumni	2,241	2	48	0	2,195
Class of 2010	4,613	187	4,800	0	0
Class of 2011	644	7,620	4,768	0	3,496
Class of 2012	0	1,523	475	0	1,048
	<u>7,498</u>	<u>9,332</u>	<u>10,091</u>	<u>0</u>	<u>6,739</u>
<b><u>Athletic support</u></b>					
Cheerleading HS II	324	19,164	19,488	0	0
G club	0	9,856	9,040	(816)	0
Fitness club	548	899	1,447	0	0
FCA	0	144	144	0	0
	<u>872</u>	<u>30,063</u>	<u>30,119</u>	<u>(816)</u>	<u>0</u>
<b><u>HS clubs/organizations</u></b>					
Annual	3,123	18,015	17,657	0	3,481
Business club	2,034	864	2,136	0	762
Drama	4,162	4,068	6,144	0	2,086
After prom	2,375	7,383	7,093	0	2,665
FCCLA	3,135	53,272	53,738	0	2,669
District XI FHA	1,704	4,450	6,154	0	0
History club	367	232	311	0	288
HS student council	1,388	5,049	3,851	0	2,586
SADD	0	322	322	0	0
MOC	48	0	0	0	48
Spanish club	2,612	4,699	4,801	0	2,510
Art club	959	1,707	1,642	0	1,024
Secondary student pop	10	3,394	163	0	3,241
Secondary LMC	0	48	48	0	0
National honor society	0	667	478	0	189
Industrial education projects	131	1,594	1,608	0	117
Agriculture education	38	1,079	795	0	322
Science club	9	0	0	0	9
FFA	9,955	22,077	12,988	0	19,044
Student activity	0	5,147	5,237	245	155
	<u>32,050</u>	<u>134,067</u>	<u>125,166</u>	<u>245</u>	<u>41,196</u>
<b><u>Middle school</u></b>					
MS 6th grade carnival	1,578	1	989	0	590
MS special olympics	81	628	160	0	549
MS 5th Grade activity	0	805	799	0	6
MS student activity	638	3,121	3,059	(123)	577
MS guidance	383	45	347	0	81
MS vocal	0	1,130	1,074	0	56
MS FCCLA	40	4,923	4,947	0	16
MS yearbook	1,608	2,612	2,620	0	1,600
MS teachers pop	104	0	104	0	0
MS student council	419	995	1,402	0	12
MS drama	292	285	369	0	208
MS art club	358	113	70	0	401
MS Adapt P.E.	0	500	492	0	8
	<u>5,501</u>	<u>15,158</u>	<u>16,432</u>	<u>(123)</u>	<u>4,104</u>
Totals	<u>\$ 131,516</u>	<u>634,006</u>	<u>633,419</u>	<u>0</u>	<u>132,103</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2010

<u>Debt Service Fund</u>			
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 35,748	916,258	952,006
Receivables:			
Property tax:			
Current year delinquent	5,078	0	5,078
Succeeding year	764,987	0	764,987
Accounts	41	0	41
<b>TOTAL ASSETS</b>	<b>\$ 805,854</b>	<b>916,258</b>	<b>1,722,112</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 764,987	0	764,987
Total liabilities	764,987	0	764,987
Fund balances:			
Reserved for debt service	40,867	916,258	957,125
Total fund balances	40,867	916,258	957,125
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 805,854</b>	<b>916,258</b>	<b>1,722,112</b>

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, 2010

	Debt Service Fund		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 767,199	0	767,199
Other	2,005	885	2,890
State sources	314	0	314
TOTAL REVENUES	<u>769,518</u>	<u>885</u>	<u>770,403</u>
EXPENDITURES:			
Current:			
Other expenditures:			
Long-term debt:			
Principal	410,000	480,000	890,000
Interest and fiscal charges	360,293	75,036	435,329
TOTAL EXPENDITURES	<u>770,293</u>	<u>555,036</u>	<u>1,325,329</u>
Deficiency of revenues under expenditures	(775)	(554,151)	(554,926)
Other financing sources:			
Transfers in	0	560,393	560,393
Net change in fund balances	(775)	6,242	5,467
Fund balance beginning of year	41,642	910,016	951,658
Fund balance end of year	<u>\$ 40,867</u>	<u>916,258</u>	<u>957,125</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
<b>Local sources:</b>							
Local tax	\$ 6,852,662	6,296,974	5,978,989	5,752,840	4,902,630	4,554,887	3,960,802
Tuition	1,212,944	1,117,011	1,069,366	833,141	781,055	797,463	779,286
Other	895,485	1,120,873	1,096,214	903,823	815,712	765,286	450,714
State sources	4,712,487	5,290,618	5,045,511	4,830,135	4,249,279	3,988,614	3,548,507
Federal sources	934,307	379,014	181,856	192,299	191,698	226,429	167,216
<b>Total</b>	<b>\$ 14,607,885</b>	<b>14,204,490</b>	<b>13,371,936</b>	<b>12,512,238</b>	<b>10,940,374</b>	<b>10,332,679</b>	<b>8,906,525</b>
<b>Expenditures:</b>							
<b>Instruction:</b>							
Regular	\$ 5,183,859	5,236,232	4,874,038	4,689,576	3,883,576	3,400,124	3,184,131
Special	1,301,969	1,329,561	1,189,439	1,197,259	1,384,622	1,575,302	1,337,762
Other	1,898,309	1,705,012	1,409,132	852,669	1,119,677	990,884	874,004
<b>Support services:</b>							
Student	155,266	146,556	133,394	127,416	92,712	99,117	94,973
Instructional staff	383,309	363,677	352,823	396,916	345,799	336,575	290,551
Administration	1,034,447	1,047,041	1,021,126	913,903	803,992	658,949	643,275
Operation and maintenance of plant	837,633	826,804	796,851	696,035	545,010	545,481	493,087
Transportation	485,482	482,829	542,904	477,046	408,024	376,937	310,496
Central support	0	0	0	0	0	0	45,195
<b>Non-instructional:</b>							
Community service and education operations	692	4,194	4,420	5,501	6,169	8,621	5,623
Food service operations	11,258	10,212	0	0	0	0	0
<b>Other expenditures:</b>							
Facilities acquisitions	451,456	314,137	360,156	2,171,839	8,485,959	2,428,951	435,506
<b>Long Term Debt:</b>							
Principal	890,000	850,000	973,356	896,924	490,565	479,273	433,083
Interest and fiscal charges	435,329	467,584	501,990	534,019	535,999	443,017	134,894
AEA flow-through	432,541	380,378	351,079	332,307	286,885	265,059	244,617
<b>Total</b>	<b>\$ 13,501,550</b>	<b>13,164,217</b>	<b>12,510,708</b>	<b>13,291,410</b>	<b>18,388,989</b>	<b>11,608,290</b>	<b>8,527,197</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 10,544
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	108,767 *
			<u>119,311</u>
U.S. DEPARTMENT OF DEFENSE:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
FLOOD CONTROL PROJECTS	12.106	FY 10	<u>4,675</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	<u>13,622</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>4,189</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>1,685</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	<u>17,113</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	<u>7,605</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>501,100</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER (IDEA)			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	54,530
ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	119,282
			<u>173,812</u>
TOTAL			<u>\$ 843,112</u>

\* - Includes \$40,089 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Gilbert Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the  
Gilbert Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gilbert Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Finding and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Finding and Questioned Costs as items II-B-10, II-C-10, II-D-10, and II-E-10 to be significant deficiencies.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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, and 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.

February 10, 2011

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

To the Board of Education of  
Gilbert Community School District

Compliance

We have audited the compliance of Gilbert Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Gilbert Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Gilbert Community School District's management. Our responsibility is to express an opinion on Gilbert Community School District's compliance based on our audit.

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

In our opinion, Gilbert Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Gilbert Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Gilbert Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gilbert Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Finding and Questionable Costs as item III-A-10 as a material weakness.

Gilbert Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit 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, and is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2011

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund - Education State Grants, Recovery Act.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Gilbert Community School District did not qualify as a low-risk auditee.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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.

II-B-10 Field Trips - The entire middle and high school band went on a field trip to Adventureland in the spring of 2010 and were charged a fee for this trip. Based on a Department of Education Declaratory ruling it would be inappropriate to charge individuals to participate in a field trip that is being counted as one of its 180 days of instruction for students. As this trip was counted in the 180 days of instruction this charge would appear to be tuition which is expressly prohibited by Chapter 282.6 of the Code of Iowa.

Recommendation - The District should evaluate what is allowable when it comes to planning field trips. Issues concerning the nature of the trip and required attendance should be considered when determining if fees may be charged. The District could use fundraising to subsidize such school field trips in the future. The District should not charge students to attend field trips being counted in the 180 days of instruction.

Response - This was an optional field trip that was not required and the students' grades were not dependent on their attendance on this field trip. We will comply in the future.

Conclusion - Response accepted.

II-C-10 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 - This has been changed at the beginning of the current fiscal year.

Conclusion - Response accepted.

II-D-10 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Pre-numbered tickets have been implemented with the winter junior high sport season and will be continued with spring and summer sports at the high school level.

Conclusion - Response accepted.

II-E-10 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. We noted sponsors do not appear to be giving receipts for money collected from students. When the money is turned into the office there does not appear to be supporting documentation for the money

collected that later could be used for reconciliation uses. We note that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The district should take necessary steps to require all individuals to turn in collected money.

Response - Changes have been made so printed receipts with actual signatures are given to a individuals turning in money to sponsors.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund – Education State Grants,  
Recovery Act  
Federal Award Year: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-10 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. We noted that the duties of two individuals include preparing checks and recording the transactions in the general ledger.

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

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

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 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.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 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	\$300

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.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance	\$	585,794
Statewide sales and services tax revenue		1,114,623
Expenditures/transfers out:		
Debt service for school infrastructure:		
Revenue debt		560,393
Ending Balance	\$	<u>1,140,024</u>

There was no tax reduction as a result of the statewide sales, services and use tax received during the year ended June 30, 2010.

IV-M-10 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.

**Administratively maintained accounts-** 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).

Recommendation - 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 fundraising events, or other student-related co-curricular 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.

Response - These accounts have been moved in the current fiscal year.

Conclusion - Response accepted.

