

GILBERT COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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Gilbert Community School District

Officials

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

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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2012, 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 42 through 44 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 seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gilbert Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,144,403 in fiscal 2010 to \$12,136,913 in fiscal 2011, while General Fund expenditures increased from \$10,797,243 in fiscal 2010 to \$11,379,246 in fiscal 2011. The District's General Fund balance increased from \$1,350,268 in fiscal 2010, to \$2,107,935 in fiscal 2011, a 56.11% increase over the prior year.
- The increase in General Fund revenues was mostly attributable to increases in local and state revenues in fiscal 2011. 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.

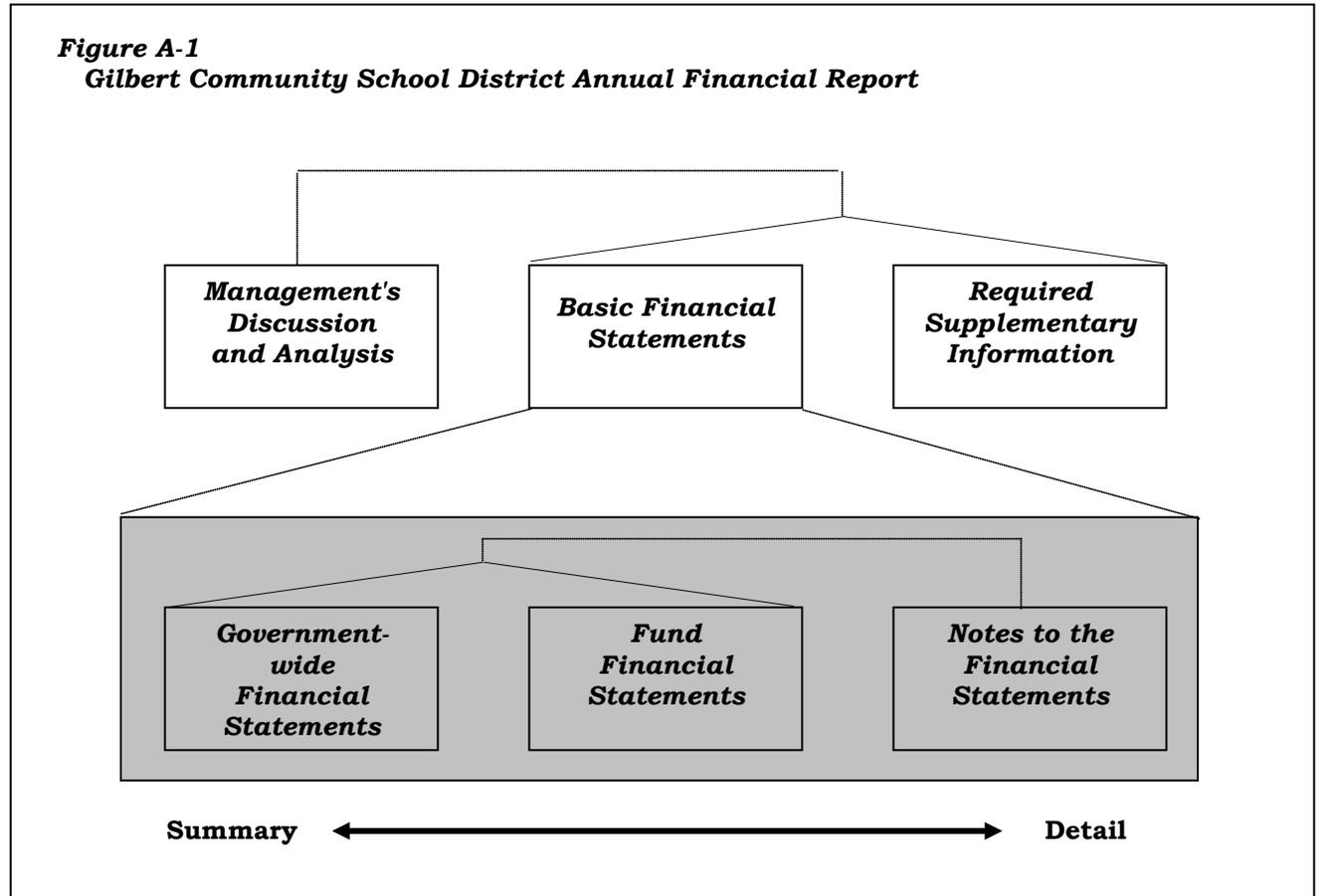


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 13,601,466	12,685,608	79,972	36,793	13,681,438	12,722,401	7.54%
Capital assets	16,621,755	15,933,686	94,034	110,262	16,715,789	16,043,948	4.19%
Total assets	<u>30,223,221</u>	<u>28,619,294</u>	<u>174,006</u>	<u>147,055</u>	<u>30,397,227</u>	<u>28,766,349</u>	<u>5.67%</u>
Long-term obligations	9,186,213	10,094,006	2,823	1,421	9,189,036	10,095,427	-8.98%
Other liabilities	6,869,505	6,406,318	14,307	11,866	6,883,812	6,418,184	7.25%
Total liabilities	<u>16,055,718</u>	<u>16,500,324</u>	<u>17,130</u>	<u>13,287</u>	<u>16,072,848</u>	<u>16,513,611</u>	<u>-2.67%</u>
Net assets:							
Invested in capital assets, net of related debt	7,591,755	5,983,686	94,034	110,262	7,685,789	6,093,948	26.12%
Restricted	4,688,590	5,075,737	0	0	4,688,590	5,075,737	-7.63%
Unrestricted	1,887,158	1,059,547	62,842	23,506	1,950,000	1,083,053	80.05%
Total net assets	<u>\$ 14,167,503</u>	<u>12,118,970</u>	<u>156,876</u>	<u>133,768</u>	<u>14,324,379</u>	<u>12,252,738</u>	<u>16.91%</u>

The District's combined net assets increased by nearly 16.91%, or \$2,071,641 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately 7.63%, or approximately \$387,147, over the prior year. The decrease was primarily due to the decrease in the Capital Projects: Physical Plant and Equipment Levy and Capital Projects: Statewide Sales, Services and Use Tax Fund fund balance, as well as the decrease in categorical funding.

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 80.05%, or approximately \$866,947, from the prior year. The increase was primarily due to the increase in the General Fund fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues :							
Program revenues:							
Charges for services	\$ 1,912,487	1,935,185	377,114	376,195	2,289,601	2,311,380	-0.94%
Operating grants and contributions and restricted interest	1,598,557	2,069,612	128,501	124,111	1,727,058	2,193,723	-21.27%
Capital grants and contributions and restricted interest	0	4,675	0	0	0	4,675	-100.00%
General revenues:							
Property tax	6,272,515	5,738,039	0	0	6,272,515	5,738,039	9.31%
Statewide sales, services and use tax	1,149,975	1,114,623	0	0	1,149,975	1,114,623	3.17%
Nonspecific program federal grants	299,386	0	29,951	0	329,337	0	100.00%
Unrestricted state grants	4,098,006	3,572,507	0	0	4,098,006	3,572,507	14.71%
Unrestricted interest	49,055	58,817	435	179	49,490	58,996	-16.11%
Other general revenue	137,619	114,427	6,936	3,080	144,555	117,507	23.02%
Total revenues	<u>15,517,600</u>	<u>14,607,885</u>	<u>542,937</u>	<u>503,565</u>	<u>16,060,537</u>	<u>15,111,450</u>	<u>6.28%</u>
Program expenses:							
Governmental activities:							
Instructional	8,893,673	8,410,230	0	0	8,893,673	8,410,230	5.75%
Support services	2,901,249	2,891,972	0	0	2,901,249	2,891,972	0.32%
Non-instructional programs	11,368	11,950	519,829	502,925	531,197	514,875	3.17%
Other expenses	1,662,777	1,631,627	0	0	1,662,777	1,631,627	1.91%
Total expenses	<u>13,469,067</u>	<u>12,945,779</u>	<u>519,829</u>	<u>502,925</u>	<u>13,988,896</u>	<u>13,448,704</u>	<u>4.02%</u>
Change in net assets	2,048,533	1,662,106	23,108	640	2,071,641	1,662,746	24.59%
Net assets beginning of year, as restated	<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>
Net assets end of year	<u>\$ 14,167,503</u>	<u>12,118,970</u>	<u>156,876</u>	<u>133,768</u>	<u>14,324,379</u>	<u>12,252,738</u>	<u>16.91%</u>

In fiscal 2011, property tax and unrestricted state grants account for 66.83% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 93.13% of the revenue from business type activities.

The District's total revenues were \$16,060,537 of which \$15,517,600 was for governmental activities and \$542,937 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.28% increase in revenues and a 4.02% increase in expenses. Property tax increased approximately \$534,476 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 \$15,517,600 and expenses were \$13,469,067.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 8,893,673	8,410,230	5.75%	5,872,702	4,853,446	21.00%
Support services	2,901,249	2,891,972	0.32%	2,856,738	2,871,825	-0.53%
Non-instructional programs	11,368	11,950	-4.87%	11,368	11,950	-4.87%
Other expenses	1,662,777	1,631,627	1.91%	1,217,215	1,199,086	1.51%
Totals	\$ 13,469,067	12,945,779	4.04%	9,958,023	8,936,307	11.43%

- The cost financed by users of the District's programs was \$1,912,487.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,598,557.
- The net cost of governmental activities was financed with \$6,272,515 in property tax, \$1,149,975 in statewide sales, service and use tax, \$299,386 in nonspecific program federal grants, \$4,098,006 in unrestricted state grants, \$49,055 in interest income and \$137,619 in other income.

Business Type Activities

Revenues of the District's business type activities were \$542,937 and expenses were \$519,829. 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 \$6,785,586, above last year's ending fund balances of a \$6,341,775.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increases in local and state money resulted in an increase in revenues.
- The Capital Projects fund decreased from \$3,270,664 in fiscal 2010 to \$2,823,016 in fiscal 2011 in part to the reclassification of the Physical Plant and Equipment Levy Fund as a Capital Project due to GASB 54. The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$58,300 in fiscal 2010 to \$55,466 in fiscal 2011. The decrease in the fund balance was due to an increase in transportation expenditures.
- The Debt Service fund balance increased from \$957,125 in 2010, to \$966,579 in 2011. While revenue increased by \$2,414 or 0.18%, the expenditures decreased by \$1,573 or 0.12%, mainly due to the reduction in principal and interest of the bonds.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$133,768 in 2010, to \$156,876 in 2011. Revenues for the fiscal year increased by \$39,372 or 7.82%. The expenditures increased by \$16,904 or 3.36%. 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 \$130,468 more than budgeted revenues, a variance of approximately 0.82%. 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. In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to timing of expenditures at year end without sufficient time to amend the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$16,715,789, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.19% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$763,982.

The original cost of the District's capital assets was \$23,468,254. Governmental funds account for \$23,208,282 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 \$560,559 at June 30, 2011, compared to \$0 in 2010 due to the District starting construction on a new high school building, a high school auditorium shell, and elementary renovations.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 1,135,686	659,445	0	0	1,135,686	659,445	72.22%
Construction in progress	560,559	0	0	0	560,559	0	100.00%
Buildings	14,123,188	14,528,778	0	0	14,123,188	14,528,778	-2.79%
Improvements other than buildings	199,285	210,609	0	0	199,285	210,609	-5.38%
Machinery and equipment	603,037	534,854	94,034	110,262	697,071	645,116	8.05%
Total	\$ 16,621,755	15,933,686	94,034	110,262	16,715,789	16,043,948	4.19%

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$9,189,036 in general obligation bonds, revenue bonds and early retirement. This represents a decrease of 8.98% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District has an outstanding general obligation bonds payable for a total of \$7,440,000 at June 30, 2011.

The District had revenue bonds payable of \$1,590,000 at June 30, 2011.

The District also had total outstanding early retirement payable of \$123,569 at June 30, 2011, that is payable from the Special Revenue, Management Levy Fund.

The District had a net OPEB liability of \$32,644 in the governmental activities and \$2,823 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,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 7,440,000	7,865,000	0	0	7,440,000	7,865,000	-5.40%
Revenue bonds	1,590,000	2,085,000	0	0	1,590,000	2,085,000	-23.74%
Early retirement	123,569	127,576	0	0	123,569	127,576	-3.14%
Net OPEB obligation	32,644	16,430	2,823	1,421	35,467	17,851	98.68%
Total	\$ 9,186,213	10,094,006	2,823	1,421	9,189,036	10,095,427	-8.98%

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 12 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, 2011

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 6,503,369	61,298	6,564,667
Receivables:			
Property tax:			
Delinquent	9,979	0	9,979
Succeeding year	6,672,164	0	6,672,164
Accounts	324,739	0	324,739
Due from other governments	91,215	0	91,215
Inventories	0	18,674	18,674
Capital assets, net of accumulated depreciation	16,621,755	94,034	16,715,789
TOTAL ASSETS	30,223,221	174,006	30,397,227
LIABILITIES			
Accounts payable	143,716	0	143,716
Interest payable	53,625	0	53,625
Deferred revenue:			
Succeeding year property tax	6,672,164	0	6,672,164
Unearned revenue	0	14,307	14,307
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	440,000	0	440,000
Revenue bonds	510,000	0	510,000
Early retirement	113,069	0	113,069
Portion due after one year:			
General obligation bonds	7,000,000	0	7,000,000
Revenue bonds	1,080,000	0	1,080,000
Early retirement	10,500	0	10,500
Net OPEB liability	32,644	2,823	35,467
TOTAL LIABILITIES	16,055,718	17,130	16,072,848
NET ASSETS			
Invested in capital assets, net of related debt	7,591,755	94,034	7,685,789
Restricted for:			
Categorical funding	134,508	0	134,508
Student activities	147,098	0	147,098
Management levy	561,923	0	561,923
Physical plant & equipment levy	55,466	0	55,466
School infrastructure	2,823,016	0	2,823,016
Debt service	966,579	0	966,579
Unrestricted	1,887,158	62,842	1,950,000
TOTAL NET ASSETS	\$ 14,167,503	156,876	14,324,379

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,568,114	1,159,528	522,893	(3,885,693)	0	(3,885,693)
Special	1,406,888	234,546	367,989	(804,353)	0	(804,353)
Other	1,918,671	518,413	217,602	(1,182,656)	0	(1,182,656)
	<u>8,893,673</u>	<u>1,912,487</u>	<u>1,108,484</u>	<u>(5,872,702)</u>	<u>0</u>	<u>(5,872,702)</u>
Support services:						
Student	154,548	0	6,687	(147,861)	0	(147,861)
Instructional staff	377,100	0	21,130	(355,970)	0	(355,970)
Administration	1,070,712	0	0	(1,070,712)	0	(1,070,712)
Operation and maintenance of plant	795,793	0	0	(795,793)	0	(795,793)
Transportation	503,096	0	16,694	(486,402)	0	(486,402)
	<u>2,901,249</u>	<u>0</u>	<u>44,511</u>	<u>(2,856,738)</u>	<u>0</u>	<u>(2,856,738)</u>
Non-instructional programs:						
Community service & education operations	41	0	0	(41)	0	(41)
Food service operations	11,327	0	0	(11,327)	0	(11,327)
	<u>11,368</u>	<u>0</u>	<u>0</u>	<u>(11,368)</u>	<u>0</u>	<u>(11,368)</u>
Other expenses:						
Facilities acquisitions	309,950	0	0	(309,950)	0	(309,950)
Long-term debt interest	394,896	0	0	(394,896)	0	(394,896)
AEA flowthrough	445,562	0	445,562	0	0	0
Depreciation(unallocated)*	512,369	0	0	(512,369)	0	(512,369)
	<u>1,662,777</u>	<u>0</u>	<u>445,562</u>	<u>(1,217,215)</u>	<u>0</u>	<u>(1,217,215)</u>
Total governmental activities	13,469,067	1,912,487	1,598,557	(9,958,023)	0	(9,958,023)
Business Type activities:						
Non-instructional programs:						
Nutrition services	519,829	377,114	128,501	0	(14,214)	(14,214)
Total business type activities	<u>519,829</u>	<u>377,114</u>	<u>128,501</u>	<u>0</u>	<u>(14,214)</u>	<u>(14,214)</u>
Total	<u>\$ 13,988,896</u>	<u>2,289,601</u>	<u>1,727,058</u>	<u>(9,958,023)</u>	<u>(14,214)</u>	<u>(9,972,237)</u>
General Revenues:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,980,851	0	4,980,851
Debt services				766,482	0	766,482
Capital outlay				525,182	0	525,182
Statewide sales, services and use tax				1,149,975	0	1,149,975
Nonspecific program federal grants				299,386	29,951	329,337
Unrestricted state grants				4,098,006	0	4,098,006
Unrestricted investment earnings				49,055	435	49,490
Other				137,619	6,936	144,555
Total general revenues and transfers				<u>12,006,556</u>	<u>37,322</u>	<u>12,043,878</u>
Changes in net assets				2,048,533	23,108	2,071,641
Net assets beginning of year				<u>12,118,970</u>	<u>133,768</u>	<u>12,252,738</u>
Net assets end of year				<u>\$ 14,167,503</u>	<u>156,876</u>	<u>14,324,379</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, 2011

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
ASSETS					
Cash and pooled investments	\$ 1,923,474	2,782,534	965,339	832,022	6,503,369
Receivables:					
Property tax:					
Delinquent	7,367	838	1,217	557	9,979
Succeeding year	4,462,284	557,604	1,352,275	300,001	6,672,164
Accounts	229,629	95,110	0	0	324,739
Due from other governments	91,181	0	23	11	91,215
TOTAL ASSETS	\$ 6,713,935	3,436,086	2,318,854	1,132,591	13,601,466
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 143,716	0	0	0	143,716
Deferred revenue:					
Succeeding year property tax	4,462,284	557,604	1,352,275	300,001	6,672,164
Total liabilities	4,606,000	557,604	1,352,275	300,001	6,815,880
Fund balances:					
Restricted for:					
Categorical funding	134,508	0	0	0	134,508
Debt service	0	0	966,579	0	966,579
Management levy purposes	0	0	0	685,492	685,492
Student activities	0	0	0	147,098	147,098
School infrastructure	0	2,823,016	0	0	2,823,016
Physical plant and equipment	0	55,466	0	0	55,466
Unassigned	1,973,427	0	0	0	1,973,427
Total fund balances	2,107,935	2,878,482	966,579	832,590	6,785,586
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,713,935	3,436,086	2,318,854	1,132,591	13,601,466

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20) \$ 6,785,586

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 16,621,755

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. (53,625)

Long-term liabilities, including bonds payable, early retirement payable, and other postemployment benefits payable are not due and payable in and, therefore, are not reported as liabilities in the governmental funds. (9,186,213)

Net assets of governmental activities(page 18) \$ 14,167,503

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,629,976	1,675,157	766,482	350,875	7,422,490
Tuition	1,308,836	0	0	0	1,308,836
Other	202,761	48,842	4,513	534,209	790,325
State sources	5,370,975	195	284	130	5,371,584
Federal sources	624,365	0	0	0	624,365
Total revenues	12,136,913	1,724,194	771,279	885,214	15,517,600
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,406,891	12,590	0	161,391	5,580,872
Special	1,377,017	0	0	0	1,377,017
Other	1,420,713	0	0	499,145	1,919,858
	8,204,621	12,590	0	660,536	8,877,747
Support services:					
Student	155,810	0	0	0	155,810
Instructional staff	376,610	0	0	0	376,610
Administration	1,036,839	0	0	15,808	1,052,647
Operation and maintenance of plant	774,634	0	0	53,373	828,007
Transportation	385,129	157,950	0	16,998	560,077
	2,729,022	157,950	0	86,179	2,973,151
Non-instructional programs:					
Community service and education operations	41	0	0	0	41
Food service operations	0	0	0	11,327	11,327
	41	0	0	11,327	11,368
Other expenditures:					
Facilities acquisitions	0	1,442,205	0	0	1,442,205
Long-term debt:					
Principal	0	0	920,000	0	920,000
Interest and fiscal charges	0	0	403,756	0	403,756
AEA flowthrough	445,562	0	0	0	445,562
	445,562	1,442,205	1,323,756	0	3,211,523
Total expenditures	11,379,246	1,612,745	1,323,756	758,042	15,073,789
Excess(Deficiency) of revenues over(under) expenditures	757,667	111,449	(552,477)	127,172	443,811
Other financing sources(uses):					
Transfers in	0	511,999	561,931	0	1,073,930
Transfers out	0	(1,073,930)	0	0	(1,073,930)
Total other financing sources(uses)	0	(561,931)	561,931	0	0
Net change in fund balances	757,667	(450,482)	9,454	127,172	443,811
Fund balance beginning of year	1,350,268	3,328,964	957,125	705,418	6,341,775
Fund balance end of year	\$ 2,107,935	2,878,482	966,579	832,590	6,785,586

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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 443,811

**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	\$ 1,435,823	
Depreciation expense	<u>(747,754)</u>	688,069

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		920,000
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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.		8,860
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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	4,007	
Other postemployment benefits	<u>(16,214)</u>	<u>(12,207)</u>

Changes in net assets of governmental activities(page 19)		<u>\$ 2,048,533</u>
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GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 61,298
Inventories	18,674
Capital assets, net of accumulated depreciation	94,034
TOTAL ASSETS	174,006
 LIABILITIES	
Unearned revenues	14,307
Net OPEB liability	2,823
TOTAL LIABILITIES	17,130
 NET ASSETS	
Invested in capital assets	94,034
Unrestricted	62,842
TOTAL NET ASSETS	\$ 156,876

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, 2011

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 377,114
Miscellaneous	6,936
TOTAL OPERATING REVENUES	384,050
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	152,187
Benefits	68,677
Services	3,572
Supplies	279,165
Depreciation	16,228
TOTAL OPERATING EXPENSES	519,829
OPERATING LOSS	(135,779)
NON-OPERATING REVENUES:	
Interest	435
State sources	4,725
Federal sources	153,727
TOTAL NON-OPERATING REVENUES	158,887
Change in net assets	23,108
Net assets at beginning of year	133,768
Net assets end of year	\$ 156,876

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 379,555
Cash received from miscellaneous operating activities	6,936
Cash payments to employees for services	(219,462)
Cash payments to suppliers for goods or services	(245,178)
Net cash used in operating activities	(78,149)
Cash flows from non-capital financing activities:	
State grants received	4,725
Federal grants received	116,768
Net cash provided by non-capital financing activities	121,493
Cash flows from investing activities:	
Interest on investments	435
Net increase in cash and cash equivalents	43,779
Cash and cash equivalents at beginning of year	17,519
Cash and cash equivalents at end of year	\$ 61,298
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (135,779)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	36,959
Depreciation	16,228
Decrease in inventories	600
Increase in other postemployment benefits	1,402
Increase in unearned revenue	2,441
Net cash used in operating activities	\$ (78,149)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$36,959.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011 expenditures in the other expenditures functional areas exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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	\$ 29,646

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, 2011 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales, Services and Use Tax	\$ 561,931
	Capital Projects:	
Other Capital Projects	Statewide Sales, Services and Use Tax	511,999
		<u>\$ 1,073,930</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 659,445	476,241	0	1,135,686
Construction in progress	0	560,559	0	560,559
Total capital assets not being depreciated	<u>659,445</u>	<u>1,036,800</u>	<u>0</u>	<u>1,696,245</u>
Capital assets being depreciated:				
Buildings	18,265,141	59,347	0	18,324,488
Land improvements	712,634	36,108	0	748,742
Machinery and equipment	2,217,194	303,568	81,955	2,438,807
Total capital assets being depreciated	<u>21,194,969</u>	<u>399,023</u>	<u>81,955</u>	<u>21,512,037</u>
Less accumulated depreciation for:				
Buildings	3,736,363	464,937	0	4,201,300
Land improvements	502,025	47,432	0	549,457
Machinery and equipment	1,682,340	235,385	81,955	1,835,770
Total accumulated depreciation	<u>5,920,728</u>	<u>747,754</u>	<u>81,955</u>	<u>6,586,527</u>
Total capital assets being depreciated, net	<u>15,274,241</u>	<u>(348,731)</u>	<u>0</u>	<u>14,925,510</u>
Governmental activities capital assets, net	<u>\$ 15,933,686</u>	<u>688,069</u>	<u>0</u>	<u>16,621,755</u>

	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	149,710	16,228	0	165,938
Business type activities capital assets	\$ 110,262	(16,228)	0	94,034

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 55,227
Special		1,738
Other		27,742
Support services:		
Administration services		12,946
Operation and maintenance of plant services		32,546
Transportation		105,186
		<u>235,385</u>
Unallocated depreciation		512,369
		<u>512,369</u>
Total governmental activities depreciation expense		<u>\$ 747,754</u>
Business type activities:		
Food services		<u>\$ 16,228</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 7,865,000	0	425,000	7,440,000	440,000
Revenue bonds	2,085,000	0	495,000	1,590,000	510,000
Early retirement	127,576	107,069	111,076	123,569	113,069
Net OPEB liability	16,430	16,214	0	32,644	0
Total	\$ 10,094,006	123,283	1,031,076	9,186,213	1,063,069
Business Type Activities:					
Net OPEB liability	\$ 1,421	1,402	0	2,823	0

General Obligation Bonds

Details of the District's June 30, 2011 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			
	Interest Rate	Principal	Interest	Total
2012	4.05 %	\$ 440,000	322,272	762,272
2013	4.05	460,000	304,250	764,250
2014	4.05	475,000	285,518	760,518
2015	4.05	495,000	266,079	761,079
2016	4.05-4.15	515,000	245,829	760,829
2017-2021	4.15-4.65	2,940,000	872,756	3,812,756
2022-2024	4.65-4.75	2,115,000	177,348	2,292,348
Total		\$ 7,440,000	2,474,052	9,914,052

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, 2011 indebtedness is as follows:

Year Ending June 30,	Bond Issue of March 1, 2005			
	Interest Rates	Principal	Interest	Total
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		\$ 1,590,000	82,102	1,672,102

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 \$1,672,102. For the year ended June 30, 2011, principal and interest paid on the bonds were \$495,000 and \$60,220, 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, 2011, totaled \$111,076.

(6) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of its annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$472,334, \$439,866, \$405,920, respectively, equal to the required contributions for each year.

(7) 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 38,658
Interest on net OPEB obligation	446
Adjustment to annual required contribution	(2,938)
Annual OPEB cost	<u>36,166</u>
Contributions made	(18,550)
Increase in net OPEB obligation	<u>17,616</u>
Net OPEB obligation beginning of year	<u>17,851</u>
Net OPEB obligation end of year	<u>\$ 35,467</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, 2011.

For the year ended June 30, 2011, the District contributed \$18,550 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 36,357	50.90%	\$ 17,851
2011	38,658	51.29%	35,467

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$276,858, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$276,858. The covered payroll (annual payroll of active employees covered by the plan) was \$4,169,329, and the ratio of the UAAL to covered payroll was 6.97%. As of June 30, 2011 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%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and 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.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$445,562 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2011 are as follows:

Project	Amount
Weighted limited english proficient	\$ 9,296
Home school assistance program	60,593
Weighted at-risk programs	27,088
Dropout and dropout prevention	11,962
Beginning teacher mentoring and induction program	1,020
Statewide voluntary preschool program	7,712
Professional development for model core curriculum	9,516
Market factor incentives	7,321
Total	<u>\$ 134,508</u>

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2011, the District exceeded its budgeted amount in the other expenditures function.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 3,270,664	58,300
Change in fund type classification per implementation of GASB Statement No. 54	58,300	(58,300)
Balances July 1, 2010, as restated	\$ 3,328,964	-

GILBERT COMMUNITY SCHOOL DISTRICT

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, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 9,521,651	384,485	9,906,136	9,772,450	9,772,450	133,686
Intermediate sources	0	0	0	1,000	1,000	(1,000)
State sources	5,371,584	4,725	5,376,309	5,911,619	5,911,619	(535,310)
Federal sources	624,365	153,727	778,092	245,000	245,000	533,092
Total revenues	15,517,600	542,937	16,060,537	15,930,069	15,930,069	130,468
Expenditures/expenses:						
Instruction	8,877,747	0	8,877,747	10,361,470	10,361,470	1,483,723
Support services	2,973,151	0	2,973,151	4,356,845	4,356,845	1,383,694
Non-instructional programs	11,368	519,829	531,197	600,128	600,128	68,931
Other expenditures	3,211,523	0	3,211,523	2,771,629	2,771,629	(439,894)
Total expenditures/expenses	15,073,789	519,829	15,593,618	18,090,072	18,090,072	2,496,454
Excess(Deficiency) of revenues over(under) expenditures/expenses	443,811	23,108	466,919	(2,160,003)	(2,160,003)	2,626,922
Balance beginning of year	6,341,775	133,768	6,475,543	5,368,569	5,368,569	1,106,974
Balance end of year	\$ 6,785,586	156,876	6,942,462	3,208,566	3,208,566	3,733,896

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

During the year ended June 30, 2011 expenditures in the other expenditures functional area exceeded the amounts budgeted.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ 0	\$ 290,530	\$ 290,530	0.00%	\$ 6,318,704	4.60%
2011	July 1, 2009	\$ 0	\$ 290,530	\$ 290,530	0.00%	\$ 4,169,329	6.97%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	Special Revenue		
	Student Activity	Management Levy	Total
ASSETS			
Cash and pooled investments	\$ 147,098	684,924	832,022
Receivables:			
Property tax:			
Delinquent	0	557	557
Succeeding year	0	300,001	300,001
Accounts	0	11	11
TOTAL ASSETS	\$ 147,098	985,493	1,132,591
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	300,001	300,001
Total liabilities	0	300,001	300,001
Fund balances:			
Restricted for:			
Management levy purposes	0	685,492	685,492
Student activities	147,098	0	147,098
Total fund balances	147,098	685,492	832,590
TOTAL LIABILITIES AND FUND BALANCES	\$ 147,098	985,493	1,132,591

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, 2011

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	350,875	350,875
Other	514,140	20,069	534,209
State sources	0	130	130
TOTAL REVENUES	<u>514,140</u>	<u>371,074</u>	<u>885,214</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	0	161,391	161,391
Other	499,145	0	499,145
Support services:			
Administration	0	15,808	15,808
Operation and maintenance of plant	0	53,373	53,373
Transportation	0	16,998	16,998
Non-instructional programs:			
Food service operations	0	11,327	11,327
TOTAL EXPENDITURES	<u>499,145</u>	<u>258,897</u>	<u>758,042</u>
Net change in fund balances	14,995	112,177	127,172
Fund balance beginning of year, as restated	<u>132,103</u>	<u>573,315</u>	<u>705,418</u>
Fund balance end of year	<u>\$ 147,098</u>	<u>685,492</u>	<u>832,590</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 2,727,922	54,612	2,782,534
Receivables:			
Property tax:			
Delinquent	0	838	838
Succeeding year	0	557,604	557,604
Accounts	95,094	16	95,110
TOTAL ASSETS	\$ 2,823,016	613,070	3,436,086
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	557,604	557,604
Total liabilities	0	557,604	557,604
Fund balances:			
Restricted for:			
School infrastructure	2,823,016	0	2,823,016
Physical plant and equipment	0	55,466	55,466
Total fund balances	2,823,016	55,466	2,878,482
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,823,016	613,070	3,436,086

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Physical			Total
	Statewide Sales, Services and Use Tax	Plant & Equipment Levy	Other Capital Projects	
REVENUES:				
Local sources:				
Local tax	\$ 1,149,975	525,182	0	1,675,157
Other	23,025	25,817	0	48,842
State sources	0	195	0	195
TOTAL REVENUES	1,173,000	551,194	0	1,724,194
EXPENDITURES:				
Current:				
Instruction:				
Regular	0	12,590	0	12,590
Support services:				
Transportation	0	157,950	0	157,950
Other expenditures:				
Facilities acquisition	546,718	383,488	511,999	1,442,205
TOTAL EXPENDITURES	546,718	554,028	511,999	1,612,745
Excess(Deficiency) of revenues over(under) expenditures	626,282	(2,834)	(511,999)	111,449
Other financing sources(uses):				
Transfers in	0	0	511,999	511,999
Transfers out	(1,073,930)	0	0	(1,073,930)
Total other financing sources(uses)	(1,073,930)	0	511,999	(561,931)
Net change in fund balances	(447,648)	(2,834)	0	(450,482)
Fund balance beginning of year, as restated	3,270,664	58,300	0	3,328,964
Fund balance end of year	\$ 2,823,016	55,466	0	2,878,482

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Elementary</u>				
Character counts	5	0	5	0
GESS	41,379	47,505	55,030	33,854
Elementary health club	1,639	408	509	1,538
Elementary student activity	1,161	1,503	2,232	432
Student scrip	15,583	137,780	146,969	6,394
	<u>59,767</u>	<u>187,196</u>	<u>204,745</u>	<u>42,218</u>
<u>Music</u>				
Instrumental music	7,360	21,104	20,116	8,348
MS band	485	1,007	1,124	368
Vocal music	3,048	3,241	2,222	4,067
	<u>10,893</u>	<u>25,352</u>	<u>23,462</u>	<u>12,783</u>
<u>Miscellaneous</u>				
Adult education	815	4	0	819
General activity	8,479	72	416	8,135
	<u>9,294</u>	<u>76</u>	<u>416</u>	<u>8,954</u>
<u>Coca Cola</u>				
HS Coca Cola	0	3,083	3,083	0
MS Coca Cola	0	537	537	0
	<u>0</u>	<u>3,620</u>	<u>3,620</u>	<u>0</u>
<u>Athletics</u>				
General Athletics	110	22,712	18,861	3,961
Boys basketball	0	6,457	6,457	0
Girls basketball	0	6,646	6,646	0
Football	0	13,014	13,014	0
Boy's Soccer	0	2,902	2,902	0
Girl's Soccer	0	1,320	1,320	0
Baseball	0	13,769	13,769	0
Softball	0	7,651	7,651	0
Boys' track	0	8,027	8,027	0
Boys/Girls Cross Country	0	6,579	6,579	0
Girls' Track	0	7,999	7,999	0
Boys' Golf	0	384	384	0
Girls' Golf	0	870	870	0
Football camp	0	17,687	15,840	1,847
Wrestling	0	6,394	6,394	0
Cross country camp	0	4,007	3,650	357
Volleyball	0	7,790	7,790	0
Baseball camp	0	2,173	2,053	120
Girls basketball camp	0	7,827	7,593	234
Softball camp	0	3,868	3,219	649
Boys basketball camp	0	4,300	3,053	1,247
Volleyball camp	0	551	537	14
	<u>110</u>	<u>152,927</u>	<u>144,608</u>	<u>8,429</u>

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Classes</u>				
Alumni	2,195	11	0	2,206
Class of 2011	3,496	1,535	4,648	383
Class of 2012	1,048	12,251	7,379	5,920
Class of 2013	0	694	251	443
	<u>6,739</u>	<u>14,491</u>	<u>12,278</u>	<u>8,952</u>
<u>Athletic support</u>				
District Football	0	1,804	983	821
Cheerleading MS I	0	70	70	0
Cheerleading HS II	0	4,681	2,294	2,387
G club	0	2,428	1,352	1,076
Fitness club	0	3,071	3,022	49
FCA	0	125	0	125
	<u>0</u>	<u>12,179</u>	<u>7,721</u>	<u>4,458</u>
<u>HS clubs/organizations</u>				
Yearbook	3,481	19,523	19,347	3,657
Business club	762	135	95	802
Drama	2,086	3,715	3,729	2,072
After prom	2,665	5,855	6,081	2,439
FCCLA	2,669	33,988	27,206	9,451
History club	288	63	103	248
HS student council	2,586	2,962	3,090	2,458
MOC	48	0	0	48
Spanish club	2,510	5,654	5,593	2,571
Art club	1,024	2,493	2,939	578
Secondary student pop	3,241	1,741	1,012	3,970
National honor society	189	120	223	86
Industrial education projects	117	916	1,033	0
Agriculture education	322	960	740	542
Science club	9	0	0	9
FFA	19,044	20,885	12,243	27,686
Student activity	155	4,592	4,164	583
	<u>41,196</u>	<u>103,602</u>	<u>87,598</u>	<u>57,200</u>
<u>Middle school</u>				
MS 6th grade carnival	590	681	733	538
MS special olympics	549	3	38	514
MS GLADD	0	274	170	104
MS 5th Grade activity	6	936	814	128
MS student activity	577	2,302	2,406	473
MS guidance	81	20	23	78
MS vocal	56	1	0	57
MS FCCLA	16	1,937	1,900	53
MS yearbook	1,600	2,982	4,128	454
MS student pop	0	613	0	613
MS student council	12	4,266	3,638	640
MS drama	208	572	612	168
MS art club	401	110	235	276
MS Adapt P.E.	8	0	0	8
	<u>4,104</u>	<u>14,697</u>	<u>14,697</u>	<u>4,104</u>
Totals	<u>\$ 132,103</u>	<u>514,140</u>	<u>499,145</u>	<u>147,098</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2011

	Debt Service		
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 41,672	923,667	965,339
Receivables:			
Property tax:			
Delinquent	1,217	0	1,217
Succeeding year	1,352,275	0	1,352,275
Accounts	23	0	23
TOTAL ASSETS	\$ 1,395,187	923,667	2,318,854
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 1,352,275	0	1,352,275
Total liabilities	1,352,275	0	1,352,275
Fund balances:			
Restricted for:			
Debt service	42,912	923,667	966,579
Total fund balances	42,912	923,667	966,579
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,395,187	923,667	2,318,854

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, 2011

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 766,482	0	766,482
Other	3,815	698	4,513
State sources	284	0	284
TOTAL REVENUES	<u>770,581</u>	<u>698</u>	<u>771,279</u>
EXPENDITURES:			
Current:			
Other expenditures:			
Long-term debt:			
Principal	425,000	495,000	920,000
Interest and fiscal charges	343,536	60,220	403,756
TOTAL EXPENDITURES	<u>768,536</u>	<u>555,220</u>	<u>1,323,756</u>
Excess(Deficiency) of revenues over(under) expenditures	2,045	(554,522)	(552,477)
Other financing sources:			
Transfers in	0	561,931	561,931
Net change in fund balances	2,045	7,409	9,454
Fund balance beginning of year	40,867	916,258	957,125
Fund balance end of year	<u>\$ 42,912</u>	<u>923,667</u>	<u>966,579</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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 7,422,490	6,852,662	6,296,974	5,978,989	5,752,840	4,902,630	4,554,887	3,960,802
Tuition	1,308,836	1,212,944	1,117,011	1,069,366	833,141	781,055	797,463	779,286
Other	790,325	895,485	1,120,873	1,096,214	903,823	815,712	765,286	450,714
State sources	5,371,584	4,712,487	5,290,618	5,045,511	4,830,135	4,249,279	3,988,614	3,548,507
Federal sources	624,365	934,307	379,014	181,856	192,299	191,698	226,429	167,216
Total	\$ 15,517,600	14,607,885	14,204,490	13,371,936	12,512,238	10,940,374	10,332,679	8,906,525
Expenditures:								
Instruction:								
Regular	\$ 5,580,872	5,183,859	5,236,232	4,874,038	4,689,576	3,883,576	3,400,124	3,184,131
Special	1,377,017	1,301,969	1,329,561	1,189,439	1,197,259	1,384,622	1,575,302	1,337,762
Other	1,919,858	1,898,309	1,705,012	1,409,132	852,669	1,119,677	990,884	874,004
Support services:								
Student	155,810	155,266	146,556	133,394	127,416	92,712	99,117	94,973
Instructional staff	376,610	383,309	363,677	352,823	396,916	345,799	336,575	290,551
Administration	1,052,647	1,034,447	1,047,041	1,021,126	913,903	803,992	658,949	643,275
Operation and maintenance of plant	828,007	837,633	826,804	796,851	696,035	545,010	545,481	493,087
Transportation	560,077	485,482	482,829	542,904	477,046	408,024	376,937	310,496
Central support	0	0	0	0	0	0	0	45,195
Non-instructional programs:								
Community service and education operations	41	692	4,194	4,420	5,501	6,169	8,621	5,623
Food service operations	11,327	11,258	10,212	0	0	0	0	0
Other expenditures:								
Facilities acquisitions	1,442,205	451,456	314,137	360,156	2,171,839	8,485,959	2,428,951	435,506
Long term debt:								
Principal	920,000	890,000	850,000	973,356	896,924	490,565	479,273	433,083
Interest and fiscal charges	403,756	435,329	467,584	501,990	534,019	535,999	443,017	134,894
AEA flow-through	445,562	432,541	380,378	351,079	332,307	286,885	265,059	244,617
Total	\$ 15,073,789	13,501,550	13,164,217	12,510,708	13,291,410	18,388,989	11,608,290	8,527,197

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

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 11	\$ 11,269
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	111,659 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 11	848
			<u>123,776</u>
U.S. DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	<u>13,939</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>4,316</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 11	<u>102</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	<u>17,419</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	<u>7,703</u>
STATE FISCAL STABILIZATION CLUSTER:			
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	57,863
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	51,611
			<u>109,474</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	<u>56,303</u>
EDUCATION JOB FUNDS	84.410	FY 11	<u>219,863</u>
TOTAL			<u>\$ 552,895</u>

* - Includes \$36,959 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)
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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2012. 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-11 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-11 and II-C-11 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, 2011 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.

January 19, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on 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 Gilbert Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Gilbert Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 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 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

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

January 19, 2012

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program For Children
 - Individual:
 - CFDA Number 84.410 - Education Job Funds
- (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, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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-11 Gate Admissions - It was noted that the District uses pre-numbered tickets for event admissions, however the tickets are being torn off at the end of the event to reconcile to the amount of the money collected from 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 - We continue to work on this item. Staff is investigating a more automated way to collect tickets and streamline the process.

Conclusion - Response accepted.

II-C-11 Receipting Procedures - We noted that the High School office does not currently send copies of the pre-numbered receipts given to students, to the District Administration Office with their daily deposits. These receipts should be used as a control that all money receipted into the District is being deposited. The District reconciles checks turned in by students to sponsors in an excel document. However, cash being turned in by students is not being documented as to, which student turned in each amount of money.

Recommendation - The district should require all offices turn in copies of the pre-numbered receipts to the district administration office.

Response - The administrative staff is working with the high school office staff to come up with a usable format for this procedure.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.556: Special Milk Program For Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Job Funds
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 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 preparing checks and recording the transactions in the general ledger are performed by the same individual.

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, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, exceeded the budgeted amount in the other expenditures function.

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

Response - We will monitor these areas and amend in the future.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in Attorney General's opinion dated April 25, 1979.

IV-C-11 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-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Christopher Benda Board Member	Purchased services	\$50

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-11 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-11 Board Minutes - We noted an instance of the board minutes not being published within two weeks as required by Chapter 279.35-36 of the Code of Iowa.

Recommendation - The board secretary should furnish a copy of the Board minutes to be published within two weeks of each meeting.

Response - We will work with the local newspaper and comply with this recommendation.

Conclusion - Response accepted.

IV-G-11 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$	3,270,664
Revenues/transfers in:			
Sales Tax Revenues	\$	1,149,975	
Other Local Revenues		23,025	1,173,000
			<u>4,443,664</u>
Expenditures/transfers out:			
School Infrastructure Construction		10,266	
Land Purchased		466,725	
Equipment		18,240	
Other		51,487	
Transfers to other funds:			
Debt Service Fund		561,931	
Other Transfers		511,999	1,620,648
			<u>2,823,016</u>
Ending Balance		\$	<u>2,823,016</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa

IV-M-11 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 PSAT, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - 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 - The PSAT portion will be taken from the general fund. The rest of the account balance will be used for other student activity accounts.

Conclusion - Response accepted.

IV-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the general, activity, and nutrition fund bank reconciliation that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - We will review our outstanding checks and take the appropriate action.

Conclusion - Response accepted.