

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Schedule of Funding Progress for the Retiree Health Plan		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	40
Capital Project Accounts:		
Combining Balance Sheet	3	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	43-44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		46-47
Schedule of Findings and Responses		48-52

Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Glidden-Ralston 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 Glidden-Ralston Community School District, Glidden, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements of the District's primary government 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.

Except as noted in the following paragraph, 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.

The financial statements referred to above include only the primary government of the Glidden-Ralston Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Glidden-Ralston Community School District at June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 for the primary government of Glidden-Ralston Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2012 on our consideration of Glidden-Ralston 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 4 through 11 and 35 through 37 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 Glidden-Ralston 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, (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of a component unit, the Elmer Smith Trust, from the financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Glidden - Ralston 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.

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 Glidden - Ralston 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 Glidden - Ralston Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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, Debt Service Fund and Capital Projects Fund.

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

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund 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-1 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,582,837	5,052,035	20,085	16,813	5,741,960	5,602,922	11%
Capital assets	3,266,428	3,397,347	51,687	50,560	3,318,115	3,447,907	-4%
Total assets	8,849,265	8,449,382	71,772	67,373	9,060,075	8,921,037	5%
Long-term liabilities	1,771,372	1,827,311	5,565	2,818	1,776,937	1,830,129	-3%
Other liabilities	1,722,379	1,634,476	5,380	4,953	1,866,797	1,727,759	5%
Total liabilities	3,493,751	3,461,787	10,945	7,771	3,643,734	3,504,696	1%
Net Assets:							
Invested in capital assets, net of related debt	1,691,428	1,672,347	51,687	50,560	1,743,115	1,722,907	1%
Restricted	748,714	669,388	-	-	748,714	669,388	12%
Unrestricted	2,915,372	2,645,860	9,140	9,042	2,924,512	2,654,902	10%
TOTAL NET ASSETS	5,355,514	4,987,595	60,827	59,602	5,416,341	5,047,197	7%

The District's combined net assets increased by nearly 7%, or approximately \$369,144, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$79,326 or 12% over the prior year. The increase was primarily a result of increased revenues from operating grants and contributions.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$269,610, or 10%. This change in unrestricted net assets was a result of increased revenues from income surtax, unrestricted state grants and investment earnings.

Figure A-2 shows the change in net assets for the years ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-2

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	536,572	587,624	103,275	117,282	639,847	704,906	-9%
Operating grants & contributions	665,149	800,240	80,394	77,074	745,543	877,314	-15%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	1,259,949	1,178,038	-	-	1,259,949	1,178,038	7%
Income Surtax	158,817	149,361	-	-	158,817	149,361	6%
Statewide sales & service tax	242,916	226,730	-	-	242,916	226,730	7%
Unrestricted state grants	1,141,882	1,034,950	-	-	1,141,882	1,034,950	10%
Unrestricted investment earnings	29,475	4,772	218	40	29,693	4,812	517%
Other revenue	459	3,596	-	-	459	3,596	-87%
Total Revenues	4,035,219	3,985,311	183,887	194,396	4,219,106	4,179,707	1%
Expenses:							
Instruction	2,161,703	2,188,358	-	-	2,161,703	2,188,358	-1%
Support services	1,114,313	1,040,914	-	-	1,114,313	1,040,914	7%
Non-instructional programs	-	-	182,662	185,286	182,662	185,286	-1%
Other expenditures	391,284	431,761	-	-	391,284	431,761	-9%
Total expenses	3,667,300	3,661,033	182,662	185,286	3,849,962	3,846,319	<1%
Change in net assets before transfers	-	324,278	-	9,110	-	333,388	-100%
Transfers	-	(15,935)	-	15,935	-	-	-
CHANGE IN NET ASSETS	367,919	308,343	1,225	25,045	369,144	333,388	11%
Net assets beginning of year	4,987,595	4,679,252	59,602	34,557	5,047,197	4,713,809	7%
Net assets end of year	5,355,514	4,987,595	60,827	59,602	5,416,341	5,047,197	7%

Property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,035,219 and expenses were \$3,667,300.

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-3

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Total Cost Of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>
	2011	2010	2011	2010
	\$	\$	\$	\$
Instruction	2,161,703	2,188,358	1,105,378	934,879
Support Services	1,114,313	1,040,914	1,103,992	1,040,914
Other Expenses	391,284	431,761	256,209	297,376
TOTAL	<u>3,667,300</u>	<u>3,661,033</u>	<u>2,465,579</u>	<u>2,273,169</u>

- The cost financed by users of the District's programs was \$536,572.
- Federal and state governments and others subsidized certain programs with grants and contributions totaling \$665,149.
- The net cost of governmental activities was financed with \$1,661,682 in property and other taxes and \$1,141,882 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$183,887 and expenses were \$182,662. 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, Glidden-Ralston 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 a combined fund balance of \$3,714,367.

Governmental Fund Highlights

- The General Fund balance increased from \$2,628,001 to \$2,965,783. The increase was due primarily to implemented budget reductions, staff restructuring, and additional revenues from State and federal sources.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance increased from (19,598) at June 30, 2010 to \$8,922 at June 30, 2011.
 - The Statewide Sales Tax account balance decreased from \$580,073 at June 30, 2010 to \$572,782 at June 30, 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$59,602 at June 30, 2010 to \$60,827 at June 30, 2011, representing an increase of approximately 2%.

BUDGETARY HIGHLIGHTS

Total expenditures were less than budgeted, due 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 expenditure functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$3,318,115 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$143,529.

Figure A-4

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	3,041,705	3,129,115	-	-	3,041,705	3,129,115	-3%
Equipment & Furniture	214,723	258,232	51,687	50,560	266,410	308,812	-14%
TOTAL	3,266,428	3,397,347	51,687	50,560	3,318,115	3,447,927	-4%

Long-Term Debt

At June 30, 2011, the District had \$1,776,937 in general obligation and other long-term debt outstanding. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-5
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2011	2010	2008-2009
	\$	\$	
Governmental activities:			
General obligation bonds	1,575,000	1,725,000	-9%
Termination benefits	18,300	12,129	51%
Net OPEB liability	178,072	93,000	91%
	<u>1,771,372</u>	<u>1,830,129</u>	<u>-3%</u>
Business type activities:			
Net OPEB liability	<u>5,565</u>	<u>2,818</u>	<u>97%</u>

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:

- During FY10 the Glidden-Ralston district was underfunded by \$55 per student and further reduced by \$410 per student in the 10% ATB cut. During FY11 the district will again be underfunded by approximately \$290 per student. The state's share of the Instructional Support was underfunded in FY10 and is expected to not be funded at all in FY11. Phase I monies were unfunded by the state in FY10 resulting in \$34,798 less money to the district. Current and future underfunding will have a negative effect on the district's general fund and cash fund balances.
- All bargaining unit contracts are one-year contracts, and open for renegotiation for next year. Salary and benefits represent over 75% of general fund expenditures. Salary and benefit settlements, with any employee group, exceeding rate of growth of state funding will have an adverse impact upon the District's General Fund budget.

- School financing is highly dependent upon student enrollment. The District's September 2011 enrollment decreased by 12.3 students.
- Increased opportunities for sharing (between neighboring districts and DMACC-Carroll Campus) may increase costs or decrease costs depending on annual negotiated agreements.

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 Denise Best, District Secretary/Treasurer and Business Manager, Glidden-Ralston Community School District, 602 Idaho, Glidden, Iowa 51443.

BASIC FINANCIAL STATEMENTS

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,031,788	16,239	4,048,027
Receivables:			
Property tax:			
Delinquent	9,487	-	9,487
Succeeding year	1,281,758	-	1,281,758
Accounts	-	30	30
Due from other governments	247,094	-	247,094
Inventories	-	3,816	3,816
Bond discount	12,710	-	12,710
Capital assets, net of accumulated depreciation	3,266,428	51,687	3,318,115
Total assets	8,849,265	71,772	8,921,037
Liabilities			
Accounts payable	34,000	-	34,000
Salaries and benefits payable	335,219	1,920	337,139
Accrued interest payable	5,082	-	5,082
Deferred revenue:			
Succeeding year property tax	1,281,758	-	1,281,758
Other	66,320	3,460	69,780
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	160,000	-	160,000
Termination benefits	18,300	-	18,300
Portion due after one year:			
General obligation bonds payable	1,415,000	-	1,415,000
Net OPEB liability	178,072	5,565	183,637
Total liabilities	3,493,751	10,945	3,504,696
Net assets			
Invested in capital assets, net of related debt	1,691,428	51,687	1,743,115
Restricted for:			
Categorical funding	19,969	-	19,969
Management levy	85,658	-	85,658
Physical plant and equipment levy	8,922	-	8,922
Sales tax capital projects	572,782	-	572,782
Student activities	61,383	-	61,383
Unrestricted	2,915,372	9,140	2,924,512
Total net assets	5,355,514	60,827	5,416,341

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,488,952	412,185	407,214	-
Special	279,277	-	21,255	-
Other	393,474	114,702	100,969	-
	<u>2,161,703</u>	<u>526,887</u>	<u>529,438</u>	<u>-</u>
Support services:				
Student	180,747	-	-	-
Instructional staff	150,157	-	-	-
Administration	327,688	-	-	-
Operation and maintenance of plant	297,778	9,685	-	-
Transportation services	157,943	-	636	-
	<u>1,114,313</u>	<u>9,685</u>	<u>636</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	95,575	-	-	-
Long-term debt interest	67,655	-	-	-
AEA flowthrough	135,075	-	135,075	-
Depreciation (unallocated)*	92,979	-	-	-
	<u>391,284</u>	<u>-</u>	<u>135,075</u>	<u>-</u>
Total governmental activities	<u>3,667,300</u>	<u>536,572</u>	<u>665,149</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	182,662	103,275	80,394	-
Total business type activities	<u>3,849,962</u>	<u>639,847</u>	<u>745,543</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(669,553)	-	(669,553)
(258,022)	-	(258,022)
(177,803)	-	(177,803)
<u>(1,105,378)</u>	<u>-</u>	<u>(1,105,378)</u>
(180,747)	-	(180,747)
(150,157)	-	(150,157)
(327,688)	-	(327,688)
(288,093)	-	(288,093)
(157,307)	-	(157,307)
<u>(1,103,992)</u>	<u>-</u>	<u>(1,103,992)</u>
(95,575)	-	(95,575)
(67,655)	-	(67,655)
-	-	-
(92,979)	-	(92,979)
<u>(256,209)</u>	<u>-</u>	<u>(256,209)</u>
<u>(2,465,579)</u>	<u>-</u>	<u>(2,465,579)</u>
-	1,007	1,007
<u>(2,465,579)</u>	<u>1,007</u>	<u>(2,464,572)</u>
1,145,753	-	1,145,753
76,832	-	76,832
37,364	-	37,364
158,817	-	158,817
242,916	-	242,916
1,141,882	-	1,141,882
29,475	218	29,693
459	-	459
<u>2,833,498</u>	<u>218</u>	<u>2,833,716</u>
367,919	1,225	369,144
<u>4,987,595</u>	<u>59,602</u>	<u>5,047,197</u>
<u>5,355,514</u>	<u>60,827</u>	<u>5,416,341</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash and pooled investments	3,362,243	502,529	167,016	4,031,788
Receivables:				
Property tax:				
Delinquent	7,989	280	1,218	9,487
Succeeding year	1,121,569	38,709	121,480	1,281,758
Interfund receivable	-	-	2,210	2,210
Due from other governments	168,199	78,895	-	247,094
Total assets	<u>4,660,000</u>	<u>620,413</u>	<u>291,924</u>	<u>5,572,337</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	30,436	-	3,564	34,000
Salaries and benefits payable	335,219	-	-	335,219
Interfund payable	2,210	-	-	2,210
Deferred revenue:				
Succeeding year property tax	1,121,569	38,709	121,480	1,281,758
Income surtax	138,463	-	-	138,463
Other	66,320	-	-	66,320
Total liabilities	<u>1,694,217</u>	<u>38,709</u>	<u>125,044</u>	<u>1,857,970</u>
Fund balances:				
Restricted for:				
Categorical funding	19,969	-	-	19,969
Debt service	-	-	1,539	1,539
Management levy	-	-	103,958	103,958
Student activities	-	-	61,383	61,383
School infrastructure	-	572,782	-	572,782
Physical plant and equipment	-	8,922	-	8,922
Unassigned	2,945,814	-	-	2,945,814
Total fund balances	<u>2,965,783</u>	<u>581,704</u>	<u>166,880</u>	<u>3,714,367</u>
Total liabilities and fund balances	<u>4,660,000</u>	<u>620,413</u>	<u>291,924</u>	<u>5,572,337</u>

GLIDDEN-RALSTON 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 (Exhibit C)	3,714,367
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,266,428
Unamortized bond discount.	12,710
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	138,463
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,082)
Long-term liabilities, including bonds payable, termination benefits and other post employment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,771,372)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,355,514</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,207,996	280,280	161,969	1,650,245
Tuition	291,067	-	-	291,067
Other	149,592	5,672	120,175	275,439
State sources	1,604,371	3,516	69	1,607,956
Federal sources	199,075	-	-	199,075
Total revenues	<u>3,452,101</u>	<u>289,468</u>	<u>282,213</u>	<u>4,023,782</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,431,274	-	-	1,431,274
Special	268,291	-	-	268,291
Other	297,047	-	96,427	393,474
	<u>1,996,612</u>	<u>-</u>	<u>96,427</u>	<u>2,093,039</u>
Support services:				
Student	175,254	-	-	175,254
Instructional staff	150,157	-	-	150,157
Administration	312,127	-	-	312,127
Operation and maintenance of plant	234,935	25,815	35,680	296,430
Transportation	110,159	-	-	110,159
	<u>982,632</u>	<u>25,815</u>	<u>35,680</u>	<u>1,044,127</u>
Other expenditures:				
Facilities acquisition	-	102,424	-	102,424
Long-term debt:				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	66,680	66,680
AEA flowthrough	135,075	-	-	135,075
	<u>135,075</u>	<u>102,424</u>	<u>216,680</u>	<u>454,179</u>
Total expenditures	<u>3,114,319</u>	<u>128,239</u>	<u>348,787</u>	<u>3,591,345</u>
Excess (deficiency) of revenues over (under) expenditures	<u>337,782</u>	<u>161,229</u>	<u>(66,574)</u>	<u>432,437</u>
Other financing sources (uses):				
Operating transfers in	-	-	140,000	140,000
Operating transfers out	-	(140,000)	-	(140,000)
Total other financing sources (uses)	<u>-</u>	<u>(140,000)</u>	<u>140,000</u>	<u>-</u>
Net change in fund balances	337,782	21,229	73,426	432,437
Fund balances beginning of year, as restated	<u>2,628,001</u>	<u>560,475</u>	<u>93,454</u>	<u>3,281,930</u>
Fund balances end of year	<u><u>2,965,783</u></u>	<u><u>581,704</u></u>	<u><u>166,880</u></u>	<u><u>3,714,367</u></u>

See notes to financial statements.

GLIDDEN-RALSTON 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 (Exhibit E)		432,437
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	6,849	
Depreciation expense	<u>(137,768)</u>	(130,919)
Amortization of bond discount.		(1,412)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		11,437
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		150,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		437
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 funds, as follows:		
Compensated absences	(6,171)	
Other postemployment benefits	<u>(87,890)</u>	<u>(94,061)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>367,919</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	16,239
Accounts receivable	30
Inventories	3,816
Capital assets, net of accumulated depreciation	<u>51,687</u>
Total assets	<u>71,772</u>
Liabilities	
Salaries and benefits payable	1,920
Deferred revenue	3,460
Net OPEB liability	<u>5,565</u>
Total liabilities	<u>10,945</u>
Net assets	
Invested in capital assets	51,687
Unrestricted	<u>9,140</u>
Total net assets	<u><u>60,827</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>103,275</u>
Operating expenses:	
Non-instructional programs:	
Salaries	46,646
Benefits	15,599
Supplies	114,656
Depreciation	5,761
Total operating expenses	<u>182,662</u>
Operating income (loss)	<u>(79,387)</u>
Non-operating revenues:	
State sources	1,834
Federal sources	78,560
Interest income	218
Total non-operating revenues	<u>80,612</u>
Change in net assets	1,225
Net assets beginning of year	<u>59,602</u>
Net assets end of year	<u><u>60,827</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	103,260
Cash payments to employees for services	(58,798)
Cash payments to suppliers for goods or services	(101,411)
Net cash used by operating activities	<u>(56,949)</u>
Cash flows from non-capital financing activities:	
State grants received	1,834
Federal grants received	63,254
Net cash provided by non-capital financing activities	<u>65,088</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,888)</u>
Cash flows from investing activities:	
Interest on investments	<u>218</u>
Net increase (decrease) in cash and cash equivalents	1,469
Cash and cash equivalents at beginning of year	<u>14,770</u>
Cash and cash equivalents at end of year	<u><u>16,239</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(79,387)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	15,306
Depreciation	5,761
Decrease (increase) in inventories	(2,061)
Decrease (increase) in accounts receivable	258
(Decrease) increase in salaries and benefits payable	700
(Decrease) increase in deferred revenue	(273)
(Decrease) increase in other postemployment benefits	2,747
Net cash used by operating activities	<u><u>(56,949)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$15,306 of federal commodities.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

Glidden-Ralston Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Glidden and Ralston, Iowa and the predominately agricultural territory in a portion of Carroll and Greene 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, Glidden-Ralston Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Elmer Smith Scholarship School Trust meets the criteria for a component unit.

The board of directors of the Glidden-Ralston Community School District is also the trustee of the Elmer Smith Scholarship School Trust. Up to 60% of the Trust's income may benefit the Glidden-Ralston Community School District, \$750 annually benefits other local charities and the rest of the income provides college scholarships to graduates of the Glidden-Ralston Community School District. Under U.S. generally accepted governmental accounting standards the Trust should be included in the District's financial statements. The Trust has not been included in these financial statements upon the advice of the Trust's legal counsel.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 the 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangibles	3-20 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 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 are 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 exceeded the amounts budgeted in the other expenditures function.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental - Student Activity Fund	General Fund	2,210

The General Fund owes the Activity Fund for expenses paid by the Activity Fund.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental – Debt Service Fund	Capital Projects	140,000

This transfer moved revenues from the fund statutorily required to collect the resources to the fund that spent the resources.

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,749,696	-	-	4,749,696
Furniture and equipment	581,179	6,849	-	588,028
Total capital assets being deprec.	5,330,875	6,849	-	5,337,724
Less accumulated depreciation for:				
Buildings	1,620,581	87,410	-	1,707,991
Furniture and equipment	322,947	50,358	-	373,305
Total accumulated depreciation	1,943,528	137,768	-	2,081,296

Total capital assets being depreciated, net	<u>3,387,347</u>	<u>(130,919)</u>	<u>-</u>	<u>3,256,428</u>
Governmental activities capital assets, net	<u>3,397,347</u>	<u>(130,919)</u>	<u>-</u>	<u>3,266,428</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	168,261	6,888	-	175,149
Less accumulated depreciation	<u>117,701</u>	<u>5,761</u>	<u>-</u>	<u>123,462</u>
Business type activities capital assets, net	<u>50,560</u>	<u>1,127</u>	<u>-</u>	<u>51,687</u>

Depreciation expense was charged to the following functions:

	\$
Support services:	
Administration	1,150
Operation and maintenance	1,348
Transportation	<u>42,291</u>
	44,789
Unallocated depreciation	<u>92,979</u>
Total depreciation expense – governmental activities	<u>137,768</u>
Business type activities:	
Food services	<u>5,761</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,725,000	-	150,000	1,575,000	160,000
Termination benefits	12,129	18,300	12,129	18,300	18,300
Net OPEB liability	<u>90,182</u>	<u>87,890</u>	<u>-</u>	<u>178,072</u>	<u>-</u>
Total	<u>1,827,311</u>	<u>106,190</u>	<u>162,129</u>	<u>1,771,372</u>	<u>178,300</u>
Business type activities:					
Net OPEB liability	<u>2,818</u>	<u>2,747</u>	<u>-</u>	<u>5,565</u>	<u>-</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits will be paid in the next year.

At June 30, 2011, the District has an obligation to one participant with a total liability of \$18,300. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$12,129.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ended June 30,</u>	<u>Bond Issue of November 2005</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2012	3.55	160,000	60,980	220,980
2013	3.60	160,000	55,300	215,300
2014	3.70	165,000	49,540	214,540
2015	3.80	175,000	43,435	218,435
2016	3.90	175,000	36,785	211,785
2017-2020	4.00-4.10	740,000	73,635	813,635
		<u>1,575,000</u>	<u>319,675</u>	<u>1,894,675</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$133,588, \$130,809 and \$129,241 respectively, equal to the required contributions for each year.

8. Other Postemployment 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 48 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual 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	125,000
Interest on net OPEB obligation	4,185
Adjustment to annual required contribution	<u>(3,548)</u>
Annual OPEB cost	125,637
Contributions made	<u>35,000</u>
Increase in net OPEB obligation	90,637
Net OPEB obligation beginning of year	<u>93,000</u>
Net OPEB obligation end of year	<u>183,637</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 \$35,000 to the medical plan. Plan members eligible for benefits contributed \$45,816.

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:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	125,000	25.6%	93,000
2011	125,637	28.9%	183,637

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 \$1,127,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,127,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,310,000 and the ratio of the UAAL to covered payroll was 86.0%. 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 events 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 the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.05% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$135,075 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.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Home School Assistance Program	4,250
At-Risk	6,307
Educator quality, professional development	9,412
	<u>19,969</u>

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 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 580,073	\$ (19,598)
Change in fund type classification per implementation of GASB Statement No. 54	<u>(19,598)</u>	<u>19,598</u>
Balances July 1, 2010, as restated	<u>560,475</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,216,751	103,493	2,320,244	2,514,558	2,514,558	(194,314)
State sources	1,607,956	1,834	1,609,790	1,770,304	1,770,304	(160,514)
Federal sources	199,075	78,560	277,635	262,000	262,000	15,635
Total revenues	<u>4,023,782</u>	<u>183,887</u>	<u>4,207,669</u>	<u>4,546,862</u>	<u>4,546,862</u>	<u>(339,193)</u>
Expenditures/Expenses:						
Instruction	2,093,039	-	2,093,039	3,630,557	3,630,557	1,537,518
Support services	1,044,127	-	1,044,127	1,445,752	1,445,752	401,625
Non-instructional programs	-	182,662	182,662	232,957	232,957	50,295
Other expenditures	454,179	-	454,179	137,013	137,013	(317,166)
Total expenditures/expenses	<u>3,591,345</u>	<u>182,662</u>	<u>3,774,007</u>	<u>5,446,279</u>	<u>5,446,279</u>	<u>1,672,272</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	432,437	1,225	433,662	(899,417)	(899,417)	1,333,079
Balance beginning of year	<u>3,281,930</u>	<u>59,602</u>	<u>3,341,532</u>	<u>2,520,832</u>	<u>2,520,832</u>	<u>820,700</u>
Balance end of year	<u><u>3,714,367</u></u>	<u><u>60,827</u></u>	<u><u>3,775,194</u></u>	<u><u>1,621,415</u></u>	<u><u>1,621,415</u></u>	<u><u>2,153,779</u></u>

GLIDDEN-RALSTON 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the other expenditures function.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	1,127,000	1,127,000	0.0%	1,140,000	98.9%
2011	July 1, 2009	-	1,127,000	1,127,000	0.0%	1,310,000	86.0%

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

OTHER SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	
Cash and pooled investments	103,317	62,737	962	167,016
Receivables:				
Property tax:				
Delinquent	641	-	577	1,218
Succeeding year	80,000	-	41,480	121,480
Interfund receivable	-	2,210	-	2,210
Total assets	183,958	64,947	43,019	291,924
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	3,564	-	3,564
Deferred revenue:				
Succeeding year property tax	80,000	-	41,480	121,480
Total liabilities	80,000	3,564	41,480	125,044
Fund balances:				
Restricted for:				
Debt service	-	-	1,539	1,539
Management levy	103,958	-	-	103,958
Student activities	-	61,383	-	61,383
Total fund balances	103,958	61,383	1,539	166,880
Total liabilities and fund balances	183,958	64,947	43,019	291,924

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue Funds		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	85,137	-	76,832	161,969
Other	4,995	115,180	-	120,175
State sources	36	-	33	69
Total revenues	<u>90,168</u>	<u>115,180</u>	<u>76,865</u>	<u>282,213</u>
Expenditures:				
Current:				
Instruction:				
Other	-	96,427	-	96,427
Support services:				
Operation and maintenance of plant	35,680	-	-	35,680
Other expenditures:				
Long-term debt:				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	66,680	66,680
Total expenditures	<u>35,680</u>	<u>96,427</u>	<u>216,680</u>	<u>348,787</u>
Excess (deficiency) of revenues over (under) expenditures	54,488	18,753	(139,815)	(66,574)
Other financing sources (uses):				
Operating transfers in	-	-	140,000	140,000
Net change in fund balance	54,488	18,753	185	73,426
Fund balances beginning of year, as restated	49,470	42,630	1,354	93,454
Fund balances end of year	<u>103,958</u>	<u>61,383</u>	<u>1,539</u>	<u>166,880</u>

GLIDDEN-RALSTON 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	493,887	8,642	502,529
Receivables:			
Property tax:			
Delinquent	-	280	280
Succeeding year	-	38,709	38,709
Due from other governments	78,895	-	78,895
Total assets	<u>572,782</u>	<u>47,631</u>	<u>620,413</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	38,709	38,709
Fund balances:			
Restricted for:			
School infrastructure	572,782	-	572,782
Physical plant and equipment	-	8,922	8,922
Total fund balances	<u>572,782</u>	<u>8,922</u>	<u>581,704</u>
Total liabilities and fund balances	<u>572,782</u>	<u>47,631</u>	<u>620,413</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	242,916	37,364	280,280
Other	2,502	3,170	5,672
State sources	3,500	16	3,516
Total revenues	<u>248,918</u>	<u>40,550</u>	<u>289,468</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	25,815	-	25,815
Other expenditures:			
Facilities acquisition	90,394	12,030	102,424
Total expenditures	<u>116,209</u>	<u>12,030</u>	<u>128,239</u>
Excess (deficiency) of revenues over (under) expenditures	132,709	28,520	161,229
Other financing sources (uses):			
Operating transfers out	<u>(140,000)</u>	<u>-</u>	<u>(140,000)</u>
Net change in fund balance	(7,291)	28,520	21,229
Fund balances beginning of year, as restated	<u>580,073</u>	<u>(19,598)</u>	<u>560,475</u>
Fund balance end of year	<u><u>572,782</u></u>	<u><u>8,922</u></u>	<u><u>581,704</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Officials	(438)	-	490	(928)
Drama	131	-	-	131
Speech	(225)	-	352	(577)
Vocal	(119)	30	197	(286)
Instrumental	1,621	6,318	5,088	2,851
Boys high school basketball	1,016	4,164	3,780	1,400
Junior high basketball	(1,045)	-	1,025	(2,070)
High school football	5,013	29,213	23,128	11,098
Junior high football	(540)	-	390	(930)
Baseball	(3,191)	397	2,808	(5,602)
Boys high school track	(345)	25	597	(917)
Girls high school basketball	472	2,705	1,520	1,657
Cheerleading	2,311	780	12	3,079
Dance team	500	-	50	450
Volleyball	(1,347)	1,742	1,184	(789)
Junior high volleyball	(300)	-	240	(540)
Softball	(1,942)	1,737	2,904	(3,109)
Girls high school track	(330)	30	512	(812)
Junior high track	(33)	-	500	(533)
Student services	-	1,306	1,158	148
Towels & padlocks	1,099	810	-	1,909
Fund raiser	-	1,273	1,160	113
Resale	-	2,304	1,537	767
Activities resale	9,052	16,216	17,395	7,873
Activity tickets	6,185	6,267	-	12,452
Class of 2009	75	-	-	75
Class of 2010	435	-	-	435
Class of 2011	462	980	1,424	18
Class of 2012	2,995	1,810	3,280	1,525
Class of 2013	330	2,560	1,085	1,805
Class of 2014	308	902	140	1,070
Class of 2015	25	50	-	75
FFA	11,579	15,533	17,225	9,887
FHA	841	1,059	748	1,152
Golf	(965)	14	914	(1,865)
Interest	(851)	547	1,378	(1,682)
Science club	90	157	-	247
Spanish club	2,175	2,440	2,300	2,315
Art club	53	-	-	53

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Student council	4,476	1,004	1,109	4,371
Yearbook	5,165	10,993	4,537	11,621
Glidden school newspaper	746	-	325	421
Undesignated	(1,521)	1,814	(6,296)	6,589
Accruals end of year	(1,333)	-	2,231	(3,564)
Totals	<u>42,630</u>	<u>115,180</u>	<u>96,427</u>	<u>61,383</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	1,650,245	1,543,282	1,662,973	1,427,211	1,455,241	1,293,991	1,322,892	1,492,713
Tuition	291,067	267,262	289,657	250,925	210,555	190,555	167,328	120,103
Other	275,439	332,069	311,201	309,670	236,498	300,778	192,146	213,455
State sources	1,607,956	1,479,943	1,826,112	1,876,970	1,694,426	1,576,713	1,589,601	1,385,722
Federal sources	199,075	355,247	141,917	141,766	125,152	309,604	146,316	186,944
Total revenues	<u>4,023,782</u>	<u>3,977,803</u>	<u>4,231,860</u>	<u>4,006,542</u>	<u>3,721,872</u>	<u>3,671,641</u>	<u>3,418,283</u>	<u>3,398,937</u>
Expenditures:								
Instruction:								
Regular	1,431,274	1,468,617	1,416,188	1,471,511	1,363,502	1,080,908	1,354,536	1,318,801
Special	268,291	261,329	265,548	202,786	258,081	225,238	250,374	249,298
Other	393,474	416,495	449,658	439,349	434,083	433,517	346,666	393,174
Support services:								
Student	175,254	139,914	154,582	128,839	127,748	163,758	140,147	142,473
Instructional staff	150,157	214,362	195,013	143,006	162,873	222,871	65,348	62,310
Administration	312,127	315,866	304,656	299,061	265,158	268,196	293,552	258,168
Operation and maintenance	296,430	274,744	268,289	285,027	301,348	271,928	191,399	194,765
Transportation	110,159	100,459	128,023	98,903	164,648	110,003	96,621	79,725
Other expenditures:								
Facilities acquisition	102,424	149,503	70,342	80,939	197,596	97,977	41,733	24,576
Long-term debt:								
Principal	150,000	120,000	140,000	135,000	130,000	195,000	110,000	105,000
Interest and other charges	66,680	71,175	75,614	79,291	82,465	145,680	104,665	108,812
AEA flowthrough	135,075	134,385	126,171	124,474	114,464	106,775	107,439	107,798
Total expenditures	<u>3,591,345</u>	<u>3,666,849</u>	<u>3,594,084</u>	<u>3,488,186</u>	<u>3,601,966</u>	<u>3,321,851</u>	<u>3,102,480</u>	<u>3,044,900</u>

See accompanying independent auditor's report.

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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
Glidden-Ralston 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 Glidden-Ralston 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 March 28, 2012. Because the financial statements referred to above include only the primary government of the Glidden-Ralston Community School District, they do not purport to, and do not present fairly, the financial position and changes in financial position of the Glidden-Ralston Community School District in conformity with accounting principles generally accepted in the United States of America. 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 Glidden-Ralston Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glidden-Ralston Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glidden-Ralston 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 Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 11-I-A, 11-I-B and 11-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glidden-Ralston Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

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.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 28, 2012

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

11-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements (continued):

11-I-C Signature Stamp: We noted that a stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. The Board Secretary prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board secretary should not have access to or use a stamp with the Board President's signature.

District Response: We will discuss methods to limit access to the stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, exceeded the certified budget amount in the other expenditures function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

11-II-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
◆ Susan Freml, Board Member, Loan Officer & Asst. Trust Officer at United Bank of Iowa	School Banking	-

Susan Freml is an officer of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

11-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 11-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education by the due date.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-L 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$ 580,073
Revenues/transfers in:		
Statewide sales, services and use tax revenue	242,916	
Other local revenues	2,502	
State revenues	<u>3,500</u>	248,918
Expenditures/transfers out:		
School infrastructure construction	90,394	
Other	25,815	
Transfers to debt service fund	<u>140,000</u>	<u>256,209</u>
Ending balance		<u><u>572,782</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u> </u>	<u> </u>
Debt service Levy	\$1.1239	\$140,000
11-II-M	<p><u>Interfund Loans:</u> On October 22, 2009 the Iowa Department of Education issued a revised Declaratory Order, covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1 of the following year.</p> <p><u>Recommendation:</u> The District should follow the October 22, 2009 Declaratory Order with respect to interfund loans.</p> <p><u>District Response:</u> We will retire interfund loans with interest on a timely basis in the future.</p> <p><u>Conclusion:</u> Response accepted.</p>	
11-II-N	<p><u>Student Activity Fund Deficits:</u> We noted several accounts in the Student Activity Fund with deficit balances.</p> <p><u>Recommendation:</u> The District should seek ways to eliminate the deficits.</p> <p><u>District Response:</u> We are trying to reduce those accounts with deficit balances.</p> <p><u>Conclusion:</u> Response accepted.</p>	