

GILBERT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2011 Election)		
Board of Education		
Marcia DeZonia	President	2013
Kim Mosiman	Vice President	2011
Chris Benda	Board Member	2011
Mary Zimmerman	Board Member	2013
Paul Livingston	Board Member	2011

(After September 2011 Election)
Board of Education

Kim Mosiman	President	2015
Marcia DeZonia	Vice President	2013
Tanya Austin	Board Member	2015
Tyler Holck	Board Member	2015
Mary Zimmerman	Board Member	2013

School Officials

Lindsey Beecher	Superintendent	2012
Johna Clancy	Board Secretary/Treasurer and Business Manager	2012
Ahlers & Cooney, P.C.	Attorney	2012

GILBERT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District, Gilbert Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2013 on our consideration of Gilbert Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic

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financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gilbert Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gilbert Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,136,913 in fiscal 2011 to \$12,210,936 in fiscal 2012, while General Fund expenditures increased from \$11,379,246 in fiscal 2011 to \$11,999,831 in fiscal 2012. The District's General Fund balance increased from \$2,107,935 in fiscal 2011 to \$2,319,040 in fiscal 2012, a 10.01% increase over the prior year.
- The increase in General Fund revenues was mostly attributable to increased state revenues in fiscal 2012. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gilbert Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilbert Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gilbert Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

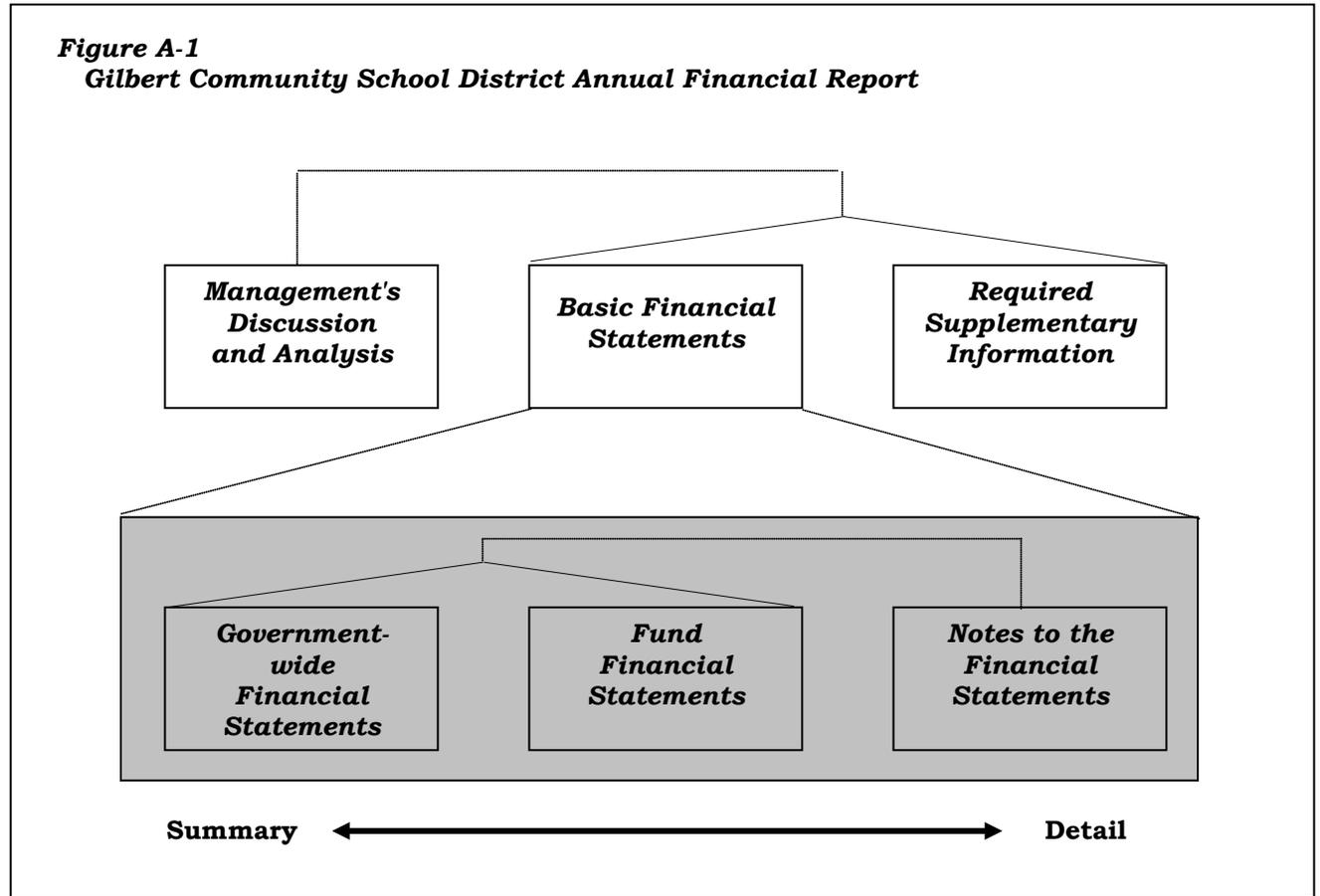


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 27,488,898	13,601,466	89,914	79,972	27,578,812	13,681,438	101.58%
Capital assets	22,206,781	16,621,755	84,401	94,034	22,291,182	16,715,789	33.35%
Total assets	49,695,679	30,223,221	174,315	174,006	49,869,994	30,397,227	64.06%
Long-term obligations	26,753,230	9,186,213	5,038	2,823	26,758,268	9,189,036	191.20%
Other liabilities	6,771,108	6,869,505	16,935	14,307	6,788,043	6,883,812	-1.39%
Total liabilities	33,524,338	16,055,718	21,973	17,130	33,546,311	16,072,848	108.71%
Net assets:							
Invested in capital assets, net of related debt	8,877,974	7,591,755	84,401	94,034	8,962,375	7,685,789	16.61%
Restricted	5,320,641	4,688,590	-	-	5,320,641	4,688,590	13.48%
Unrestricted	1,972,726	1,887,158	67,941	62,842	2,040,667	1,950,000	4.65%
Total net assets	\$ 16,171,341	14,167,503	152,342	156,876	16,323,683	14,324,379	13.96%

The District's combined net assets increased by 13.96%, or \$1,999,304 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by 13.48%, or \$632,051, over the prior year. The increase in restricted net assets is mainly attributable to the increase in ending fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 4.65%, or \$90,667, from the prior year. The increase in unrestricted net assets is mainly attributable to the increase in ending fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues :							
Program revenues:							
Charges for services	\$ 1,904,128	1,912,487	411,156	377,114	2,315,284	2,289,601	1.12%
Operating grants and contributions and restricted interest	857,748	1,598,557	134,152	128,501	991,900	1,727,058	-42.57%
Capital grants and contributions and restricted interest	48,878	-	-	-	48,878	-	100.00%
General revenues:							
Property tax	6,696,917	6,272,515	-	-	6,696,917	6,272,515	6.77%
Statewide sales, services and use tax	1,329,336	1,149,975	-	-	1,329,336	1,149,975	15.60%
Nonspecific program federal grants	7,358	299,386	-	29,951	7,358	329,337	-97.77%
Unrestricted state grants	5,374,596	4,098,006	-	-	5,374,596	4,098,006	31.15%
Unrestricted interest	110,281	49,055	594	435	110,875	49,490	124.04%
Other general revenue	110,665	137,619	-	6,936	110,665	144,555	-23.44%
Total revenues	<u>16,439,907</u>	<u>15,517,600</u>	<u>545,902</u>	<u>542,937</u>	<u>16,985,809</u>	<u>16,060,537</u>	<u>5.76%</u>
Program expenses:							
Governmental activities:							
Instructional	9,287,724	8,893,673	-	-	9,287,724	8,893,673	4.43%
Support services	3,626,713	2,901,249	2,327	-	3,629,040	2,901,249	25.09%
Non-instructional programs	-	11,368	548,109	519,829	548,109	531,197	3.18%
Other expenses	1,521,632	1,662,777	-	-	1,521,632	1,662,777	-8.49%
Total expenses	<u>14,436,069</u>	<u>13,469,067</u>	<u>550,436</u>	<u>519,829</u>	<u>14,986,505</u>	<u>13,988,896</u>	<u>7.13%</u>
Change in net assets	2,003,838	2,048,533	(4,534)	23,108	1,999,304	2,071,641	-3.49%
Net assets beginning of year	<u>14,167,503</u>	<u>12,118,970</u>	<u>156,876</u>	<u>133,768</u>	<u>14,324,379</u>	<u>12,252,738</u>	<u>16.91%</u>
Net assets end of year	<u>\$ 16,171,341</u>	<u>14,167,503</u>	<u>152,342</u>	<u>156,876</u>	<u>16,323,683</u>	<u>14,324,379</u>	<u>13.96%</u>

In fiscal 2012, property tax and unrestricted state grants account for 73.43% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.89% of the revenue from business type activities.

The District's total revenues were \$16,985,809 of which \$16,439,907 was for governmental activities and \$545,902 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.76% increase in revenues and a 7.13% increase in expenses. Property tax increased \$424,402 to fund the increase in expenses. The increase in expenditures was primarily related to the increase in salaries and benefits received by District employees.

Governmental Activities

Revenues for governmental activities were \$16,439,907 and expenses were \$14,436,069.

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

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 9,287,724	8,893,673	4.43%	6,965,693	5,872,702	18.61%
Support services	3,626,713	2,901,249	25.01%	3,564,291	2,856,738	24.77%
Non-instructional programs	-	11,368	-100.00%	-	11,368	-100.00%
Other expenses	1,521,632	1,662,777	-8.49%	1,095,331	1,217,215	-10.01%
Totals	\$ 14,436,069	13,469,067	7.18%	11,625,315	9,958,023	16.74%

- The cost financed by users of the District's programs was \$1,904,128.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$906,626.
- The net cost of governmental activities was financed with \$6,696,917 in property tax, \$1,329,336 in statewide sales, service and use tax, \$7,358 in nonspecific program federal grants, \$5,374,596 in unrestricted state grants, \$110,281 in interest income and \$110,665 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$545,902 and expenses were \$550,436. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$20,869,732, above last year's ending fund balances of a \$6,785,586.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increases in state source revenues resulted in an increase in revenues.
- The Statewide Sales and Services Tax Fund increased from \$2,823,016 in fiscal 2011 to \$3,377,509 in fiscal 2012. The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$55,466 in fiscal 2011 to \$143,349 in fiscal 2012. The District also started a Bond Construction Fund this fiscal year. This fund is being used to record bond proceeds and construction costs associated with the new high school building. The fund had an ending balance of \$13,296,193 for fiscal 2012.

- The Debt Service fund balance decreased from \$966,579 in 2011 to \$829,704 in 2012. The decrease in fund balance was related to increased principal and interest payments from the newly issued revenue and general obligation bonds.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$156,876 in 2011 to \$152,342 in 2012. Revenues for the fiscal year increased by \$2,965 or 0.55%. The expenditures increased by \$30,607 or 5.89%. The higher cost of transportation, storage, and actual cost of the food, along with an increase in wages and benefits was the big factors for the increase.

BUDGETARY HIGHLIGHTS

The District's revenues were \$219,780 less than budgeted revenues, a variance of 1.28%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$22,291,182, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 33.35% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$610,390.

The original cost of the District's capital assets was \$29,654,037. Governmental funds account for \$29,388,570 with the remainder of \$265,467 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$6,482,830 at June 30, 2012, compared to \$560,559 in 2011 due to the District starting construction on a new high school building, a high school auditorium shell, and elementary renovations.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 1,146,053	1,135,686	-	-	1,146,053	1,135,686	0.91%
Construction in progress	6,482,830	560,559	-	-	6,482,830	560,559	1056.49%
Buildings	13,817,079	14,123,188	-	-	13,817,079	14,123,188	-2.17%
Improvements other than buildings	173,776	199,285	-	-	173,776	199,285	-12.80%
Machinery and equipment	587,043	603,037	84,401	94,034	671,444	697,071	-3.68%
Total	\$ 22,206,781	16,621,755	84,401	94,034	22,291,182	16,715,789	33.35%

Long-Term Debt

At June 30, 2012, the District had long-term debt outstanding of \$26,758,268 in general obligation bonds and other long-term debt. This represents an increase of 191.20% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District has an outstanding general obligation bonds payable for a total of \$17,725,000 at June 30, 2012.

The District had revenue bonds payable of \$8,900,000 at June 30, 2012.

The District also had total outstanding early retirement payable of \$69,975 at June 30, 2012, that is payable from the Special Revenue, Management Levy Fund.

The District had a net OPEB liability of \$58,255 in the governmental activities and \$5,038 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 17,725,000	7,440,000	-	-	17,725,000	7,440,000	138.24%
Revenue bonds	8,900,000	1,590,000	-	-	8,900,000	1,590,000	459.75%
Early retirement	69,975	123,569	-	-	69,975	123,569	-43.37%
Net OPEB obligation	58,255	32,644	5,038	2,823	63,293	35,467	78.46%
Total	\$ 26,753,230	9,186,213	5,038	2,823	26,758,268	9,189,036	191.20%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Enrollment is starting to stabilize, and the district expects continued growth in the years to come. The increases in enrollment will help the District gain financial stability and aid in repayment of the District's obligations.
- The District realizes that with budget cuts, stagnate economy, and massive unemployment that it could be necessary to implement budget cuts where necessary. The District is hopeful that FY 13 will be a better year and the economy will continue to recover.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Johna Clancy, District Board Secretary, Gilbert Community School District, 103 Mathews Drive, Gilbert, Iowa, 50105.

GILBERT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 20,657,341	68,997	20,726,338
Receivables:			
Property tax:			
Delinquent	18,324	-	18,324
Succeeding year	6,496,847	-	6,496,847
Due from other governments	316,386	-	316,386
Inventories	-	20,917	20,917
Capital assets, net of accumulated depreciation	22,206,781	84,401	22,291,182
TOTAL ASSETS	49,695,679	174,315	49,869,994
LIABILITIES			
Accounts payable	122,319	-	122,319
Interest payable	151,942	-	151,942
Deferred revenue:			
Succeeding year property tax	6,496,847	-	6,496,847
Unearned revenue	-	16,935	16,935
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	715,000	-	715,000
Early retirement payable	66,725	-	66,725
Portion due after one year:			
General obligation bonds payable	17,010,000	-	17,010,000
Revenue bonds payable	8,900,000	-	8,900,000
Early retirement payable	3,250	-	3,250
Net OPEB liability	58,255	5,038	63,293
TOTAL LIABILITIES	33,524,338	21,973	33,546,311
NET ASSETS			
Invested in capital assets, net of related debt	8,877,974	84,401	8,962,375
Restricted for:			
Categorical funding	136,116	-	136,116
Debt service	829,704	-	829,704
School infrastructure	3,377,509	-	3,377,509
Physical plant & equipment levy	143,349	-	143,349
Management levy	666,813	-	666,813
Student activities	167,150	-	167,150
Unrestricted	1,972,726	67,941	2,040,667
TOTAL NET ASSETS	\$ 16,171,341	152,342	16,323,683

SEE NOTES TO FINANCIAL STATEMENTS

**GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Capital Grants, Charges Contributions Contributions for and Restricted and Restricted			Governmental Activities	Business Type Activities	Total
		Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,023,727	1,175,241	41,953	-	(4,806,533)	-	(4,806,533)
Special	1,219,071	193,385	187,813	-	(837,873)	-	(837,873)
Other	2,044,926	535,502	188,137	-	(1,321,287)	-	(1,321,287)
	<u>9,287,724</u>	<u>1,904,128</u>	<u>417,903</u>	<u>-</u>	<u>(6,965,693)</u>	<u>-</u>	<u>(6,965,693)</u>
Support services:							
Student	226,783	-	-	-	(226,783)	-	(226,783)
Instructional staff	404,676	-	1,950	-	(402,726)	-	(402,726)
Administration	1,271,133	-	-	-	(1,271,133)	-	(1,271,133)
Operation and maintenance of plant	1,149,135	-	-	48,878	(1,100,257)	-	(1,100,257)
Transportation	574,986	-	11,594	-	(563,392)	-	(563,392)
	<u>3,626,713</u>	<u>-</u>	<u>13,544</u>	<u>48,878</u>	<u>(3,564,291)</u>	<u>-</u>	<u>(3,564,291)</u>
Long-term debt interest	714,193	-	-	-	(714,193)	-	(714,193)
Other expenses:							
AEA flowthrough	426,301	-	426,301	-	-	-	-
Depreciation(unallocated)*	381,138	-	-	-	(381,138)	-	(381,138)
	<u>807,439</u>	<u>-</u>	<u>426,301</u>	<u>-</u>	<u>(381,138)</u>	<u>-</u>	<u>(381,138)</u>
Total governmental activities	14,436,069	1,904,128	857,748	48,878	(11,625,315)	-	(11,625,315)
Business Type activities:							
Support services:							
Operation and maintenance of plant	2,327	-	-	-	-	(2,327)	(2,327)
Non-instructional programs:							
Nutrition services	548,109	411,156	134,152	-	-	(2,801)	(2,801)
Total business type activities	<u>550,436</u>	<u>411,156</u>	<u>134,152</u>	<u>-</u>	<u>-</u>	<u>(5,128)</u>	<u>(5,128)</u>
Total	\$ 14,986,505	2,315,284	991,900	48,878	(11,625,315)	(5,128)	(11,630,443)
General Revenues:							
Property tax levied for:							
General purposes					\$ 4,780,094	-	4,780,094
Debt services					1,355,507	-	1,355,507
Capital outlay					561,316	-	561,316
Statewide sales, services and use tax					1,329,336	-	1,329,336
Nonspecific program federal grants					7,358	-	7,358
Unrestricted state grants					5,374,596	-	5,374,596
Unrestricted investment earnings					110,281	594	110,875
Other					110,665	-	110,665
Total general revenues					<u>13,629,153</u>	<u>594</u>	<u>13,629,747</u>
Changes in net assets					2,003,838	(4,534)	1,999,304
Net assets beginning of year					<u>14,167,503</u>	<u>156,876</u>	<u>14,324,379</u>
Net assets end of year					\$ <u>16,171,341</u>	<u>152,342</u>	<u>16,323,683</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,267,393	16,660,918	825,931	903,099	20,657,341
Receivables:					
Property tax:					
Delinquent	12,263	1,538	3,701	822	18,324
Succeeding year	4,165,855	603,183	1,462,809	265,000	6,496,847
Due from other governments	161,703	154,595	72	16	316,386
TOTAL ASSETS	\$ 6,607,214	17,420,234	2,292,513	1,168,937	27,488,898
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 122,319	-	-	-	122,319
Deferred revenue:					
Succeeding year property tax	4,165,855	603,183	1,462,809	265,000	6,496,847
Total liabilities	4,288,174	603,183	1,462,809	265,000	6,619,166
Fund balances:					
Restricted for:					
Categorical funding	136,116	-	-	-	136,116
Debt service	-	-	829,704	-	829,704
Construction	-	13,296,193	-	-	13,296,193
School infrastructure	-	3,377,509	-	-	3,377,509
Physical plant and equipment	-	143,349	-	-	143,349
Management levy purposes	-	-	-	736,787	736,787
Student activities	-	-	-	167,150	167,150
Unassigned	2,182,924	-	-	-	2,182,924
Total fund balances	2,319,040	16,817,051	829,704	903,937	20,869,732
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,607,214	17,420,234	2,292,513	1,168,937	27,488,898

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$ 20,869,732
 <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 in the governmental funds.	22,206,781
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(151,942)
Long-term liabilities, including bonds payable, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(26,753,230)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 16,171,341</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,479,176	1,890,652	1,355,507	300,918	8,026,253
Tuition	1,276,564	-	-	-	1,276,564
Other	236,047	75,370	7,839	549,019	868,275
State sources	5,921,375	200	481	107	5,922,163
Federal sources	297,774	48,878	-	-	346,652
TOTAL REVENUES	12,210,936	2,015,100	1,363,827	850,044	16,439,907
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,808,570	30,885	-	188,308	6,027,763
Special	1,241,428	-	-	-	1,241,428
Other	1,529,297	-	-	511,713	2,041,010
	8,579,295	30,885	-	700,021	9,310,201
Support services:					
Student	208,891	-	-	20,391	229,282
Instructional staff	403,903	-	-	-	403,903
Administration	1,145,572	82,601	-	-	1,228,173
Operation and maintenance of plant	779,195	-	-	44,060	823,255
Transportation	456,674	105,339	-	14,225	576,238
	2,994,235	187,940	-	78,676	3,260,851
Capital outlay	-	6,294,207	-	-	6,294,207
Long-term debt:					
Principal	-	-	2,405,000	-	2,405,000
Interest and fiscal charges	-	-	615,876	-	615,876
	-	-	3,020,876	-	3,020,876
Other expenditures:					
AEA flowthrough	426,301	-	-	-	426,301
TOTAL EXPENDITURES	11,999,831	6,513,032	3,020,876	778,697	22,312,436
Excess(Deficiency) of revenues over(under) expenditures	211,105	(4,497,932)	(1,657,049)	71,347	(5,872,529)
Other financing sources(uses):					
Transfer in	-	8,106,480	1,520,174	-	9,626,654
Transfer out	-	(9,626,654)	-	-	(9,626,654)
Revenue bond issuance	-	8,900,000	-	-	8,900,000
Premium on revenue bond issuance	-	54,029	-	-	54,029
Discount on revenue bond issuance	-	(116,292)	-	-	(116,292)
General obligation bond issuance	-	11,100,000	-	-	11,100,000
Premium on general obligation bond issuance	-	120,110	-	-	120,110
Discount on general obligation bond issuance	-	(101,172)	-	-	(101,172)
Total other financing sources(uses)	-	18,436,501	1,520,174	-	19,956,675
Net change in fund balances	211,105	13,938,569	(136,875)	71,347	14,084,146
Fund balance beginning of year	2,107,935	2,878,482	966,579	832,590	6,785,586
Fund balance end of year	\$ 2,319,040	16,817,051	829,704	903,937	20,869,732

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ 14,084,146

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 6,180,288	
Depreciation expense	(595,262)	5,585,026

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (20,000,000)	
Repaid	2,405,000	(17,595,000)

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.

(98,317)

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

Early retirement	\$ 53,594	
Other postemployment benefits	(25,611)	27,983

Changes in net assets of governmental activities(page 19) \$ 2,003,838

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 68,997
Inventories	20,917
Capital assets, net of accumulated depreciation	<u>84,401</u>
TOTAL ASSETS	<u><u>174,315</u></u>
LIABILITIES	
Unearned revenues	16,935
Net OPEB liability	<u>5,038</u>
TOTAL LIABILITIES	<u><u>21,973</u></u>
NET ASSETS	
Invested in capital assets	84,401
Unrestricted	<u>67,941</u>
TOTAL NET ASSETS	<u><u>\$ 152,342</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 411,156
OPERATING EXPENSES:	
Non-instructional programs:	
Support services:	
Operation and maintenance of plant	2,327
Food service operations:	
Salaries	158,681
Benefits	72,859
Services	1,481
Supplies	299,960
Depreciation	15,128
TOTAL OPERATING EXPENSES	550,436
OPERATING LOSS	(139,280)
NON-OPERATING REVENUES:	
Interest	594
State sources	5,008
Federal sources	129,144
TOTAL NON-OPERATING REVENUES	134,746
Change in net assets	(4,534)
Net assets at beginning of year	156,876
Net assets end of year	\$ 152,342

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 413,784
Cash payments to employees for services	(229,325)
Cash payments to suppliers for goods or services	(269,313)
Net cash used in operating activities	(84,854)
Cash flows from non-capital financing activities:	
State grants received	5,008
Federal grants received	92,446
Net cash provided by non-capital financing activities	97,454
Cash flows from investing activities:	
Interest on investments	594
Cash flows from capital financing activities:	
Purchase of assets	(5,495)
Net increase in cash and cash equivalents	7,699
Cash and cash equivalents at beginning of year	61,298
Cash and cash equivalents at end of year	\$ 68,997
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (139,280)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	36,698
Depreciation	15,128
Increase in inventories	(2,243)
Increase in unearned revenue	2,628
Increase in other postemployment benefits	2,215
Net cash used in operating activities	\$ (84,854)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$36,698.

SEE NOTES TO FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) **Summary of Significant Accounting Policies**

The Gilbert Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Gilbert, Iowa, and the predominate agricultural territory in Boone and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Gilbert Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Gilbert Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Unused bond proceeds are added back to invested in capital assets, net of related debt.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District also reports one nonmajor proprietary fund which is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,546 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

(3) Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service: Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,520,174
Capital Projects: Bond Construction Fund	Capital Projects: Statewide Sales, Services and Use Tax	8,106,480
Total		<u>\$ 9,626,654</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service: Debt Sinking Fund was needed to create the \$731,257 reserve account for the revenue bonds dated February 1, 2012 and \$788,917 was needed to repay the revenue bonds dated March 1, 2005.

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to Capital Projects: Bond Construction Fund was needed to move revenue bond proceeds.

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,440,000	11,100,000	815,000	17,725,000	715,000
Revenue bonds	1,590,000	8,900,000	1,590,000	8,900,000	-
Early retirement	123,569	62,100	115,694	69,975	66,725
Net OPEB liability	32,644	25,611	-	58,255	-
Total	<u>\$ 9,186,213</u>	<u>20,087,711</u>	<u>2,520,694</u>	<u>26,753,230</u>	<u>781,725</u>
Business type activities:					
Net OPEB liability	\$ 2,823	2,215	-	5,038	-

General Obligation Bonds

Details of the District's June 30, 2012 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of October 1, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	4.05 % \$	460,000	304,250	2.00 % \$	100,000	309,307
2014	4.05	475,000	285,518	3.00	125,000	307,308
2015	4.05	495,000	266,079	3.00	125,000	303,557
2016	4.05-4.15	515,000	245,829	3.00	130,000	299,808
2017	4.15-4.30	540,000	224,273	3.00	135,000	295,907
2018-2022	4.30-4.65	3,070,000	739,774	3.00	765,000	1,415,638
2023-2027	4.65-4.75	1,445,000	86,057	3.00-3.20	3,575,000	1,207,137
2028-2031		-	-	3.30-3.55	4,670,000	409,821
Total		\$ 7,000,000	2,151,780		\$ 9,625,000	4,548,483

Year Ending June 30,	Bond Issue of February 1, 2012			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	0.45 % \$	155,000	21,093	715,000	634,650	1,349,650
2014	0.55	140,000	15,122	740,000	607,948	1,347,948
2015	0.70	145,000	14,352	765,000	583,988	1,348,988
2016	2.70	145,000	13,338	790,000	558,975	1,348,975
2017	2.65	140,000	9,422	815,000	529,602	1,344,602
2018-2022	1.35-1.75	375,000	11,151	4,210,000	2,166,563	6,376,563
2023-2027		-	-	5,020,000	1,293,194	6,313,194
2028-2031		-	-	4,670,000	409,821	5,079,821
Total		\$ 1,100,000	84,478	\$ 17,725,000	6,784,741	24,509,741

Revenue Bonds

The District was scheduled to have a principal payment of \$530,000 and interest payment of \$27,852 due in fiscal 2013 and a principal payment of \$550,000 and an interest payment of \$9,487 due in fiscal 2014 on the revenue bonds dated March 1, 2005. During the year ended June 30, 2012, the District chose to pay the remaining principal due in fiscal years 2013 and 2014 of \$1,080,000. The present value of savings for the District in paying off the revenue bonds dated March 1, 2005 early is \$54,276.

Details of the District's June 30, 2012 revenue bond indebtedness is as follows:

Year Ending June 30,	Bond Issue of February 1, 2012			
	Interest Rates	Principal	Interest	Total
2013	2.00 % \$	-	207,861	207,861
2014	2.00	100,000	225,757	325,757
2015	2.00	295,000	221,808	516,808
2016	2.00	300,000	215,857	515,857
2017	2.00	310,000	209,758	519,758
2018-2022	2.00-2.25	2,495,000	917,212	3,412,212
2023-2027	2.40-2.90	3,025,000	586,206	3,611,206
2028-2030	3.00-3.40	2,375,000	133,381	2,508,381
Total		\$ 8,900,000	2,717,840	11,617,840

The District has pledged future statewide sales, services and use tax revenues to repay the \$8,900,000 of bonds issued February 1, 2012. The bonds were issued for the purpose of financing a portion of the costs of the new high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require approximately 16 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$11,617,840. For the current year, \$1,590,000 in principal and \$27,826 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,329,336.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$731,257 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Moneys in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its all employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 48% if the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2012, totaled \$115,694.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 259,972	5,495	-	265,467
Less accumulated depreciation	165,938	15,128	-	181,066
Business type activities capital assets	<u>\$ 94,034</u>	<u>(9,633)</u>	<u>-</u>	<u>84,401</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,135,686	10,367	-	1,146,053
Construction in progress	560,559	5,922,271	-	6,482,830
Total capital assets not being depreciated	<u>1,696,245</u>	<u>5,932,638</u>	<u>-</u>	<u>7,628,883</u>
Capital assets being depreciated:				
Buildings	18,324,488	49,520	-	18,374,008
Land improvements	748,742	-	-	748,742
Machinery and equipment	2,438,807	198,130	-	2,636,937
Total capital assets being depreciated	<u>21,512,037</u>	<u>247,650</u>	<u>-</u>	<u>21,759,687</u>
Less accumulated depreciation for:				
Buildings	4,201,300	355,629	-	4,556,929
Land improvements	549,457	25,509	-	574,966
Machinery and equipment	1,835,770	214,124	-	2,049,894
Total accumulated depreciation	<u>6,586,527</u>	<u>595,262</u>	<u>-</u>	<u>7,181,789</u>
Total capital assets being depreciated, net	<u>14,925,510</u>	<u>(347,612)</u>	<u>-</u>	<u>14,577,898</u>
Governmental activities capital assets, net	<u>\$ 16,621,755</u>	<u>5,585,026</u>	<u>-</u>	<u>22,206,781</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 49,252
Special	1,219
Other	22,569
Support services:	
Administration services	7,274
Operation and maintenance of plant services	28,096
Transportation	105,714
	<u>214,124</u>
Unallocated depreciation	<u>381,138</u>
Total governmental activities depreciation expense	<u>\$ 595,262</u>
Business type activities:	
Food services	<u>\$ 15,128</u>

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of its annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$581,166, \$472,334, and \$439,866 respectively, equal to the required contributions for each year.

(7) Other Post-employment Benefits (OPEB)

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

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 41,100
Interest on net OPEB obligation	887
Adjustment to annual required contribution	<u>(3,392)</u>
Annual OPEB cost	38,595
Contributions made	<u>(10,769)</u>
Increase in net OPEB obligation	27,826
Net OPEB obligation beginning of year	<u>35,467</u>
Net OPEB obligation end of year	<u>\$ 63,293</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, 2012, the District contributed \$10,769 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 36,357	50.90%	\$ 17,851
2011	38,658	51.29%	35,467
2012	38,595	27.90%	63,293

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$256,467, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$256,467. The covered payroll (annual payroll of active employees covered by the plan) was \$4,452,792, and the ratio of the UAAL to covered payroll was 5.76%. As of June 30, 2012 there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

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

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$426,301 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

As of June 30, 2012, the District had entered into various contracts totaling \$19,298,701 for the construction of a new high school building. Costs of \$5,466,261 had been incurred by the District against these contracts. The remaining \$13,832,440 will be paid as work on the project progresses.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2012 are as follows:

Project	Amount
Home school assistance program	\$ 79,332
Weighted at-risk programs	782
Teacher salary supplement	33,273
Professional development	806
Four-year old preschool state aid	5,289
Professional development for model core curriculum	9,398
Market factor incentives	7,236
Total	<u>\$ 136,116</u>

GILBERT COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,171,093	411,750	10,582,843	10,902,432	10,902,432	(319,589)
State sources	5,922,162	5,008	5,927,170	5,978,157	5,978,157	(50,987)
Federal sources	346,652	129,144	475,796	325,000	325,000	150,796
Total revenues	<u>16,439,907</u>	<u>545,902</u>	<u>16,985,809</u>	<u>17,205,589</u>	<u>17,205,589</u>	<u>(219,780)</u>
Expenditures/expenses:						
Instruction	9,310,201	-	9,310,201	10,852,418	10,852,418	1,542,217
Support services	3,260,851	2,327	3,263,178	4,658,394	4,658,394	1,395,216
Non-instructional programs	-	548,109	548,109	661,061	661,061	112,952
Other expenditures	9,741,384	-	9,741,384	12,814,407	12,814,407	3,073,023
Total expenditures/expenses	<u>22,312,436</u>	<u>550,436</u>	<u>22,862,872</u>	<u>28,986,280</u>	<u>28,986,280</u>	<u>6,123,408</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(5,872,529)	(4,534)	(5,877,063)	(11,780,691)	(11,780,691)	5,903,628
Other financing sources, net	19,956,675	-	19,956,675	7,000,000	7,000,000	12,956,675
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	14,084,146	(4,534)	14,079,612	(4,780,691)	(4,780,691)	18,860,303
Balance beginning of year	6,785,586	156,876	6,942,462	5,737,816	5,737,816	1,204,646
Balance end of year	<u>\$ 20,869,732</u>	<u>152,342</u>	<u>21,022,074</u>	<u>957,125</u>	<u>957,125</u>	<u>20,064,949</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

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

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

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	\$ -	\$ 290,530	\$ 290,530	0.00%	\$ 6,318,704	4.60%
2011	July 1, 2009	-	276,858	276,858	0.00%	4,169,329	6.64%
2012	July 1, 2009	-	256,467	256,467	0.00%	4,452,792	5.76%

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

SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
ASSETS			
Cash and pooled investments	\$ 167,150	735,949	903,099
Receivables:			
Property tax:			
Delinquent	-	822	822
Succeeding year	-	265,000	265,000
Due from other governments	-	16	16
TOTAL ASSETS	\$ 167,150	1,001,787	1,168,937
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	265,000	265,000
Fund balances:			
Restricted for:			
Management levy purposes	-	736,787	736,787
Student activities	167,150	-	167,150
Total fund balances	167,150	736,787	903,937
TOTAL LIABILITIES AND FUND BALANCES	\$ 167,150	1,001,787	1,168,937

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	300,918	300,918
Other	531,765	17,254	549,019
State sources	-	107	107
TOTAL REVENUES	531,765	318,279	850,044
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	188,308	188,308
Other	511,713	-	511,713
Support services:			
Administration	-	20,391	20,391
Operation and maintenance of plant	-	44,060	44,060
Transportation	-	14,225	14,225
TOTAL EXPENDITURES	511,713	266,984	778,697
Net change in fund balances	20,052	51,295	71,347
Fund balance beginning of year	147,098	685,492	832,590
Fund balance end of year	\$ 167,150	736,787	903,937

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Construction Fund	Total
ASSETS				
Cash and pooled investments	\$ 3,271,822	141,781	13,247,315	16,660,918
Receivables:				
Property tax:				
Delinquent	-	1,538	-	1,538
Succeeding year	-	603,183	-	603,183
Due from other governments	105,687	30	48,878	154,595
TOTAL ASSETS	\$ 3,377,509	746,532	13,296,193	17,420,234
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	603,183	-	603,183
Fund balances:				
Restricted for:				
Construction	-	-	13,296,193	13,296,193
School infrastructure	3,377,509	-	-	3,377,509
Physical plant and equipment	-	143,349	-	143,349
Total fund balances	3,377,509	143,349	13,296,193	16,817,051
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,377,509	746,532	13,296,193	17,420,234

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical		
		Plant & Equipment Levy	Bond Construction Fund	
REVENUES:				
Local sources:				
Local tax	\$ 1,329,336	561,316	-	1,890,652
Other	15,474	1,682	58,214	75,370
State sources	-	200	-	200
Federal sources	-	-	48,878	48,878
TOTAL REVENUES	1,344,810	563,198	107,092	2,015,100
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	30,885	-	30,885
Support services:				
Administration	1,400	-	81,201	82,601
Transportation	-	105,339	-	105,339
Other expenditures:				
Capital outlay	-	339,091	5,955,116	6,294,207
TOTAL EXPENDITURES	1,400	475,315	6,036,317	6,513,032
Excess(Deficiency) of revenues over(under) expenditures	1,343,410	87,883	(5,929,225)	(4,497,932)
Other financing sources(uses):				
Transfer in	-	-	8,106,480	8,106,480
Transfer out	(9,626,654)	-	-	(9,626,654)
Revenue bond issuance	8,900,000	-	-	8,900,000
Premium on revenue bond issuance	54,029	-	-	54,029
Discount on revenue bond issuance	(116,292)	-	-	(116,292)
General obligation bond issuance	-	-	11,100,000	11,100,000
Premium on general obligation bond issuance	-	-	120,110	120,110
Discount on general obligation bond issuance	-	-	(101,172)	(101,172)
Total other financing sources(uses)	(788,917)	-	19,225,418	18,436,501
Net change in fund balances	554,493	87,883	13,296,193	13,938,569
Fund balance beginning of year	2,823,016	55,466	-	2,878,482
Fund balance end of year	\$ 3,377,509	143,349	13,296,193	16,817,051

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Elementary</u>				
GESS	33,854	42,574	40,134	36,294
Elementary health club	1,538	160	168	1,530
Elementary student activity	432	4,015	4,160	287
Student script	6,394	147,358	145,271	8,481
	<u>42,218</u>	<u>194,107</u>	<u>189,733</u>	<u>46,592</u>
<u>Music</u>				
Instrumental music	8,348	14,422	13,109	9,661
MS band	368	910	1,038	240
Vocal music	4,067	4,769	5,153	3,683
	<u>12,783</u>	<u>20,101</u>	<u>19,300</u>	<u>13,584</u>
<u>Miscellaneous</u>				
Adult education	819	6	-	825
General activity	8,135	61	-	8,196
	<u>8,954</u>	<u>67</u>	<u>-</u>	<u>9,021</u>
<u>Coca Cola</u>				
HS Coca Cola	-	2,136	2,136	-
MS Coca Cola	-	442	442	-
	<u>-</u>	<u>2,578</u>	<u>2,578</u>	<u>-</u>
<u>Athletics</u>				
General Athletics	3,961	27,219	19,077	12,103
Boys basketball	-	8,254	8,254	-
Girls basketball	-	9,516	9,516	-
Football	-	24,712	24,712	-
Boy's Soccer	-	4,126	4,126	-
Girl's Soccer	-	4,214	4,214	-
Baseball	-	7,714	7,714	-
Softball	-	3,710	3,710	-
Boys' track	-	7,663	7,663	-
Boys/Girls Cross Country	-	3,691	3,691	-
Girls' Track	-	8,291	8,291	-
Boys' Golf	-	1,271	1,271	-
Girls' Golf	-	242	242	-
Football camp	1,847	6,220	7,244	823
Wrestling	-	9,413	9,413	-
Cross country camp	357	4,454	4,811	-
Volleyball	-	8,227	8,227	-
Baseball camp	120	1	-	121
Girls basketball camp	234	1,635	1,814	55
Softball camp	649	4,525	3,214	1,960
Boys basketball camp	1,247	2,708	3,010	945
Volleyball camp	14	838	504	348
	<u>8,429</u>	<u>148,644</u>	<u>140,718</u>	<u>16,355</u>

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Classes</u>				
Alumni	2,206	411	140	2,477
Class of 2011	383	-	383	-
Class of 2012	5,920	5	5,133	792
Class of 2013	443	10,177	6,256	4,364
Class of 2014	-	828	326	502
	<u>8,952</u>	<u>11,421</u>	<u>12,238</u>	<u>8,135</u>
<u>Athletic support</u>				
District Football	821	605	738	688
Cheerleading MS I	-	625	604	21
Cheerleading HS II	2,387	9,689	9,024	3,052
G club	1,076	8,711	711	9,076
Fitness club	49	4,207	4,256	-
FCA	125	1	-	126
	<u>4,458</u>	<u>23,838</u>	<u>15,333</u>	<u>12,963</u>
<u>HS clubs/organizations</u>				
Yearbook	3,657	20,405	18,726	5,336
Business club	802	190	360	632
Drama	2,072	6,483	6,147	2,408
After prom	2,439	7,226	8,287	1,378
FCCLA	9,451	38,293	46,386	1,358
History club	248	104	32	320
HS student council	2,458	3,667	3,498	2,627
MOC	48	1	-	49
Spanish club	2,571	8,250	8,271	2,550
Art club	578	3,804	3,682	700
Secondary student pop	3,970	1,145	245	4,870
National honor society	86	429	344	171
Industrial education projects	-	1,610	1,550	60
Agriculture education	542	1,925	1,588	879
Science club	9	-	-	9
FFA	27,686	20,229	15,960	31,955
Student activity	583	1,748	2,331	-
	<u>57,200</u>	<u>115,509</u>	<u>117,407</u>	<u>55,302</u>
<u>Middle school</u>				
MS 6th grade carnival	538	1,191	958	771
MS special olympics	514	2	138	378
MS GLADD	104	1,239	1,239	104
MS 5th Grade activity	128	784	884	28
MS student activity	473	1,354	1,434	393
MS guidance	78	-	-	78
MS vocal	57	-	57	-
MS FCCLA	53	2,009	2,017	45
MS yearbook	454	2,913	2,878	489
MS student pop	613	218	-	831
MS student council	640	5,063	4,354	1,349
MS drama	168	725	447	446
MS art club	276	2	-	278
MS Adapt P.E.	8	-	-	8
	<u>4,104</u>	<u>15,500</u>	<u>14,406</u>	<u>5,198</u>
Totals	<u>\$ 147,098</u>	<u>531,765</u>	<u>511,713</u>	<u>167,150</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2012

	Debt Service		
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 191	825,740	825,931
Receivables:			
Property tax:			
Delinquent	3,701	-	3,701
Succeeding year	1,462,809	-	1,462,809
Due from other governments	72	-	72
TOTAL ASSETS	\$ 1,466,773	825,740	2,292,513
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 1,462,809	-	1,462,809
Total liabilities	1,462,809	-	1,462,809
Fund balances:			
Restricted for:			
Debt service	3,964	825,740	829,704
Total fund balances	3,964	825,740	829,704
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,466,773	825,740	2,292,513

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICES FUNDS
 YEAR ENDED JUNE 30, 2012

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,355,507	-	1,355,507
Other	7,839	-	7,839
State sources	481	-	481
TOTAL REVENUES	<u>1,363,827</u>	<u>-</u>	<u>1,363,827</u>
EXPENDITURES:			
Current:			
Long-term debt:			
Principal	815,000	1,590,000	2,405,000
Interest and fiscal charges	587,775	28,101	615,876
TOTAL EXPENDITURES	<u>1,402,775</u>	<u>1,618,101</u>	<u>3,020,876</u>
Deficiency of revenues under expenditures	(38,948)	(1,618,101)	(1,657,049)
Other financing sources:			
Transfer in	-	1,520,174	1,520,174
Net change in fund balances	(38,948)	(97,927)	(136,875)
Fund balance beginning of year	42,912	923,667	966,579
Fund balance end of year	<u>\$ 3,964</u>	<u>825,740</u>	<u>829,704</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 8,026,253	7,422,490	6,852,662	6,296,974	5,978,989	5,752,840	4,902,630	4,554,887	3,960,802
Tuition	1,276,564	1,308,836	1,212,944	1,117,011	1,069,366	833,141	781,055	797,463	779,286
Other	868,275	790,325	895,485	1,120,873	1,096,214	903,823	815,712	765,286	450,714
State sources	5,922,163	5,371,584	4,712,487	5,290,618	5,045,511	4,830,135	4,249,279	3,988,614	3,548,507
Federal sources	346,652	624,365	934,307	379,014	181,856	192,299	191,698	226,429	167,216
Total	\$ 16,439,907	15,517,600	14,607,885	14,204,490	13,371,936	12,512,238	10,940,374	10,332,679	8,906,525
Expenditures:									
Instruction:									
Regular	\$ 6,027,763	5,580,872	5,183,859	5,236,232	4,874,038	4,689,576	3,883,576	3,400,124	3,184,131
Special	1,241,428	1,377,017	1,301,969	1,329,561	1,189,439	1,197,259	1,384,622	1,575,302	1,337,762
Other	2,041,010	1,919,858	1,898,309	1,705,012	1,409,132	852,669	1,119,677	990,884	874,004
Support services:									
Student	229,282	155,810	155,266	146,556	133,394	127,416	92,712	99,117	94,973
Instructional staff	403,903	376,610	383,309	363,677	352,823	396,916	345,799	336,575	290,551
Administration	1,228,173	1,052,647	1,034,447	1,047,041	1,021,126	913,903	803,992	658,949	643,275
Operation and maintenance of plant	823,255	828,007	837,633	826,804	796,851	696,035	545,010	545,481	493,087
Transportation	576,238	560,077	485,482	482,829	542,904	477,046	408,024	376,937	310,496
Central support	-	-	-	-	-	-	-	-	45,195
Non-instructional programs:									
Community service and education operations	-	41	692	4,194	4,420	5,501	6,169	8,621	5,623
Food service operations	-	11,327	11,258	10,212	-	-	-	-	-
Capital outlay	6,294,207	1,442,205	451,456	314,137	360,156	2,171,839	8,485,959	2,428,951	435,506
Long term debt:									
Principal	2,405,000	920,000	890,000	850,000	973,356	896,924	490,565	479,273	433,083
Interest and fiscal charges	615,876	403,756	435,329	467,584	501,990	534,019	535,999	443,017	134,894
Other expenditures:									
AEA flow-through	426,301	445,562	432,541	380,378	351,079	332,307	286,885	265,059	244,617
Total	\$ 22,312,436	15,073,789	13,501,550	13,164,217	12,510,708	13,291,410	18,388,989	11,608,290	8,527,197

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District as of and for the year ended June 30, 2012 which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2013. 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

The management of Gilbert Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Gilbert Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Gilbert Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gilbert Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 and I-C-12 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Gilbert Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Gilbert Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gilbert Community School District and other parties to whom Gilbert Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Gilbert Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2013

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-12 Gate Admissions - It was noted that the District uses a counter punch system for gate admissions. Using physical prenumbered tickets allows for better internal controls than a counter punch system.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We continue to work on this item. Staff is investigating a more automated way to collect tickets and streamline the process.

Conclusion - Response accepted.

I-C-12 Receipting Procedures - We noted that the High School office does not currently send copies of the pre-numbered receipts given to students, to the District Administration Office with their daily deposits. These receipts should be used as a control that all money receipted into the District is being deposited. The District reconciles checks turned in by students to sponsors in an excel document. However, cash being turned in by students is not being documented as to, which student turned in each amount of money.

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

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

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.

II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in Attorney General’s opinion dated April 25, 1979.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - We noted no business transactions involving district staff or board members.

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-12 Board Minutes - We noted an instance of the board minutes not being published within two weeks as required by Chapter 279.35-36 of the Code of Iowa.
- Recommendation - The board secretary should furnish a copy of the Board minutes to be published within two weeks of each meeting.
- Response - We will work with the local newspaper and comply with this recommendation.
- Conclusion - Response accepted.
- II-G-12 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 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, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$	2,823,016
Revenues/transfer in:			
Sales tax revenues	\$	1,329,336	
Other local revenues		69,503	
Sale of long-term debt		8,900,000	10,298,839
Expenditures/transfer out:			13,121,855
Other		117,692	
Transfers to other funds:			
Debt service fund		1,520,174	
Bond construction fund		8,106,480	9,744,346
Ending Balance		\$	<u>3,377,509</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa